

**TRANSCRIPT**  
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Ok, we continue the theme of perhaps excessive mutual admiration by thanking Ron [Smith] and, at the risk of overdoing mutual admiration, we want to call out a few Las Vegas who have been here this morning and have been incredibly welcoming of the work we – Brookings as a whole – has proposed doing. President [Neal] Smatresk and President [David] Ashley, and UNLV all the way down, were quick to see the drift of our work, and we're grateful for that. We deeply appreciate the support of the Lincy Foundation for all of this and other things going on in the region. The same thing goes for leaders like Pat Mulroy of the Southern Nevada Water Authority, Jake Snow of the Regional Transportation Commission, Marcia Turner of the Nevada System of Higher Education, Mike Yackira of NV Energy, and Mike Saltman [of The Vista Group]. Finally I want to thank, as I always do, Brian Greenspun for his wise and friendly counsel, for his belief that Brookings can help Las Vegas continue to progress towards true sustainable prosperity. You're lucky to have leader and stewards like these. I want to thank everybody here for coming.

We're here to inaugurate and celebrate a new and more formalized relationship between Brookings, UNLV, southern Nevada and the intermountain west, indeed the west broadly. And that's very challenging in Las Vegas. More and more it feels like we're staring at a bona fide inflection point in history, a deciding time. Lasting changes in industry structure, spending patterns, economic behavior, some of which Bill Antholis alluded to, all look very much to have set up the conditions for a kind of historic and national reset of the economy, in which the nature of the economy shifts with huge implications for all places.

Crisis is upon us and there may be no return to normal, because what has preceded this crisis was itself not normal. And that means what matters now is very likely that present emergencies are going to beget in some places innovation and in other places erosion. And that means what matters now is how places like Las Vegas respond to crises. It's not the fact of the crises, it's the response to the crisis that matters. Can Las Vegas respond to this decisively and, in the words of the great economist Wayne Gretzky, skate toward where the puck will be, not where it is? Or will it simply wait to be saved by the business cycle and a hope-for return of business as usual? We will submit that the later course is not a wise one.

So what Rob Lang and I thought we would do this morning is celebrate Brookings partnership here by saying why the Metro Program is here, reviewing some of the challenges and emerging opportunities that we see, and lastly offering a vision of the way forward. I want to touch on the first two points and Rob Lang is going to conclude, at which point we're going to welcome discussions and questions. Please be pointed in questioning, enthusiastic or hostile. We welcome that. In all, you should know we see you as a region of Wayne Gretzkys, so we are wanting you to be nimble and think where the puck is going.

So let's begin with why are we here, why is Brookings so interested in Las Vegas and the intermountain west? I think Bill [Antholis] has given a number of broader reasons, but I want to speak for Rob [Lang] and I as urban scholars. There are a lot of reasons, but they all come down to the extraordinary fact that Las Vegas represents the kind of extreme point of American economic experience. One aspect of this is growth dynamics, the things that we highlighted in our original report [*Mountain Megs: America's Newest Metropolitan Places and a Federal Partnership to Help Them Prosper*]. Las Vegas grew 17 percent between 2000 and 2007, about 2.5 percent a year. You were one of the very fastest growing segments of the fastest growing regions in America. But since then population slammed to a halt and it is strikingly negative

now, almost certainly negative. Jeremy Aguero of Applied Analysis here [in Las Vegas] estimates that the regional population will slip by almost 18,000 people this year. This is an extraordinary time and growth will return – you will double in size by about 2040, as Chris Nelson, who is here from Utah, predicts, but there is now tumult and there will be further up and downs. Such things may not be fun for you but they make you interesting, and they make you interesting to scholars like us. For scholars interested in the nature of fast growth, including its down sweeps, this is the place to be.

But another reason why we are here is the constant intervention in the west of new urban forms. Las Vegas is one of the nation's most prolific laboratories for new development types, whether it is the deliberate super-density of the Strip, the City Center mega project, which is in its way an instant urban core and walkable mixed-use project, or the “boomburbs” tracked by my colleague Rob. And then finally, we're here – and I think this is the most salient reason – the thing that we are going to talk about the most: you're essentially ground zero of the world economic crisis.

In this connection, the litany of stress is sobering as tracked by Brookings' “MetroMonitor” trend watch. One of the first activities Brookings Mountain West Initiative will do on the Metro side is going to be a regularized quarterly index of key indices for performance across probably 12-15 large and medium size metro areas. That sort of work will tell us things like the things we know about Las Vegas. No large metro suffered house price declines greater than Las Vegas' 24 percent plunge, no larger metropolitan has a higher concentration of foreclosures, gross metro product declined 3 percent since its last peak in early 2007, and unemployment now reach 13 percent. You know that in this sense, Las Vegas exaggerates America's economic quandary and the broader quandary of the country. It faces in spades the fundamental questions facing the whole country.

