

REFLECTIONS ON THE NATIONAL CAPITAL REGION:
SOLVING REGIONAL PROBLEMS IN THE NATIONAL CAPITAL REGION
WITHOUT REGIONAL GOVERNMENT: WHO WILL LEAD?

Prepared for the Center for Regional Analysis
School of Public Policy
George Mason University

John McClain

November 2014

Foreword

The process of developing and implementing solutions to regional issues in the National Capital Region is especially complicated because of the unique political character of the region. The metropolitan area contains significant parts of two states, a federal district, and is the seat of the nation's government. There are no other metro areas with the governmental complexity of greater Washington. Washington is also lacking a traditional private sector presence, with its major employer being the Federal government and many employed in the private sector working on Federal contracts. The Federal presence in the region has both its benefits and its drawbacks – it has sometimes been a catalyst and a leader in developing solutions to regional problems but other times national and political priorities have taken precedence over local matters. And in the foreseeable future looking forward from 2014, the Federal presence in the local economy will be diminishing, as it has been for the last few years with cuts to federal spending and employment in the region. It is obvious that the region's local governments and private sector will need to play stronger roles in leading than in the past. This paper will provide one person's perspective regarding how the region's key local government and private sector entities have performed in the past and how they may work together to build a successful region in the future.

The writer has been involved in the planning process at the regional scale in Washington for almost 50 years, having been a planner with the Metropolitan Washington Council of Governments (16 years), a policy analyst/advocate with The Greater Washington Board of Trade (11 years), and senior researcher/policy analyst with the School of Public Policy's Center for Regional Analysis at George Mason University (12 years).

The Problem and Challenge Facing the National Capital Region

For the past few decades the region has generally experienced more good economic times than bad ones. Given the importance of the Federal government to the region's economy, the region has experienced economic growth the most when Federal government expansion (employees and or procurement) has coincided with good economic times at the national level. The region had economic declines in the early 1980s and then also again in the early 1990s. Both of those economic eras were during national recessions, and in neither era was the Federal government expanding.

One period of time of slow/modest growth that was longer than usual was the early-mid 1990s following the 1991-2 recession. The region's economic performance was very modest – muddling along - and it persisted for several years. A significant factor were the policies of the Clinton administration, which resulted in reductions of some 50,000 Federal workers from 1993-1998. Job growth was mostly in the population-serving sectors, and it took from 1992 until the tech boom of 1998+ to get back to “good times”. During that lull in the region's economy, housing values were flat and local government revenues struggled due to a flat tax base.

That period in the 1990s is a model of what seems to be happening for the last couple of years and is a precursor to the current outlook looking forward from 2014. Consider the following:

- Federal spending in the region has dropped: both in Federal jobs but especially in procurement, which declined sixteen percent from FY2010 to FY2013.
- Primarily as a consequence of Federal cutbacks, the region's largest and highest wage sector – Professional and Business Services – is now declining.
- Holding 4th place in size of regional economies (metropolitan GDP) for a couple of decades, Washington was overtaken by Houston in 2012 and is now 5th largest. Of the 15 largest metro economies, Washington had the lowest rate of growth from 2012-13 and was the only metropolitan area that declined. For the 2012-13 period, Washington ranked 330th of the 381 metropolitan economies.
- Median incomes in the region have also declined, reflecting not only slow growth but declining jobs in high wage sectors and job growth mostly in low-wage sectors.

In other words, the National Capital Region faces a likely future of economic struggle – a condition it has experienced only in small and short doses in the past.

