



# Can the UK Level Up? Early Signals from the US

**March 31, 2023**

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Bruce Katz



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**Context: The New Disorder**

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# “The New Disorder”



*“The pandemic, and now geopolitical upheaval, have taken the economy and shaken it up like a snow globe. The flakes will eventually fall – there will be a new equilibrium – but things may be arranged differently when everything settles.”*

**Jeanna Smialek, New York Times, March 25, 2022**

# “The New Disorder”

*New investments in significant assets pave the way for competitive industrial policy*



**Manufacturing**



**Climate and Energy**



**Universities and R&D**



**Infrastructure**

*However, less attention has been given to key challenges that threaten metro economies*



**Dwindling Tax Bases**



**Weakened Central Business Districts**



**Public Safety Concerns**

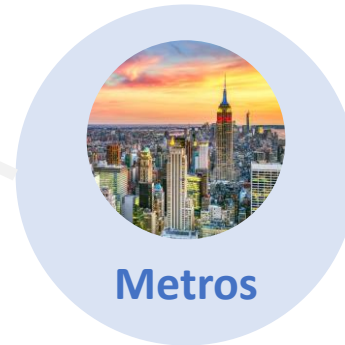


**Declining Public Transit Use**

# Metros are **uniquely positioned** in this changing context

*Metros can:*

- **Align federal investments** with distinctive aspects of a community
- **Layer investments** in same geography
- **Leverage** private, public, and civic resources

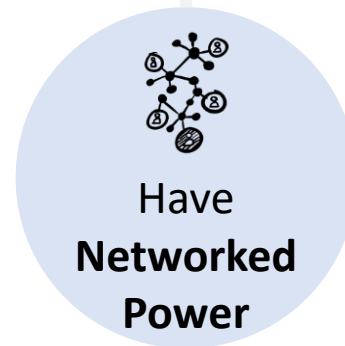


*Metros:*

- Have **disproportionate economic impact**
- Are on the **front lines** of economic shifts
- Have considerable **spending power**

***Metros can “think like systems and act like entrepreneurs”***

-Matthew Taylor, former head of the Royal Society of Arts



*Metros have:*

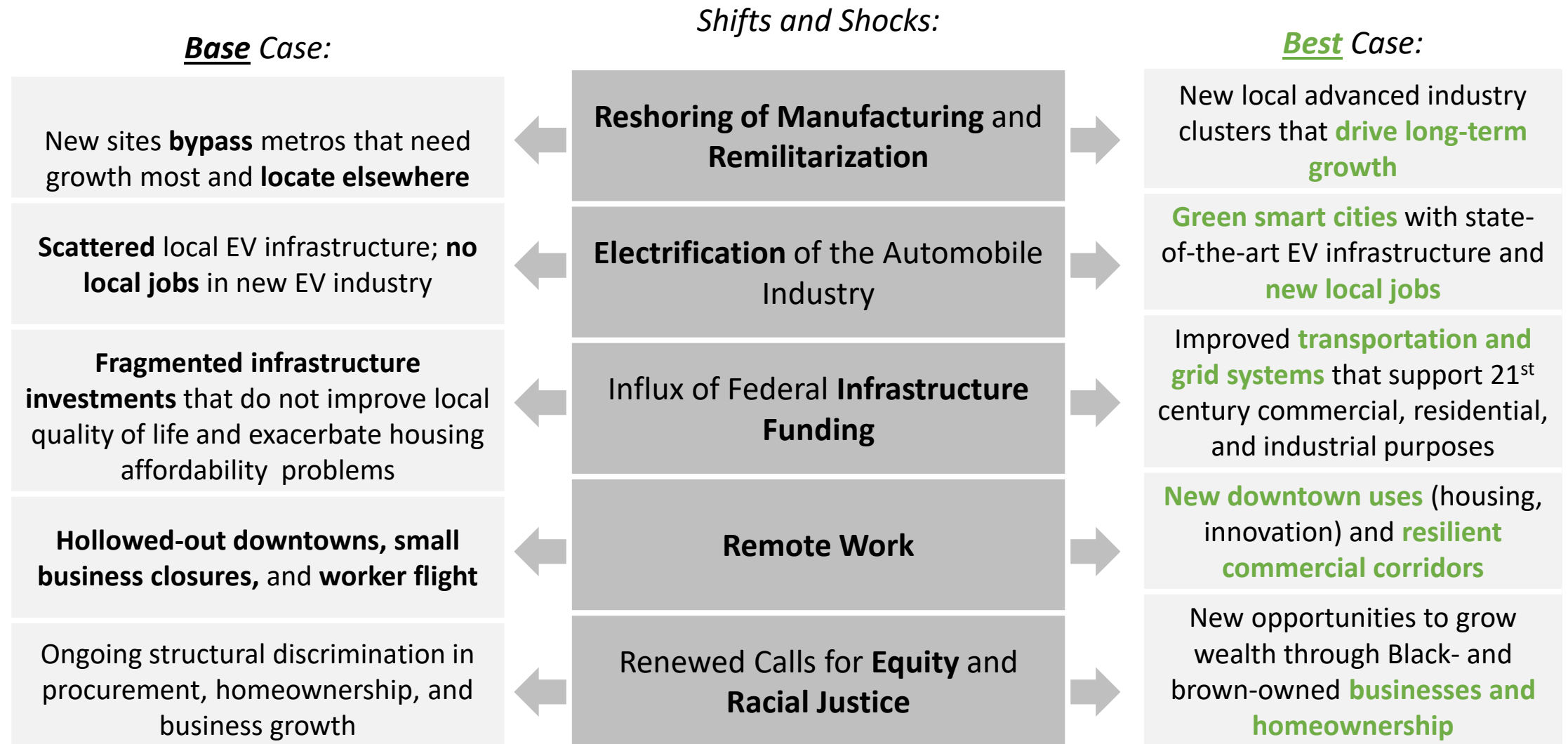
- **Multiple layers of power** and authority
- **Bring together** public, private, and civic leaders

***“Power is shifting downward from national governments to cities and communities; horizontally from the public sector to networks of public, private and civic actors; and globally along circuits of capital, trade, and innovation.***

***New Localism is the twenty-first century’s means of solving the problems characteristic of modern life.”***

*-The New Localism, Bruce Katz and Jeremy Nowak*

# This shift leaves much **at stake** for US cities



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# The Federal Competitiveness Agenda

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“I will use the term ‘**modern supply side economics**’ to describe the **Biden Administration’s economic growth strategy**, and I’ll contrast it with Keynesian and traditional supply-side approaches. [...]