There is a growing consensus, for example, that the nation needs to export more goods and professional services and trade less on consumerisms. Larry Summers, the Director of the National Economic Council, the key policy forming corps in the White House says bluntly, “The rebuilt American economy must be more export-oriented and less consumption-oriented.” And indeed, consumption is down nationally as Bill [Antholis] noted and the savings rate is rising, with many economists arguing that it’s going to stay higher for a long time.

This is potentially problematic for Las Vegas, because few U.S. metros are as dependent on consumption as Las Vegas. We have a particular view of that consumption: we don’t think that it’s just consumption, but nevertheless there is a problem. Las Vegas, on the left [*of this slide*], generates more than half of its metropolitan private sector GDP from consumption activities – real estate activities, construction, eating, drinking, hospitality – with only Orlando anywhere near it. You can look on down to the other end [*of the slide*], the second bar from the right is San Jose at only 21 percent. They have arguably a huge consumption sector, but the pie is huge from exporting those Ipods, computer hard drives, new companies developing electric cars.

The point here is that you are in a vulnerable position. This super high reliance on consumption makes the region venerable to any wholesale consumption pull-back, whether national or global. Indeed, you export very few cars because your main export item at this point is consumption items – fun, fun, and fun. All of this means Las Vegas faces to a heightened degree many of the questions facing the whole nation. Las Vegas, for that reason, is totally compelling to Rob and I and Brookings Mountain West. Your situation stages many of the questions raised by the current rebalance of the economy: Where will the next period of growth come from? What should we do now? How will we use bad times to reposition? What should we invest in? How should we get better at what we do? In this sense this is a great place

for us to engage in the challenges the whole nation faces and see what one representative place does to renew itself with, hopefully, good advice, smart state and federal policy support, and great local leadership. So in that sense we don't view Las Vegas as an aberration, we view it as a heightened example of the national predicament in certain ways, and that adds to our interest in studying you.

This brings me now to your more immediate challenges and opportunities. To help places assess their competitive standing, we at Brookings have developed the "Blueprint for American Prosperity." The Blueprint is a deep-going prosperity analysis theory and federal policy agenda for metros that has helped many places, as well as the Obama administration. I might add, get a handle on what really matters in strengthening America's communities and regional economies. According to the Blueprint, true prosperity depends on achieving three types of growth all at once: productive growth that boosts innovation and productivity so it generates quality jobs and rising income, inclusive growth that fosters the strong middle class by addressing the training and education needs of an extremely diverse population, and then sustainable growth that promotes sensible urban form, reduces resource consumption and carbon emissions, and protects the environment. What we're trying to get at here, this sense we all have, this intuition we have had for decades, is that you can't pursue one sort of prosperity, that prosperity is a broader thing than simply incomes, it's a more holistic vision.

Now to achieve these goals, we argue that four sorts of local assets found to improve regional government matter inordinately. Infrastructure matters, because high quality transportation, electricity transmission, and telecom that work are critical to moving goods, power, ideas, electrons and workers quickly. Innovation matters, because the ability to invent and exploit products, processes, and business models is critical for boosting productivity to compete globally. Human capital matters, because innovation and the demands of a more

competitive economy require a work force with education and skill levels that are continuously rising. Sustainability matters, because a new economic order and desire for environmental stewardship revalues density, reduced carbon emissions, distinctive neighborhoods, and vibrant downtown precede each of those elements as ways to achieve the other parts. And then regional government matters, because decisive, nimble, wider reaching government networks are necessary to master today's complicated, supersized problems. In regional governments, after all, is how places put it all together. If you don't have an effective government approach, you will not be able to have the nimbleness, you will not be Wayne Gretzky skating toward where the puck is going. So against this framework then, let's probe a bit how is Las Vegas doing now. With what deficits, and yes, assets, does southern Nevada face the current reset? Well, the sobering indicators that I ticked off earlier are clearly no secret.

What I want to do now is probe your standing on some of these deeper fundamental drivers of prosperity I just mentioned: your infrastructure links, especially your innovation capacity, your sustainability, and quality of place. Here there are definitely serious challenges to be surmounted, but we would submit you know some real opportunities ahead. Now start with the infrastructure, especially transportation infrastructure, which is just one type of infrastructure but can stand as an example.