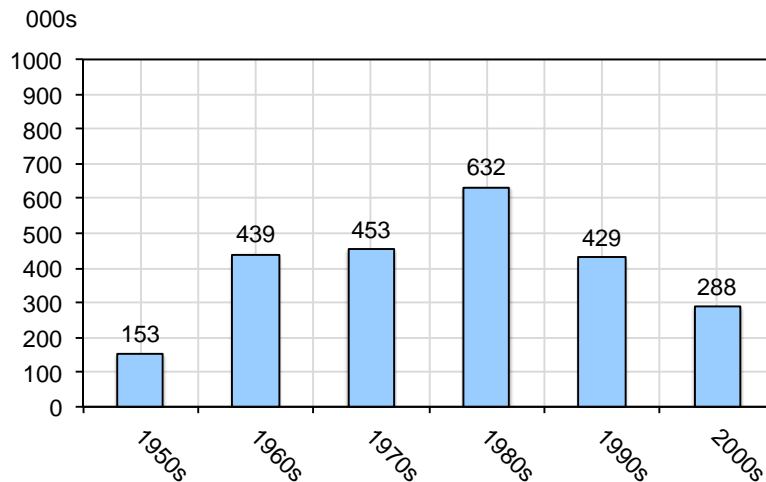
Can the region's institutions and leaders develop solutions for these challenges? Which ones have been the leaders in the past decades and will they be able to meet this challenge for the future? Does some new regional leadership organization and approach need to be developed to help the region's economy make a better future?

To answer these questions, let's examine some specifics of the challenge facing the regional economy, look at existing institutions that have had some leadership role in the past in helping the region grow and prosper, and then conclude with some observations and recommendations for the future.

The National Capital Region's Economic Performance and Outlook

Since 1960 the National Capital Region's population has more than doubled, growing from 2.3 million to almost six million, and the region's jobs have quadrupled from 750,000 to 3.1 million. By most measures the region's economy in 2014 is the 5th largest metropolitan economy in the country. This growth over the past half century has primarily resulted from the stimulus provided by the Federal presence, in the form of Federal employees, Federal outsourcing to area companies, and from the presence and effects of being the nation's capital: national associations, federal policy lobbying, international government and corporate presence, and tourism.

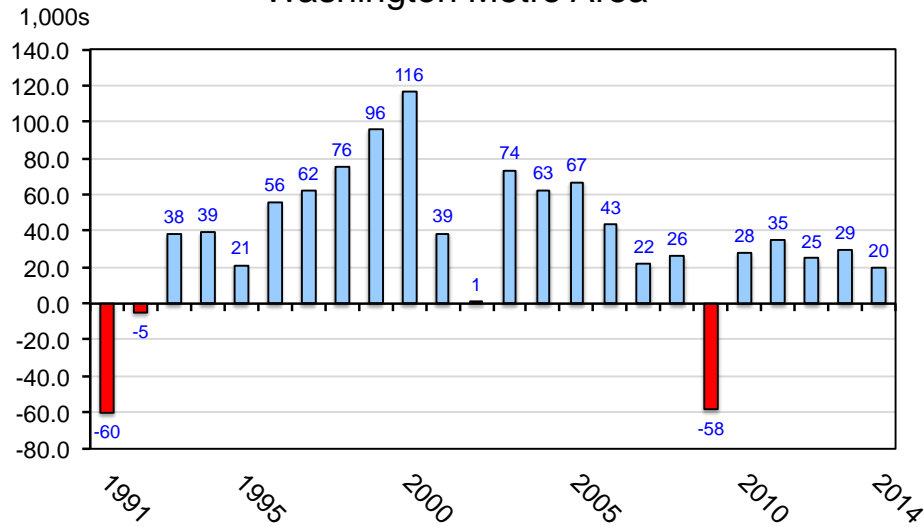
Job Change in the National Capital Region 1950 – 2010



The patterns of the growth over the past half-century and more can generally be attributed to increases in Federal activity in response to national programs and international issues. Washington's economy has not grown as fast as its peer metro areas in times of good business cycles. Rather, Washington's upward growth trends have been when the country was fighting wars or when major national policy changes affected the region's economic fortunes.

The National Capital Region region grew only moderately as a metropolitan economy until the 1930s when Federal government efforts to recover from the Great Depression led to major new government programs – and corresponding growth of Federal employment in the region. Its growth was further spurred in the 1940s by World War II and growth in military activity generated from Washington. The Great Society programs of Kennedy/Johnson in the 1960s resulted in significant growth in local federal employment. And then the region's economy really boomed in the 1980s in paralleling national economic recovery from the 1980-82 recession and from increased federal defense spending that included outsourcing more of the federal governments efforts to the private sector. The early 1990s showed very slow economic growth until the technology boom in 1998-2000. Job growth in the region in the first few years of this century was spurred by response to 911 by federal spending in the region related to fighting terrorism and other international problem areas. Over the last few years, however, since the end of the recession, Washington's growth has moderated and is in a pattern of slow growth - even more so than the growth rates of the early-mid 1990s.