Modern supply side economics, in contrast, prioritizes labor supply, human capital, public infrastructure, R&D, and investments in a sustainable environment. These focus areas are all aimed at increasing economic growth and addressing longer-term structural problems, particularly inequality.”

- ***Sec. Janet Yellen at Davos, 01/21/22***



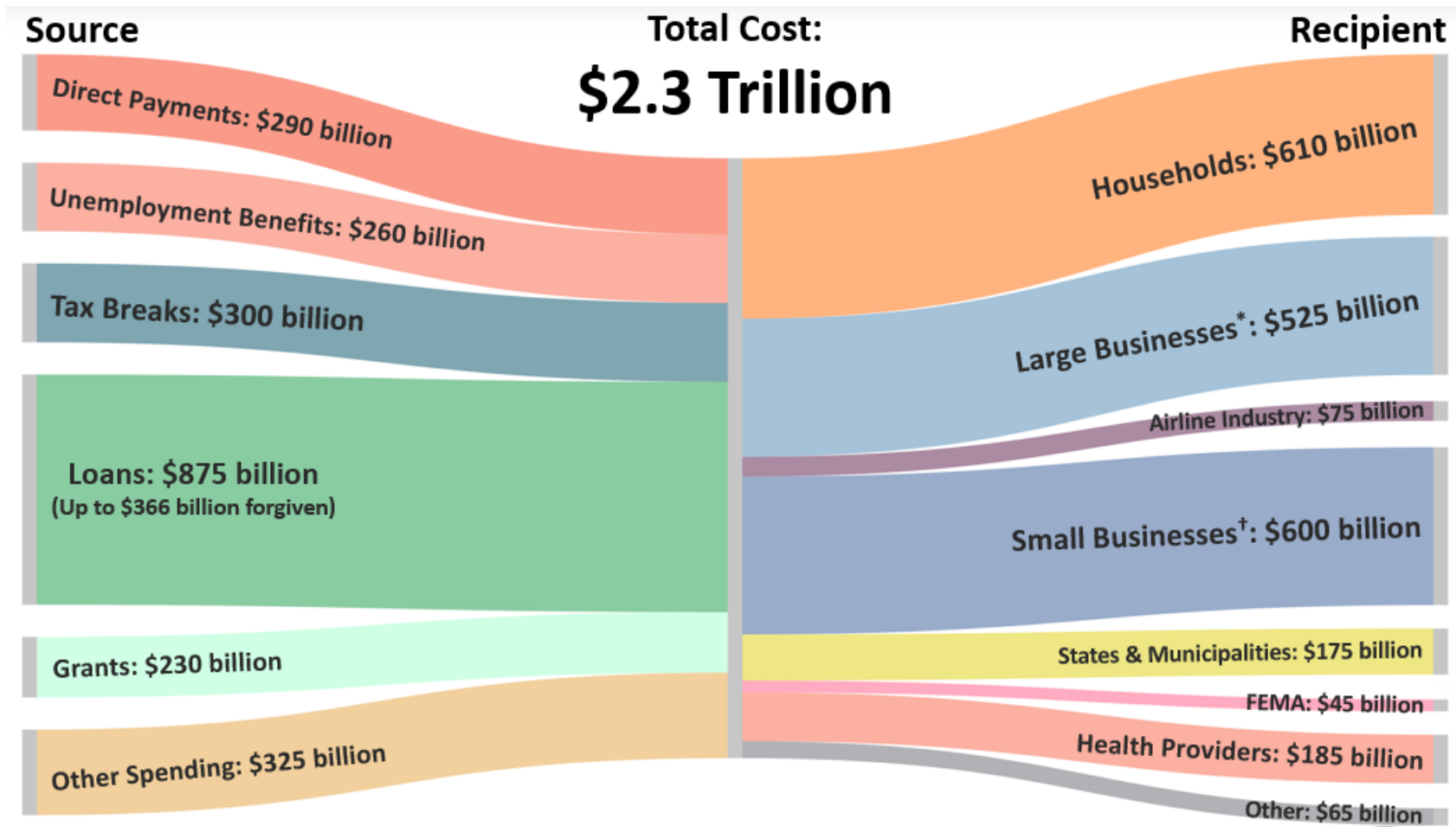
Photo: Harnik/ Associated Press



# The three major funding packages already in deployment differ by **means of deployment** and **recipients**

	<b>Coronavirus Aid, Relief, and Economic Security Act</b> (CARES Act)	<b>American Rescue Plan Act</b> (ARP)	<b>Infrastructure Investment and Jobs Act</b> (Bipartisan Infrastructure Law)
<i>Focus</i>	Covid relief, small business support	Local and state government support	Infrastructure
<i>Size</i>	<b>\$1.9T</b>	<b>\$1.9T</b>	<b>\$1.2T</b>
<i>Notable Programs</i>	Paycheck Protection Program, Individual Economic Impact Payments, Economic Injury Disaster Loan	State and Local Fiscal Recovery Funds, Build Back Better Regional Challenge, State Small Business Credit Initiative (SSBCI)	Reconnecting Communities, Regional Clean Hydrogen Hubs, Rebuilding American Infrastructure with Sustainability and Equity (RAISE)
<i>Deployment</i>	Direct payments	Flexible formula grants	Competitive grant programs
<i>Major Recipients</i>	Individuals and employers	Cities, states, counties, school districts	Public authorities; city, state, and county governments; universities

