

## The Change We Need: Will We Sustain The Current Economy, Or Create A Sustainable Economy?

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***The Change We Need*** will run in two parts. In Part I, Rick Cole lays out the kinds of changes we need, and why. Part II outlines his specific policy prescriptions.- The Editors

Will this historic election alter the American physical landscape as well as the electoral one? Much will depend on whether the Obama Administration will focus on trying to revive the economy or move to reshape it.

Bold leadership sounds great in the abstract, but embarking on profound changes in the economy is both politically risky and economically daunting. Government, especially the one the new president will inherit, is severely limited in its competence and capacity to reshape the American share of the global economy.

The easier option is to minimize the “change we need,” and aim for a “kinder, gentler, greener and more regulated” version of the Enron economy bequeathed by President Bush. We may be facing the most profound economic crisis since Franklin Roosevelt took office, but so far, instead of investing in a more sustainable economy, the Democrats seem to be focused on a “stimulus” response to boost spending.

This is essentially the path followed over the past two decades without success by Japan’s ruling Liberal Democrats. In reaction to the Japanese real estate and financial meltdown in 1989, the party essentially opted to “bail-out” the status quo. The cost has been nearly twenty years of economic anemia and political gridlock.

As Japan found, a broken economy can’t be successfully “stimulated.” A patchwork of single-issue nostrums (alternative energy, public works spending, health care reform) will not put Americans back to work and America back on track.

Why not? Why isn’t it possible to revive the Clinton formula for a soaring stock market, nearly full employment and low interest rates? The answer, of course, is that neither the global economic crisis nor America’s vulnerability are sudden or surprising. The problems are deep-seated and structural, and both Clinton and Bush steered around them by postponing difficult, but necessary sacrifices.

The Republicans, of course, are most immediately and egregiously culpable. Their foreign wars, their reckless deficit spending, their unconscionable tax cuts, their laissez faire dismantling of so much of the middle class safety net, their disastrous energy policies, and their injection of cheap money into a housing/consumer spending bubble are all proximate causes of the stunning decline of American economic prowess. But the long-term, Democratic failure to chart a different course leaves the next

president unprepared to offer a comprehensive alternative that makes sense in the global economy in which we now find ourselves.

The inescapable mathematics of our situation is that America runs on \$2 billion a day of money borrowed from abroad. That long-running profligacy has made us into the world's largest debtor nation by far. For the first time in our history, we are in a position where we cannot reflate our way back to prosperity.

The retooling of America we face will require a president with an approach as bold and flexible as the New Deal, and a re-investment in real places, instead of the exotic and deracinated instruments that Warren Buffett has derided as "financial weapons of mass destruction."

The magnitude of the unfolding crisis offers glaring dangers and remarkable opportunities for embarking on a long-term rebuilding of our economy on a far more solid and sustainable foundation.

One quickly forgotten episode in the campaign gives particular "hope" that Obama may ultimately choose the more difficult, but more promising, path. At a crucial juncture during his primary battle with Hillary Clinton, he bucked both her and John McCain and their blatant pander of a "gas tax holiday" to offset skyrocketing prices at the pump.

"This is what passes for leadership in Washington," he responded right before the important Indiana primary. "Phony ideas, calculated to win elections instead of actually solving problems."

He went on to acknowledge, "I wish I could stand up here and tell you that we could fix our energy problems with a holiday. I wish I could tell you that we can take a time-out from trade and bring back the jobs that have gone overseas. I wish I could promise that on day one of my presidency, I could pass every plan and proposal I've outlined in this campaign. But my guess is that you've heard those promises before. You hear them every year, in every election."

Such courageous "straight talk" must also acknowledge that we can't work our way out of unprecedented levels of consumer and public debt by borrowing money. That way lies Argentina. President Obama is going to have to deliver big time on the somewhat hazy promise of rebuilding our economy with green jobs, but at a scale and scope that few have dared even suggest so far. He is going to have to do that in the face of almost irresistible political clamor to go the other direction: to somehow keep the casino economy going by cutting taxes, propping up banks, stimulating consumer spending, and keeping the American people on the job doing things that make our problems worse, from building freeways to financing more suburban subdivisions so we can continue to export a trillion dollars a year to oil exporting nations.

Building a sustainable economy is such a huge, complicated, politically challenging endeavor, that it will take every bit of Obama's personal charisma, and leadership abilities, and the backing of an unprecedented movement of support.

Fortunately, however, there is a vast untapped source of innovative and promising ideas and practitioners working off the radar screen of the national political class in Washington and its small-minded media annex. They have laid out a framework for restoring American competitiveness that is based on investment rather than consumption – on sustainability rather than short-term fixes.