Annual Change in Jobs Washington Metro Area



Source: BLS, GMU Center for Regional Analysis

July Data Each Year

Throughout much of the first decade of this century, Washington’s economy fared better and grew more than most of its peer economies, and often ranked (2004-5, 2009-2011) in the top five in job growth among the top fifteen metropolitan economies. For the past three years, however, Washington has ranked in the bottom five and in 2014 ranks 14th of the top fifteen metro areas.

A key reason that the region has dropped way back in the pack is of course the effects on the local economy of Federal spending cutbacks, sequestration, and political gridlock regarding the Federal budget and spending policy. These conditions are not likely to improve in the foreseeable future. The largest economic sector in the region is Professional and Business Services and for the past year it has not been growing. Significant portions of the sector sell services to the Federal government – and that is why.

Also, the region is not seeing growth in other parts of that sector or much in other sectors. Too much of the region’s economy is tied to the Federal government. If the region’s economy is to regain traction in the years ahead, it must build on other assets for growth that are not tied to the Federal government.

In the late 1990s the region’s technology-related sectors boomed and it was hoped that would continue and help “diversify the region’s portfolio” for economic growth. However, the issues of the day with 9/11 et al led the economy back to depending on the Federal government.

The Brookings Institution report “The Ten Traits of Globally Fluent Metropolitan Areas” in 2013 identified “Leadership with a World View” as one of the key traits in a region’s ability to compete in today’s global economy. The report

characterized the Washington region as being deficient in its global reach and the lack of regional leadership is a major part of the region's deficiency in that regard.

It is likely that reduced levels of Federal spending will continue to be an important characteristic of the region's economic future. This means that the National Capital Region will need to capitalize on its other strengths and assets to achieve healthy economic growth in the years ahead.

The National Capital Region's Institutions/Organizations and Past Leadership

Over the past half-century there have been several regional institutions that have provided varying levels of leadership to assist economic growth in the region. By and large, they have performed reasonably well in pushing for improved infrastructure, good education systems, workforce development, and governmental environment conducive to economic growth.

The challenge given for the next few decades, however, will be much greater than it was in past half-century. There will be little to no growth and stimulus provided by the Federal presence. Can our institutions/organizations that have been active in helping our regional economy meet the challenges now faced? There are a few key institutions and organizations in place in the National Capital Region that are have been of importance in advancing the region's economic and civic health, and that will continue to be important to the region's fortunes in the future. We will no longer be able to rely on Uncle Sam, but must become a much more self-reliant region.

The two organizations that have been at the forefront of regionalism in the National Capital Region over the past half-decade are the Greater Washington Board of Trade (GWBOT) and the Metropolitan Washington Council of Governments (MWCOG). The Board of Trade represents the region's private sector and COG is the organization of the region's local governments.

The Greater Washington Board of Trade

The BOT has been the key regional business organization since 1889 – a period of 125 years. For the first half of its existence it was focused solely on the City (although the region was mostly the city until the 1960s). The Board's role for its first 100 years was documented very well in "*Civics, Commerce, and Community – The History of the Greater Washington Board of Trade, 1889-1989*". Until 1974 Washington, DC operated under a system in which three commissioners appointed by the President of the US governed it. Lacking a traditional local government structure, the Board of Trade was an association that represented the local community and was the leader for the local community, not only of the private sector but for the civic sector as well. The Washington Post on March 6,

1989, stated in an article, “With the exception of the Federal government, no Washington institution has endured so long, been such a powerful force for change in the community, [and] exerted as much influence on local policy...”