# The CARES Act sent over \$1.8T to **households** and **businesses**

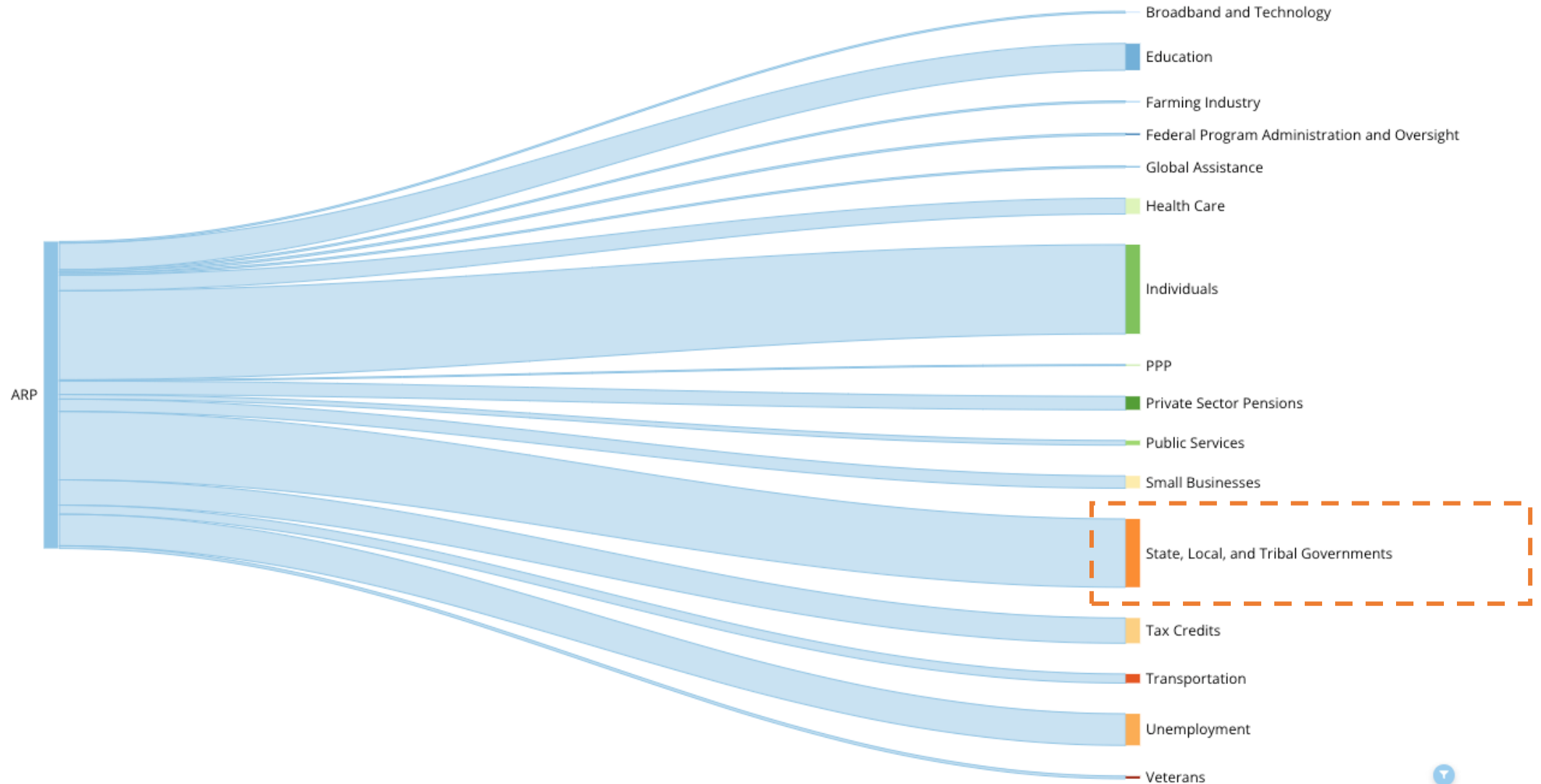


† This includes \$170 billion of tax cuts for businesses other than corporations, some of which are large companies.

\* This includes \$454 billion to set up a \$4.5 trillion Fed facility, which could help support large businesses but also small businesses and state and local governments.

Source: Legislative offices, JCT, bill text, CRFB estimates.

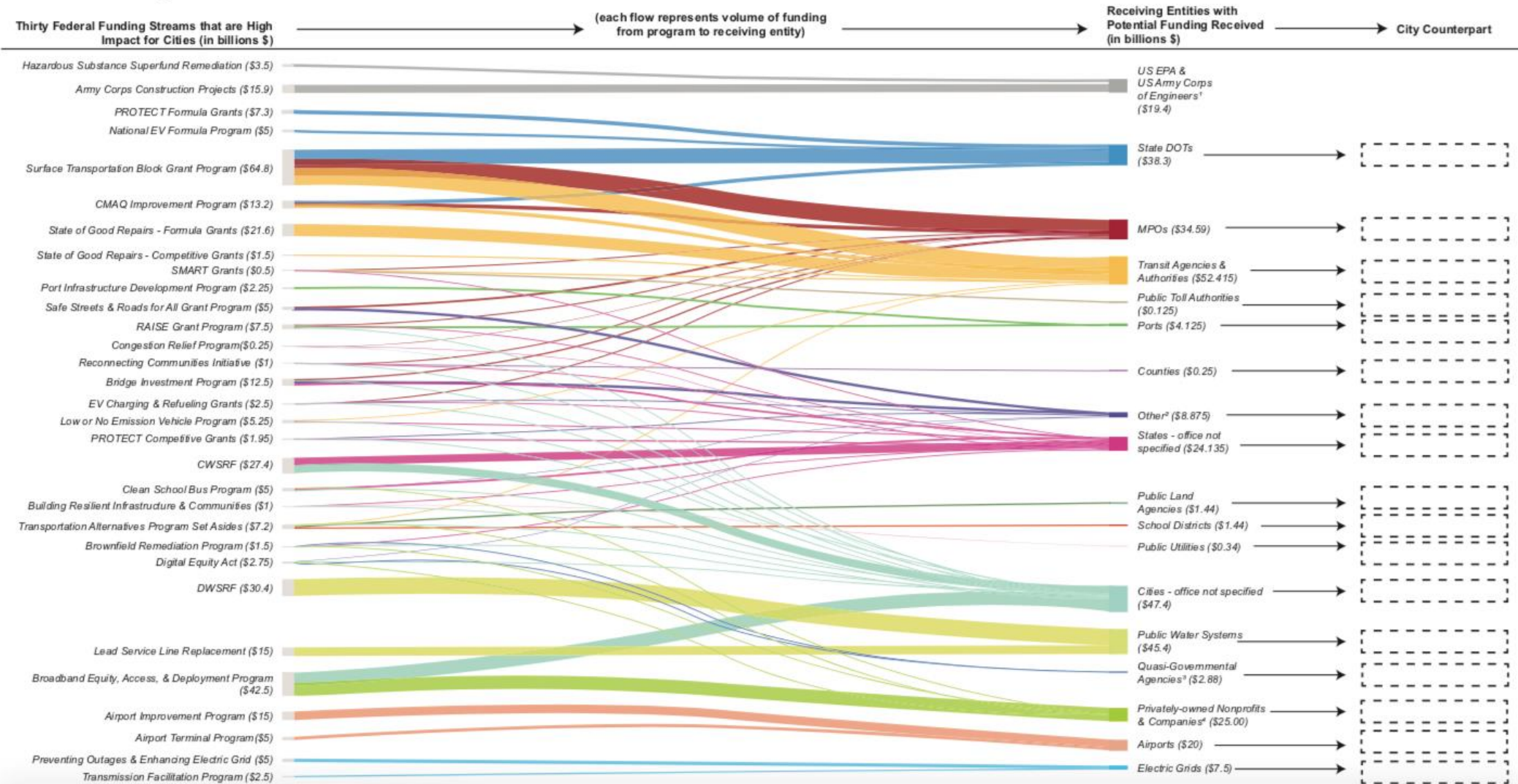
# The American Rescue Plan sent additional dollars to individuals, but also made large disbursements to **state and local governments**