On this front the glaring fact remains that Las Vegas is like many of the other Mountain West metros – woefully underserved by transportation links. It is truly quite astonishing how weakly this metropolis is connected. This owes in part to the fact that you came late to the great freeway building frenzy of the last century. But anyway, the state of affairs is extraordinary. On the highway front, Las Vegas and Phoenix are still the largest two adjacent metropolitan areas that are not served by an interstate highway. And likewise, in some places I-15 – the crucial link between Las Vegas and LA – provides just two lanes in each direction. This

simply does not benefit a truly connected world class metropolis. As to inner city rail links, you are also operating at a disadvantage. You don't have any. That's a disadvantage. This means that the region lacks transportation choice and another key accoutrement of the highly linked 21<sup>st</sup> century world city. If you don't have an interstate going one way and there's only 4 lanes going to Los Angeles, and you don't have rail, you're not a world city, I would say. Yet as it happens southern Nevada has actually gained momentum on this front.

On the highway side, Brookings' "Mountain Megs" report and other discussions have helped reanimate the whole dialogue about the construction of an Interstate 11 linking Las Vegas and Phoenix. And as to the rail problem, a southern California to Vegas link has now been added to the Federal Railroad Administration's high speed rail core designations map – an important step forward. This is the official map [*referring to slide*]. This is an important map, even though it's kind of an ugly one. These are the formally recognized corridors at this point, the ones that are in play in many respects. And you know, your region is also beginning to create a high speed rail alliance or is a leader in a high speed rail alliance, that is, seeking to fill this vast empty space that is the intermountain west on this map and propose some other linkages into the interior. So this is true progress in less than a couple years to have asserted yourself into discussions at just the right time with something like 12 billion dollars in high-speed rail money coming down the pike in the next couple years.

Then finally, McCarran Airport remains a killer asset in the drive to create a true world city in Southern Nevada. And this is the one thing that gives you some claim here. The forthcoming Brookings data will show McCarran isn't just the sixth busiest airport in the nation, it is also one of the single most heavily travelled short-haul airports in America: the LA-Vegas pathway. It's a huge amount of traffic and also, as our numbers are going to show, a great argument for the high-speed rail link. There is no way that that kind of traffic, when growth is

factored in, can itself be served by inefficient, carbon-building, short air links, and I think that there will be a very significant fact-based argument for bolstering this connection. And then especially important, McCarran's multiplied its international arrivals by some 2600 percent since 1990, a surge surpassed only by Phoenix, and really very few places have so quickly put themselves in the international orbit.

In short then, southern Nevada – notwithstanding some truly glaring infrastructure deficits – is moving successfully to fill in the full complement of links it needs to move goods, ideas, and workers quickly. And I think what's heartening here is that there's been a general degree of cohesion in the region's assertiveness, but it's time to push that work further.

Now let's turn to innovation capacity – the ability to bend and exploit new products, processes, and business models. The ability to innovate matters, because it fully influences your ability to raise your level of productivity, develop new exportable goods and services, and stockpile high wage jobs that can support a good standard of living. And on this front Las Vegas faces steep challenges; for example, scientific and technical R & D is a critical driver of innovation and economic productivity, but Las Vegas conducts very little of it in a region that doesn't do enough of it. You can see the national average of about .43 percent of employment are in R&D, and all the intermountain west metropolitan areas are significantly behind that. Las Vegas has really a very modest activity in scientific or technical R&D. As a result, patenting rates – a key measure of the region's innovation capacity – remain very low. That top bar [*referring to the slide*] is again San Jose: producer of iPhones, 475 patents per hundred thousand people per year. Albuquerque, Colorado Springs, Salt Lake City are all well ahead of Las Vegas. Las Vegas, and this is an imperfect indice, but it nevertheless points to a gap in what we view as a key asset and driver of growth. And so, partly as a result, Las Vegas remains relatively weak in critical

green export activities that might become important to a new, less consumption-driven Nevada economy.

You can see here [*referring to the slide*] that Vegas is exporting very little currently in terms of green products, just that little red bar in the middle. And as a result it sees a very low percentage of its employment in so called green jobs, which is that dip in the green curve. So that bodes poorly. You really aren't a significant player at this point in green export activities and yet, notwithstanding these challenges, the fact remains that Vegas has some true strengths in the race to move into high value, export-oriented pursuits.