Over the decades the Board of Trade become regional instead of city-focused, and it developed positions on issues throughout the region, advocating for change and improvements in the adjacent Maryland and Virginia Counties, and with state governments of Maryland and Virginia on matters affecting the region. It also continued to advocate the region’s positions to the Federal government. Over the past 25 years The Board of Trade was active in advocating and lobbying for region to the DC Council, the County governments in Virginia and Maryland, to the state governments. The Board of Trade staff and leadership have had a major presence and influence with state and local elected officials on matters affecting the region.

Since the District got Home Rule and a truly local government in 1974, the Board of Trade has become much more like a traditional Chamber of Commerce. Its membership is primarily private sector, and its activities and services have done more of the standard type – membership networking, business training seminars, etc.

There also have been regional leadership activities, especially in the 1990s and the early part of the 2000s. In 1992 the Board of Trade started The Potomac Conference to convene leaders from across the region to discuss regional issues and develop solutions. These sessions included corporate executives, local and state government leaders, and leaders from the non-profit community. A presentation was developed on “The State of Potomac” that displayed the region’s characteristics as if it were its own state, and this helped stimulate the discussions about the future of the region. In the twice yearly sessions over 1992-1994 regional governance was often discussed, but the challenge was felt to divisive to deal with, so the Conference had as its initial action to form a new organization to market the region. This was The Greater Washington Initiative (GWI) that was funded from local government and private sector funds, and was jointly governed by representatives from both sectors. For several years GWI conducted research and marketing programs to promote the region’s assets in order to bring more companies and jobs to the region.

Following that success The Potomac Conference attempted to build regional support for creation of a regional transportation authority, and initiated a program to build a strategic plan for the region. These discussions incorporated an understanding in the mid-90s that the region could not rely on economic growth stimulus from Federal government spending. However, as turnover in staff leadership at the Board of Trade occurred and as Federal spending ramped up in the early 2000s, the discussions of The Potomac Conference became less focused on the big picture regional issues. Also funding and interest waned in continuing The Greater Washington Initiative.

Once a steward of the National Capital Region's future, The Greater Washington Board of Trade is now just another chamber of commerce.

The Metropolitan Washington Council of Governments

The Metropolitan Washington Council of Governments (COG) was formed in 1957 and is the voluntary organization of local governments for the region. It was organized to collectively address regional issues and problems. COG has accomplished much in developing regional cooperation among the local governments in the areas of transportation, water supply and sewerage, public safety coordination, etc.

In 1964 the Washington Center for Metropolitan Studies published a report by Royce Hanson: "The Politics of Metropolitan Cooperation: Metropolitan Washington Council of Governments." From its beginnings, the leadership of COG made clear that it was not to be or to become a "regional government", but would preserve the autonomy and integrity of local governments, would be totally voluntary, ...non-partisan." That cultural characteristic has been carried forward throughout COG's existence.

COG has been successful in developing and coordinating regional plans that have been very important to the region's economic health. It has carried out successful efforts to develop visions and plans of how the region should grow. It has developed the region's transportation plans and coordinated the transportation programs of the District, Maryland and Virginia and the region's cities and counties. COG has also developed and coordinated the region's programs for water supply, environmental protection, recycling and solid waste, noise, air quality, and energy. It has been very successful in helping local governments in the region to achieve economies of scale in procurement of goods and services by facilitating collective purchases.

For the purposes it was founded, and as articulated by Royce Hanson in the early 1960s, COG has been extremely successful. However, those founding purposes did not, do not, and will not include having the good of the region take precedence over local interests and prerogatives – or the next local election cycle. All elected officials within the region are locally elected officials and their local area is their priority number one. Only when regional and local solutions are in parallel do local elected officials support regional approaches. Fortunately sometimes those purposes are in parallel. Unfortunately for the region, often they do not.

There are several other organizations that have had some role in advancing the health of the region that need mention here. Their scope and reach are more limited than BOT or COG, but they have contributed to regional success on many issues:

Leadership Greater Washington (LGW)

Established in 1986, Leadership Greater Washington was constructed by a group of regional leaders and three committed organizations: The Greater Washington Board of Trade, The Eugene and Agnes E. Meyer Foundation and The Junior League of Washington. Modeling Leadership Greater Washington after other community leadership organizations, its founders invested personal and professional resources to fulfill their vision of an organization that would foster communication and cooperation among the area's established leaders. Its stated mission is "To identify and connect diverse leaders and stimulate their collaborative efforts through dynamic education and membership programs that promote dialogue, cooperation and involvement enabling area leaders to find effective solutions to regional challenges." Over its twenty-eight years of existence LGW has graduated approximately 1500 rising leaders in the region.