# The Bipartisan Infrastructure Law sent funds to **public authorities and agencies** via hundreds of programs

## BIL Funding Streams

January 2022



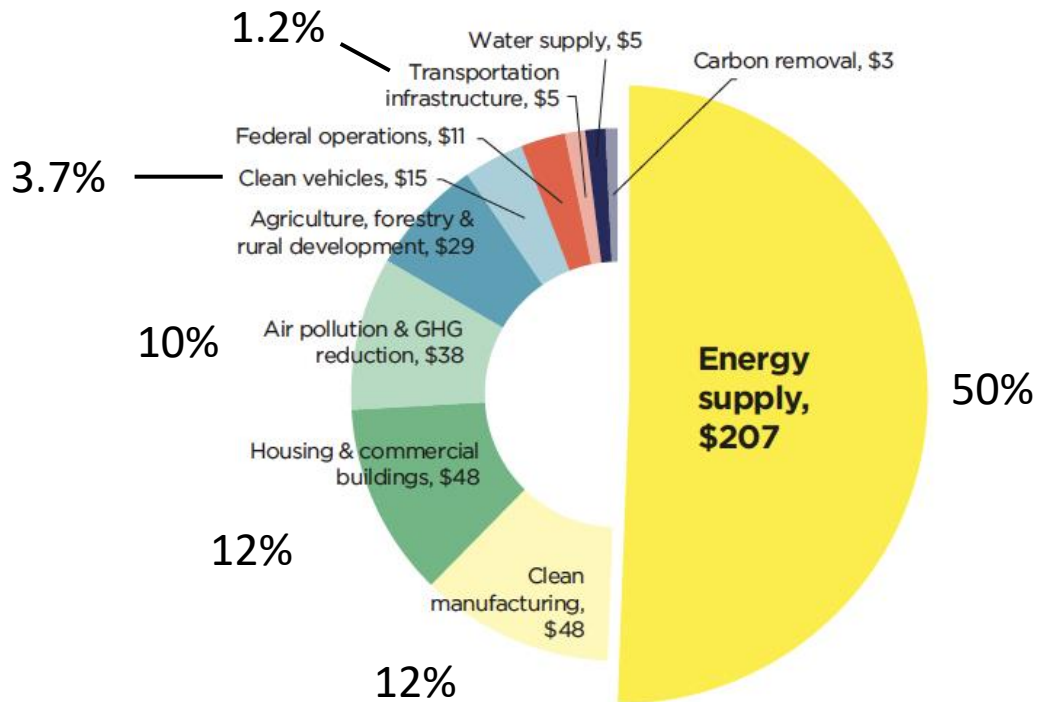
# The two latest funding packages are largely **yet to be deployed**

	<b>CHIPS and SCIENCE Act</b>	<b>Inflation Reduction Act (IRA)</b>
<i>Focus</i>	Domestic semiconductor production	Clean energy transition and climate
<i>Size</i>	<b>\$280B</b>	<b>\$437B</b>
<i>Notable Programs</i>	CHIPS Advanced Manufacturing Tax Credit, CHIPS for America Fund	Investment Tax Credit, Production Tax Credit, Energy Efficient Buildings Tax Incentives
<i>Deployment</i>	Corporate subsidies	Tax incentives
<i>Major Recipients</i>	Semiconductor manufacturers	Energy producers, manufacturers, developers, homeowners, consumers

# The Inflation Reduction Act provides funding largely via **tax credits** and largely in the **energy supply sector**

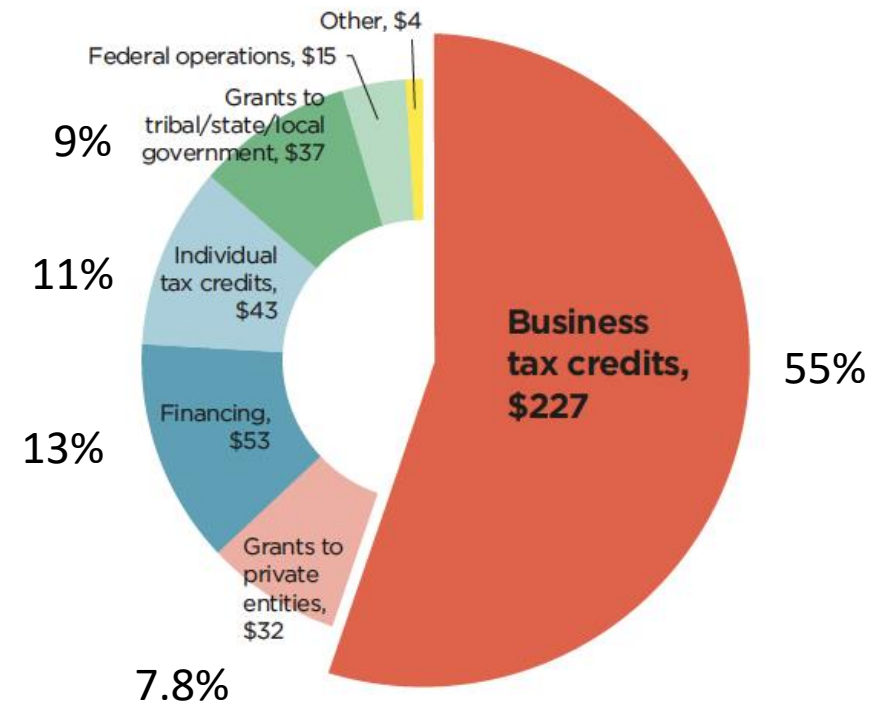
## Sector\*

Figure 1. Energy supply receives about half of IRA resources, with significant investments in clean manufacturing and housing (billions of dollars)