*Yesterday, Rick Cole discussed the theoretical basis for the most effective kinds of economic change. Today, he provides specific suggestions. – The Editors*

No brief outline can do justice to weaving together the potentially convergent strands that compose the key elements of the remaking of the American economy. None of the policy prescriptions here are original, but it is important to see them as complimentary parts of a larger whole:

- GREEN BUSINESS:** This means shifting from thinking of “green jobs” as being generated by alternative energy to an understanding that, in the decade ahead, every single job in the American economy will be “green”, as we ruthlessly pursue less wasteful, more sustainable and more productive business practices. This is primarily the domain of the private sector, but Federal policies that deal with taxes, regulations, research, purchasing and grant-making must all be tweaked to actively promote green practices, rather than inadvertently hinder them.
- SMART GROWTH:** The suburban, auto-dominated landscape of the past fifty years is not only unsustainable on a world-scale, it won’t work for a post peak oil, post carbon America. Alternate fuels are not enough, nor will public transit work in sprawled suburbs. Chicago is the headquarters for the Congress for the New Urbanism, a largely apolitical movement of architects, planners, developers and activists promoting a revival of traditional town and city building that emphasizes mixed-use, transit-oriented design at every scale of development from neighborhood to metropolis. While catching on in cities and states across the country, the movement remains largely marginalized in Washington. One exception is Congressman Earl Blumenauer, an early Obama backer from Portland, Oregon. Former Milwaukee Mayor John Norquist has also laid out a program for reversing the Federal government’s half century of counter-productive policies.
- REGIONALISM:** Obama’s speech to the US Conference of Mayors embraced this powerful focus on metro regions as the engines of global growth. Bruce Katz of the Brookings Institution has been one of its leading theoreticians, and former HUD Secretary Henry Cisneros one of its most eloquent champions. Denver, Seattle, Salt Lake City, Sacramento, Portland, Chattanooga and St. Louis have emerged as models for metro/suburban collaboration to promote infrastructure investment, economic development and land use planning. Europe has pioneered this kind of regional collaboration to stay competitive in the global economy. There is also a powerful social equity dimension to this movement, which ensures that inner cities will not be left out the regional efforts to improve education, reinvest in older communities, and focus on the creation of high-wage, high-value jobs.

•**TRANSPORTATION:** In 1991, Senator Pat Moynihan spearheaded the least-heralded major domestic policy shift of that decade, the landmark ISTEA omnibus transportation bill. Unfortunately, the Clinton Administration failed to follow up on it, and left highway expansion as the continuing Federal policy direction, instead of investing in matching the investment by all other advanced economies in both high-speed rail and public transit. This has been compounded by the Bush Administration's embrace of libertarian market mechanisms for funding future transportation investment. This failure has fueled sprawl and its appetite for oil consumption and greenhouse gas emissions. The new administration will need to start where ISTEA left off to rebuild our goods- and people-moving capacity on an environmentally and economically sustainable model.

•**HUMAN CAPITAL:** Obama's education program needs to be place-based in a way that directly ties into the drive to restore American competitiveness. Mayors around the country have followed the lead of Chicago's Richard Daley in seeing the revival of K-12 schools as fundamental to restoring America's great cities as engines of new wealth creation, and not just gentrified havens for young professionals amongst crime-ridden slums. One of Obama's successes as an organizer was to establish a job training program in the projects. But without a national commitment to human capital, we won't reduce the underclass, assimilate immigrants, and provide the workforce that can outperform the hard-working offshore workforce clamoring for what were once American jobs.

•**INNOVATION:** Obama's popularity in Silicon Valley mirrors his embrace of venture capital investment in American jobs. The Japanese failed to shake off their decade-long slump because they remained tied to "pork barrel" public works stimulation of their economy. Harnessing private investment and entrepreneurship to rebuild America's cities, older suburbs and essential infrastructure is essential not only to economic success, but to political success as well. We must find a way to redeploy the huge brainpower and speculative investment that has gone into financing consumer debt and exotic credit mechanisms into rebuilding America's cities and productive economy.

•**NEW ORLEANS:** Of all of George Bush's public relations stunts and policy failures, none is crueler than his broken promise to rebuild that city. Nothing would be a more powerful counterpoint to those wasted years than to use the New Orleans region as a model for a rebuilt, muscular economy that puts people back to work in high-wage, high-value jobs. Of course, the default choice is tourism, gambling, and decay. But great cities are not primarily sinkholes for consumption. They're centers of enterprise, trade and the generation of wealth.

This is simply a superficial survey of the shape of a fundamental reshaping of the American landscape and economy that could emerge from the wrenching changes ahead. "Change we can believe in" will need to look beyond Washington and its sound bite pre-occupations and stale wedge issues. It will need to harness local movements, as well as Mayors, Council members, Governors, and State Legislators to experiment with and implement a new model throughout our federalist system. Obama carries the unique advantage of having been a community organizer and a state

legislator. He can be the model and the inspiration for a broad-based movement for change that is not solely reliant on Washington politics or policy.

The first 100 and the first 1000 days of the new administration will be a time of harsh testing, for Washington, and for the country. We are too big and complex a nation for any administration to chart a single course for our gargantuan economy and our diverse geography.

But a clear course that favors investment in capacity over spending on consumption, and a commitment to sustainability over business as usual could have a profound impact on the shape of American metropolitan regions and the communities they contain. That is “the change we need”.

*Read: [The Change We Need: Will We Sustain The Current Economy, Or Create A Sustainable Economy? Part I](#)*

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