

Obama's Economic Agenda Doomed without Reinvestment in Cities **Harry Moroz, Research Associate, Drum Major Institute for Public Policy**

Cities: Economic Engines of the Country Now Running on Fumes

In his State of the Union address, President Obama failed to explain how his latest plans for economic growth, job creation, and the middle class can truly succeed—not by freezing spending, but by aggressively reinvesting in the places where most Americans live and work, the places that provide the vast majority of economic opportunities and services people need: cities.

Cities and their surrounding metro areas are engines of the national economy. But these engines are now running on fumes. Without reinvestment, cities will face deteriorating economic conditions for years and risk dragging down the rest of the country and jeopardizing recovery.

- City budget shortfalls will total \$50 to \$80 billion between now and 2012, which will lead to massive services cuts, cancelled infrastructure projects, and increased fees.ⁱ
- Deep reductions in state aid to cities will top \$20 billion between 2010 and 2012.ⁱⁱ
- The metro unemployment rate will exceed 10 percent in many areas for several years.ⁱⁱⁱ

Cities: Places of Great Economic Pain Where Services Matter Most

Cities are places of first and last resort for many households. They have become places of great economic pain since the Great Recession began. Current and aspiring middle class residents look to city services—free clinics, schools, emergency care facilities, libraries, and more—for support during difficult economic times. These services are most necessary now, yet falling tax revenues and a political culture anathema to tax increases on the highest earners mean teachers' jobs are at risk, the libraries the unemployed use to search for jobs are closing, and hospitals are turning away those who cannot afford to pay for care. Public sector jobs in cities are also being slashed even though the federal government says it is trying to bolster employment.

President Obama and Congress can alleviate the impact of service cuts by funneling emergency aid to city governments and by pushing states to redirect unspent stimulus dollars to cities.

Cities: The Most Effective Targets for a New Jobs Bill

The jobs bill President Obama urged Congress to pass will be most effective if it targets cities, which are home to most of the country's major industries and businesses. The President should demand that Congress use the House jobs bill, passed in December and now largely forgotten, as a template to build upon. This bill included \$75 billion for infrastructure and public sector employment while also extending unemployment insurance, COBRA health benefits, and federal assistance for Medicaid. The federal aid to state governments included in the House's jobs bill is critical to minimizing state budget cuts that adversely impact urban areas, though funneling the aid directly to cities would prevent state governments from using budgetary gimmickry to shortchange mayors. Increasing the funds in the bill for public transportation would also create

jobs quickly, reactivate local economies, and ensure that all households are able to commute to work. These are investments that will reignite job growth and boost overall economic growth.

Cities: Places Where Infrastructure, Transit, and New Jobs Can Refuel the Economy

Cities are home to most of the nation's infrastructure, public assets badly in need of repairs that would generate jobs. According to economist Mark Zandi, every dollar put toward infrastructure yields a dollar and a half in new economic activity.^{iv} But that's most true when the investment happens in and around cities. Research suggests that infrastructure spending outside of urban areas undermines the beneficial effects of that spending on employment and economic activity.

Although the federal stimulus did invest in roads, bridges, and other infrastructure, the recovery package shortchanged cities and failed to prioritize public transit. Indeed, the stimulus package favored highways over transit by a three-to-one margin even though a recent study on stimulus spending showed that investing in public transportation yields *twice* as many jobs per dollar as investing in roads.^v Furthermore, at a time when household budgets are increasingly squeezed, public transit reduces the cost of living, saving families money on cars, insurance, and gas. Public transportation also makes employment more accessible to lower-income households, providing critical flexibility at a time when six job seekers are fighting for every job.

With almost 90 percent of all employment, cities and metro areas concentrate industries and businesses that offer work with good pay and benefits. Cities also represent one of the best hopes for a revival of the manufacturing sector in the United States. For example, retrofitting energy-inefficient buildings provides an opportunity to boost employment immediately by as much as several hundred thousand jobs while also laying the foundation for a reinvigorated green manufacturing sector that offers better pay and benefits than industries in the service sector.^{vi}

The stimulus package was only a down payment on economic recovery. The time has come for the President and Congress to pay up in full by aggressively reinvesting in our nation's cities.

ⁱ http://www.nlc.org/ASSETS/5A4EFB8CF1FE43AB88177C808815B63F/BudgetShortFalls_10.pdf

ⁱⁱ *Ibid.*

ⁱⁱⁱ <http://www.usmayors.org/metroeconomies/0110/report.pdf>

^{iv} http://www.economy.com/mark-zandi/documents/Economic_Stimulus_House_Plan_012109.pdf

^v <http://cdn.publicinterestnetwork.org/assets/24d1f7a858b544c68fcf9eadfdf8a88a/ARRA-jobs-report.pdf>

^{vi} http://www.americanprogress.org/issues/2009/08/pdf/rebuilding_america_exec_summ.pdf