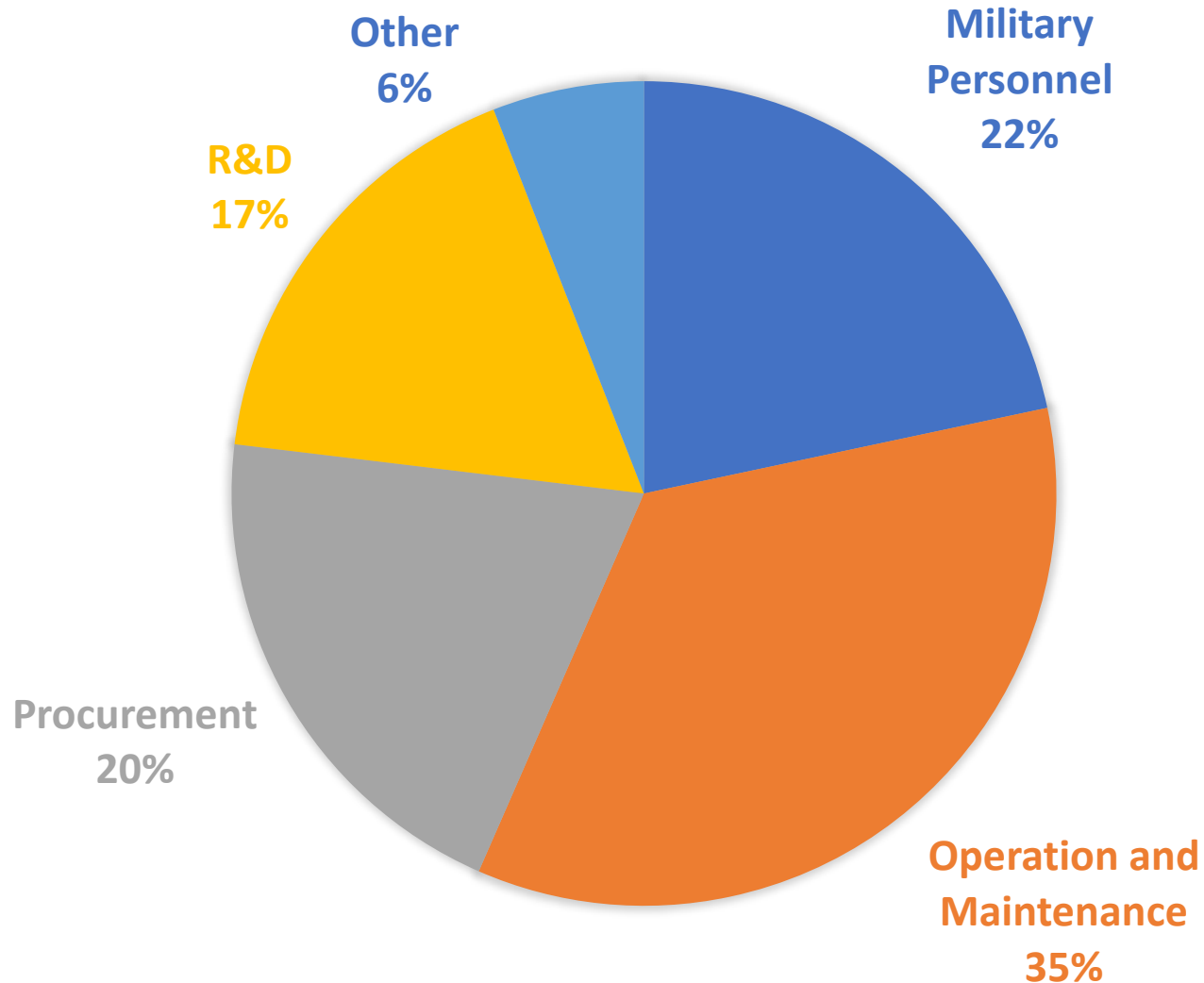


## Deployment\*

Figure 2. The largest share of IRA funding will be available as tax credits to businesses (billions of dollars)



# There will be significant spending from the Department of Defense (DoD) on military infrastructure and building



The Fiscal Year 2023 (FY23) Defense Appropriations bill provides **\$797.6 billion** to develop, maintain, and equip the military forces and intelligence community of the United States.

- \$31.9 billion for **shipbuilding**
- \$21.2 billion for **space force investments**
- \$17.6 billion for modernization of **submarines and missiles**

# Nowak Lab Infrastructure Funding Tracker helps city networks seize funding opportunities

## Infrastructure (+IRA) Funding Tracker

[Home](#) [Archive](#) [About](#)

### A List of Helpful Resources to Track Federal Funding Opportunities

This newsletter notifies you when funding opportunities open from the Infrastructure Law, the Inflation Reduction Act, and the CHIPS Act. Below are helpful resources to get started.

INFRASTRUCTURE (+IRA) TRACKER JUN 26, 2022 ↗ 📌 ...

[New](#) [Top](#)



#### Bureau of Land Management Colorado Opens \$100k for Wildlife Program

Announcement Type: Notice of Funding Opportunity (this program is currently accepting applications)  
Opportunity: IIJA Bureau of Land Management Colorado...

AVANTI KROVI 20 MIN AGO ↗ 📌 ...

#### Bureau of Land Management Headquarters (HQ) Opens \$150K for Cultural and Paleontological Resource Management

Announcement Type: Notice of Funding Opportunity (this program is currently accepting applications)  
Opportunity: FY23 IIJA Bureau of Land Management...