The Federal City Council

Established in 1954 the Federal City Council is a non-profit organization focused on improvements in the District of Columbia. Since its founding it has focused on key projects and problems in the District, and played important roles in the creation of Metro, the renovation of Union Station, development of Verizon Center, and the redevelopment of Pennsylvania Avenue. Its membership includes top business, professional education and civic leaders. FCC works with the D.C. and federal governments to develop and implement solutions to community problems. Although most of FCC's focus is on the District, its efforts and presence are regionally important in creating a vital and healthy center city for the region.

The Urban Land Institute (ULI)

The Urban Land Institute, or ULI, is an international nonprofit research and education organization its stated mission is "to provide leadership in the responsible use of land and in creating and sustaining thriving communities worldwide." ULI advocates progressive development, conducting research, and education in topics such as sustainability, smart growth, compact development, place making, and workforce housing. The Washington chapter of ULI has been helpful to local governments and the regional community, as it has carried out its mission within the region. ULI's national headquarters are located in Washington that contributes to international connections with the organization from the region.

The 2030 Group

The 2030 Group was organized only several years ago and its goals are very much in line with developing awareness and programs to build the region's future. Its board and advisory committee are comprised of involved business and academic leaders, many of who have multi-generational ties across Washington. With deep roots in the community and vast experience in economic development, the members of the 2030 Group came together with the purpose of initiating research and analysis to better understand the growth trends affecting the region and to work toward a more sustainable future.

The groups stated goals are on target with what the region needs to do and be which is creating a sense of regionalism followed by participation from all the regions stakeholders to build a sustainable future.

The weakness of the 2030 Group thus far is developing the needed broad base of leadership participation, not only from a broader business sector but also other stakeholders in the region.

Who Will Lead the Future of the National Capital Region?

No existing organization has all that is needed to lead the region to do what is necessary for sustainable growth and future vitality for the residents and workers of the National Capital Area. Both the public and private sectors have made important contributions in the past – but the reality is that those were in times when the region’s economic performance made the problems easier to tackle.

The region faces bigger challenges now than in the past. All stakeholders in the region will and should have roles to play in building the region’s future. One stakeholder whose role will be much smaller is the Federal government, and for some issues of the past the Federal government was the leader. That will be no more.

The private sector is the best hope for filling the void that is being left by the Federal government. COG and its member local governments are constrained in putting regional interests above local interests. Actually local elected officials put higher focus on their state governments than on the National Capital Region – it’s the political structure that holds the importance. The private sector has no such constraints or characteristics and indeed has significant regional perspective. Much of our private sector has the region as its primary focus – many have multiple locations in the region, and their workforce and customers come from all jurisdictions.

Does the region need a new organization to lead or could existing organizations somehow become much more collaborative in approaching regional issues? The Potomac Conference in its discussions about “The State Of Potomac” and regional authorities looked at other models (NY-NJ Port Authority). The 2030 Group also looked at other models for regional leadership organizations, such as NY Partnership, One Detroit, et al. The NY Partnership was an interesting model and had the elements needed for a private sector led regional organization: significant private funding for professional staff and to conduct the needed research to make the case for whatever the issue, be it infrastructure, education, workforce, or housing.

The bottom line is that there needs to be strong leadership, and the most likely source – given the past experience with getting things done – is that the private sector have the lead role, with involvement from all other stakeholders in some organized fashion. For the National Capital Region to have a prosperous and sustainable future there needs to be a leadership group and sustained effort to build a regional strategic plan and programs to implement it.

That's a tall order and very ambitious. Without something like it, the National Capital Region faces a future of slow and very modest growth and increasing social and economic issues. In other words the muddling along of 2012-2014 will continue for another half-century and or more.

Or maybe we should just create the new state of Potomac.