To begin with, Las Vegas' labor productivity continues to outstrip most of its regional competitors. This is in many respects a productive economy, a hardworking economy, and really just about the national average for that, but in a region where many metropolitan areas don't have to look that great on their productivity indices. Likewise, and partly explaining the region's solid labor output, the region possesses at least one true world class source of export income in innovation: the gaming-entertainment-hospitality-convening section, and I'm going to add professional services sector. To the extent that this sector can be moved more and more away from pure consumption and more towards high-end convening – meaning deal-making, strategizing, and related professional services – the more it will emerge as the true driver of high value business growth. And we think that there are efficiencies to what you are doing that offer a truly more substantial presence here.

And then your sunny natural assets, regional focus, and your convening power are building real momentum in the renewable energy sector. The region's been aggressive about deploying solar, and I will show a slide in a minute that shows the university is building relevant specializations, as we heard from Ron [Smith], including training programs and getting into the game on new research concepts, such as the Department of Energy's forthcoming energy

innovation hubs program that Brookings has been involved in. We've worked very closely with Ron on this, and through mega-convenings like Senator [Harry] Reid's Clean Energy Summit, you're inserting yourself directly into national discussions at the highest level about the nature and direction of the clean energy opportunity. And in this respect clean tech becomes an excellent example of how moving up the value chain in the professional convening sector can drive more substantive economic development. You're, in a way, making it simply by becoming the key place to talk about the direction and nature of this sector. In sum, you're moving in the right direction, though the sector as yet is still insignificant in terms of firm-creation and export employment. But again the drift is right.

Which brings us to the last of the drivers I want to talk about today, your standing on the creation of a sustainable, high quality place in the desert. To be sure, southern Nevada faces significant challenges in this connection. Climate change has heightened water supply questions to the point that the Bureau of Reclamation labels your region red on this map of water conflict potential [*referring to slide*]. For the record, you're labeled "conflict potential: highly likely." I think you're already having some of these conflicts, and I think at an earlier forum we had the governor of Utah actually threaten jokingly to call out the National Guard on some of these issues. But the point is you know there is no way to evade the importance of this issue. It may be overstated at times, as in what I would call the hysterical New York Times Magazine, but water supply questions remain a real and persistent challenge. Likewise, while natural growth constraints have forced relatively dense development in the metro [area], past policy choices have left the region auto dependent and poorly linked. You have, to an extent, sometimes monotonous and inefficient urban fabric.

And yet all is not lost here. To begin with, the strong dense urban job core represents an important starting point for shaping an efficient, dynamic metropolis, and this connection a

recent Brookings report reported that 90 percent of Las Vegas area jobs located within 10 miles of the city center, a share that far exceeds both the metropolitan average in America and the share in any other intermountain west metro. That centeredness is something to build on. As the urban scholars here will tell you, it allows for efficiency, it focuses face to face dealings, it allows for transit solutions and walk-ability if the region chooses to embrace those.

Beyond that, the innovative new experiments in urban design that you're pursuing – green architecture, walk-able urban, you're beginning to retrofit the auto-scape. City Center is hugely symbolic; it is the biggest example of how Vegas has been trying to build a real, mixed use, urban center at the heart of the Strip. A massive green project, City Center also points to a future Las Vegas that creates festive urban nodes out across the valley, inviting zones of walk-ability and ultimately a network of centers for transit or development, such as may grow up around the cool stops for your forthcoming bus rapid transit system.

And then while the term "sustainable Las Vegas" may still seem an oxymoron, huge strides have really been made to begin to remake itself. Per capita water consumption is plunging: nearly a 30% cut in per capita gallons of water use per day. No region has shifted faster and further toward renewable energy than Nevada. Look at the uptake since around 1990, in which you not only catch precocious California, blow by it, and then now are – in terms of overall total energy consumption from new renewable – the second most highly connected region in the country, way beyond the U.S. average. This uptake is important, and in many economists' view, that local uptake does add densely to the creation of expertise and broader export opportunities. So, very current performance there.

And then finally, partly as a result, Las Vegas carbon footprint remains below the national regional average. This is the cardinal indicator of regional sustainability, and you are doing all right on it. In short, the tempo of change in Las Vegas, the rapidity of change in the

past and hopefully going through the present, is going to allow a quite rapid retrofit of an unsustainable urban system that needs to keep going. You have a tremendous opportunity that allows change, allows retrofit, much more easily than it does in some of the built out regions.

So in sum, Las Vegas faces the current reset with some real strengths but it needs to use the bad times well. It is not the time to simply wait for the business cycle to return things to a more sluggish version of business as usual. It is a time to make new moves. It is a time to be bold. It's the time to build the infrastructure of a super-connected, super-innovated and yet sustainable world crossing point. That's the challenge going forward.

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