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#### BLM Nevada Opens \$25K for Environmental Quality and Protection

Announcement Type: Notice of Funding Opportunity (this program is currently accepting applications)  
Opportunity: FY23 IIJA Bureau of Land Management...

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The Tracker **provides updates** every time a **new funding opportunity is released** (within 72 hours)

Subscribe to the tracker at [iijatracker.substack.com](https://iijatracker.substack.com)





# On top of federal programs, several states are making major moves to **take advantage of the moment**

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## New Centers of Excellence



- **Detroit Center of Innovation, Michigan Central, and Wayne State:** \$100M *each* to advance research, innovation, and entrepreneurship

## Aggressive Manufacturing Incentives



- **Intel in Ohio:** \$1B+ incentives for Intel's new plant in Licking County (job creation tax credit; roads, sewage, and water projects)
- **Micron in New York:** \$10B Green CHIPS Bill to attract big manufacturers to the state

## Regional Economic Development



- **California Economic Resilience Fund:** \$500M Community Economic Resilience Fund for regional economic strategies
- **Connecticut Innovation Corridor:** \$100M for regional economic clusters
- **Indiana Regional Economic Acceleration & Development Initiative:** \$500M for regional strategic investments

# In sum, federal and state funding is **not comprehensive**

Over-indexed on infrastructure, manufacturing, innovation, and climate policy – – – – –



**Manufacturing**



**Climate and Energy**



**Innovation**



**Infrastructure**



**Downtowns**



**Housing**



**Community Development**

– – – – – under-indexed on downtowns, housing, and community development

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# Build Back Better Regional Challenge (BBBRC)

The \$1 billion Build Back Better Regional Challenge, implemented as part of the \$1.9 trillion American Rescue Plan Act, is aimed at **advancing US competitiveness** by scaling distinctive industry clusters, driving quality job growth and achieving equitable outcomes.



# BBBRC Winners

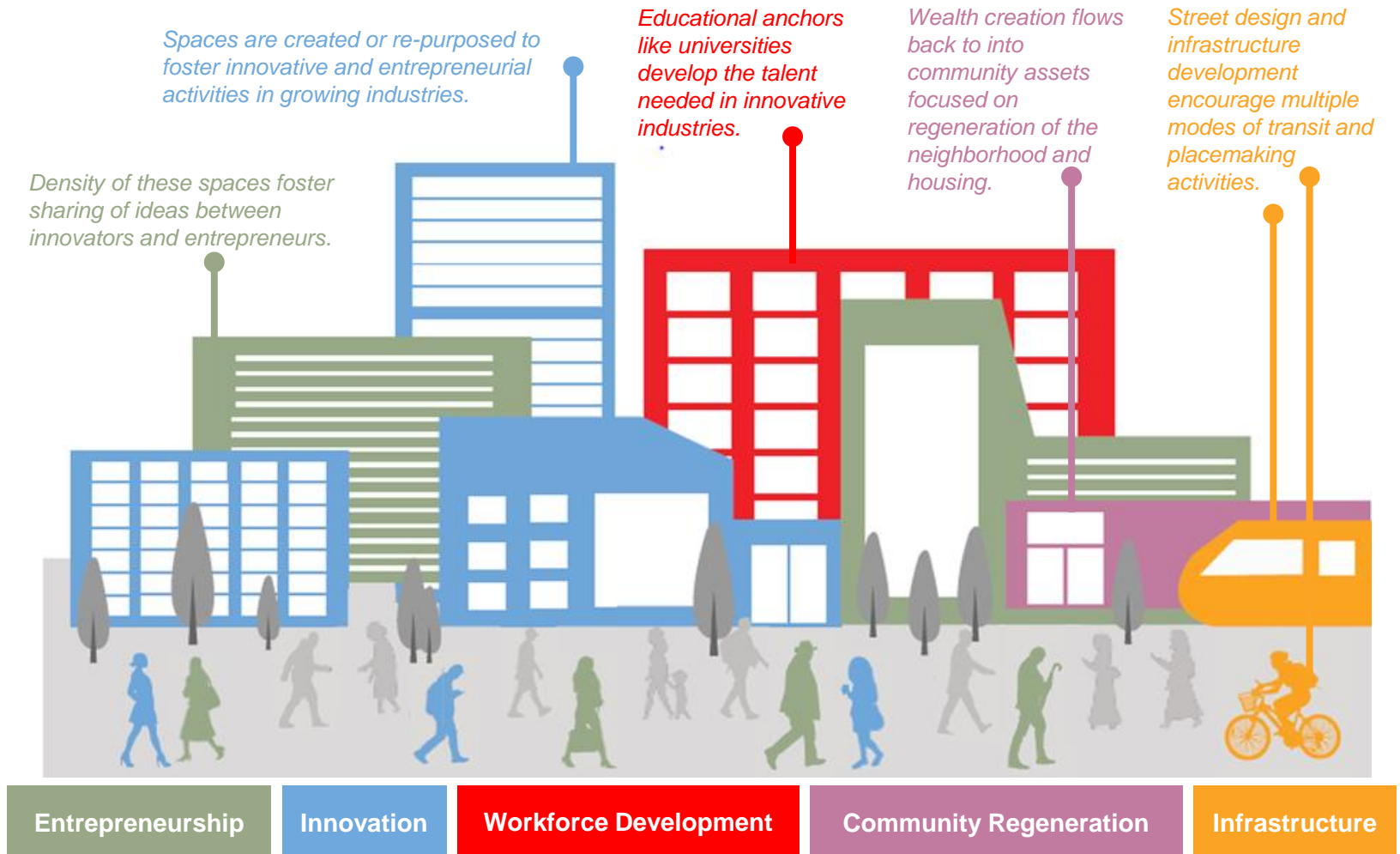


- 5 biotechnology and health clusters
- 4 advanced mobility hubs
- 4 clusters reinventing their natural resource and agricultural industries
- 4 communities developing next-generation manufacturing clusters
- 3 coalitions driving key segments of the clean energy economy
- 1 multi-state Tribal coalition growing an Indigenous finance industry

# A Whole Community

► You need the dynamism of the market & the dynamism of communities to make this pop:

- Opportunity for cultural, economic, and community assets to come together within a geography to create positive impact neighborhoods.
- Think about how wealth creation can flow back into communities.
- Think about inclusion as an economic asset. Creating a local workforce and building a pipeline of local firms that can support demand in growing sectors.



# An Emerging Typology of Market Positions

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What we've learned so far from the Build Back Better Regional Challenge. Each type of cluster presents unique risks & opportunities.

01

Traditional Clusters

A mature sector maintaining its competitive edge through discrete strategies

02

Convergent Clusters

Multiple industries applying cut-across technologies and skills to realize full potential

03

Next-Generation Clusters

Unlocking distinctive advantages to secure first mover position

# An Emerging Typology of Market Positions

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## Traditional Cluster

*A mature sector maintaining its competitive edge through discrete strategies—e.g. aviation, med tech, healthcare, automotive manufacturing.*

### Opportunities:

- ▶ Building from proven strengths and specialties. Industry expertise, technological know-how, customized skills and entrepreneurial ecosystem undergird the cluster.

### Risks:

- ▶ How have new forces, pandemic or otherwise, disrupted the momentum?
- ▶ How will you ensure that ingrained practices or structures are adaptable?
- ▶ How vulnerable is sector to competition?



South Kansas will strengthen its competitive advantage and global market share in aerospace manufacturing



Detroit will transform legacy automotive industry into a highly competitive advanced mobility cluster



# An Emerging Typology of Market Positions

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## Convergent Cluster

*Multiple industries applying cut-across technologies and skills to realize full potential (e.g. AI, cleantech). Similar to the innovation district approach but on a wider scale.*

### Opportunities:

- ▶ Modernizing legacy industries with a diversified approach. Ability to upgrade worker skills, introduce new technologies and leverage new energy and resources to transform existing ecosystems.
- ▶ Realize synergies across multiple industries.

### Risks:

- ▶ How will you reach across geography and industries? Success will rely especially on purposeful and consistent coordination.



Georgia will accelerate adoption of artificial intelligence across the state's legacy industrial sectors

# An Emerging Typology of Market Positions

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## Next Generation Cluster

*Unlocking distinctive advantages to secure first mover position, as in the case of an emerging national/ global market (e.g. blue economy, commercial space, future of mobility) or in response to a challenge of national/global importance (e.g. climate change, cybersecurity, automation).*

### Opportunities:

- ▶ A chance to truly innovate and build new foundations for competitiveness, especially long-term.

### Risks:

- ▶ Why will this work? What are the proof points to trust the fidelity of doing something so new?



Alaska will catalyze a sustainable mariculture industry, producing shellfish and seaweed for communities.



Fresno-Merced region will accelerate the integration of technology and skills in the region's agriculture industry

# Early signals from across the country: Workforce Development in Buffalo

The East Side Avenues Initiative smartly leverages philanthropic capital to attract additional state capital and then stacks private, public, and civic capital to fund investments in East Buffalo focused on small business, placemaking, and workforce development.



## Strategy for Generational Wealth Building Ecosystem

### Three Pillars of Investment:

**Small Businesses**



**Placemaking**



**Workforce**



### MICHIGAN STREET AFRICAN AMERICAN HERITAGE CORRIDOR

Transformative Community Anchor

	PROPOSED	TO DATE
Capital	\$7,428,000	\$30,000,000
Operations/ Capacity Building	\$1,070,000 \$10,000,000	

### NORTHLAND CORRIDOR/NORTHLAND WORKFORCE TRAINING CENTER

Scale Up Success

	PROPOSED	TO DATE
Capital	\$45,000,000	\$100,000,000
NWTC Operations/ Capacity Building	\$7,500,000	



### EAST SIDE COMMERCIAL DISTRICTS PROGRAM

Scale Up Success

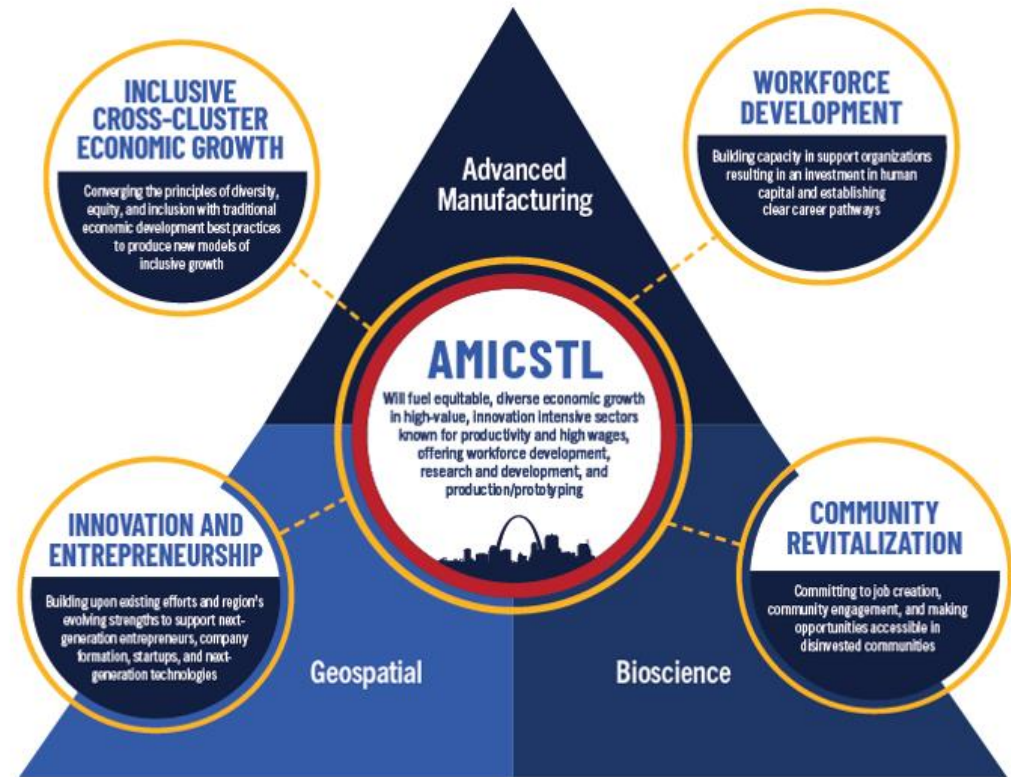
	PROPOSED	TO DATE
Capital	\$2,600,000	\$25,000,000
Operations/ Capacity Building	\$1,150,000	\$4,000,000



# Early signals from across the country: **Advanced Manufacturing Center in St. Louis**

The St. Louis Tech Triangle, another corporate-created innovation district recently won \$25M from the Build Back Better Regional Challenge to promote advanced manufacturing and build out the 130,000 square-foot Advanced Manufacturing Innovation Center.

Centers like these are emerging across the country to **reshore production.**



# Early signals from across the country: **Aerospace and Defense Manufacturing in El Paso**

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Through approximately \$40M from BBBRC, the West Texas Aerospace and Defense Manufacturing coalition, led by the University of Texas at El Paso, will establish the El Paso Makes Advanced Manufacturing District where small- and mid-size firms can co-locate with research and innovation assets while also benefiting from the physical and cybersecurity infrastructure.



Through their initiative El Paso is **integrating Latino firms into their growing and competitive industries.**

# While the funding details can be overwhelming, several **simple practices** can make a big difference

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## **“Don’t Let Perfect be the Enemy of the Good”**

Everything is unfolding and a rapid pace: funding opportunities are opening and closing, other cities and states are making moves to capitalize on new opportunities. Taking swift action requires sacrificing the myth of perfection.

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## **“Divide and Conquer”**

The IRA’s incentives are splintered; no one organization can – or needs to – be involved in every eligible transaction

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## **“Do the Math”**

Projects need to be costed out and capital stacked from public, private, and civic sources to make full use of the unique moment

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## **“Meet to Decide, not to Discuss”**

The diversity of recipients and other stakeholders in IRA incentives necessitates collaboration, however, short timelines require a bias towards action

# The Climate Bill will compel cities to **innovate further**

	1	2	3	4	5	6	7
<i>Context</i>	Matching multiple funding opportunities to worthy projects	Ensure long-term economic competitiveness	Using multiple types of capital to transform downtowns	Preparing for the ongoing talent shortage	Ensuring spending is allocated equitably	Provide access to quality capital for diverse small businesses	Break silos across sectors to unlock capital
<i>Tool</i>	<b>Investment Playbook</b>	<b>Industrial Policy</b>	<b>Place-making</b>	<b>Talent Initiative</b>	<b>Procurement Playbook</b>	<b>Innovative Supply Chain Finance</b>	<b>Nerve Center</b>
<i>New Considerations from the IRA</i>	Add <b>construction and climate projects; stack new incentives</b> to close needed capital stacks	Make strategic investments to “own” the <b>industries poised for growth</b> (e.g., green construction, renewable energy)	Expand place-making efforts with <b>additional construction projects</b> via new incentives	Ensure <b>talent is trained and available</b> for buildings and construction, work with unions to ensure representation on local projects	<b>Expand supplier diversity efforts</b> to include entities receiving incentives (e.g., construction, utilities)	<b>Create “one-stop shop”</b> to market relevant and accessible information about incentives to MWBEs; stack with existing capital programs	Create a <b>climate action team</b> focused on infrastructure, buildings, manufacturing, renewable energy, and others

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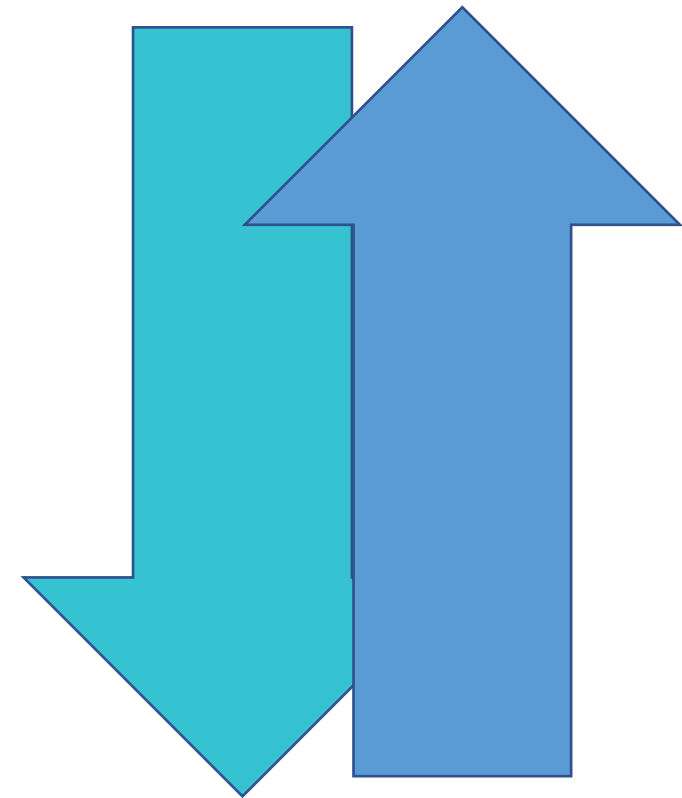
**Takeaways for UK**



## For UK observers, **several lessons are critical...**

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- **Devolution matters.** National competitiveness is strengthened by confident, bottom-up leadership rather than top-down determinism.
- **Networks matter.** Cities are networks rather than governments and incentivizing sub-national collaboration is critical to achieving national objectives.
- **Cumulative impact matters.** Having a clear economic strategy, particularly around authentic advanced industrial strengths, helps layer and align the firehose of other funding (e.g., road, transit, energy, water, sewer, and digital infrastructure) that is coming.



But there are **other lessons**, which the UK and others would be wise to reflect upon...

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### **Industrial Strengths**

We need to recognize and leverage industry assets. City planning circles need to focus on freight thoroughfares to meet the manufacturing moment.

### **Geography of Industry**

In countries like the US, federal industrial policy is likely to lead to industrial sprawl, given the land needs of advanced manufacturing companies.

### **Full Capacity**

Many parts of the US lack the capacity to realize the full potential of the industrial transition moment. Build Back Better requires a fundamental commitment to bulk up capacity.

### **Military**

The military industrial complex often “sits behind a fence” in many communities, diminishing the outsized effect that expanded defense investments can have on local economies.



# Thank You

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