

The 10 TRAITS of GLOBALLY FLUENT METRO AREAS

GLOBAL CITIES INITIATIVE
A JOINT PROJECT OF BROOKINGS AND JPMORGAN CHASE

WASHINGTON

GDP (country rank), 2012 ¹	Share National GDP, 2012 ²	GDP/Capita, 2012 ³	Population, 2012 (country rank) ⁴	Share National Pop., 2012 ⁵	GaWC Global City Ranking, 2010 ⁶	# Global 2000 HQs, 2012 ⁷	GDP/c Growth 1993-2012 ⁸
\$268,881,027 (4)	1.71%	\$49,428	5,439,768 (7)	1.73%	40	12	0.70%

1) Benchmarks — what is the city’s recent ranking performance in terms of global firms, connectivity, diversity, range of cultural assets, immigrants, visitors?

Over the past decade, Greater Washington has emerged as a top global city in most of the major rankings that evaluate world metro areas. The region, which spans the city itself and parts of Maryland and Virginia, ranked eighth in the *Economist’s* Hot Spots ranking, 10th in AT Kearney’s Global Cities Index, 12th in Knight Frank’s Global Cities Index, and fifth in the Global Urban Competitiveness Report.⁹ It placed first for the past two years in Market Watch’s business climate ranking of U.S. metro areas.¹⁰

The region’s rankings are boosted by quantitative and qualitative measures, including income and wealth, gross metro product, political power, knowledge and influence, employment, immigration, connectivity, cultural assets, and quality of life. However, Greater Washington is held back in many rankings based on the perception of its economic base or lack of image as a true global business region.

2) Narrative – the city’s journey into and through globalization. What kind of economic and development trajectory has it taken? What has changed over time?

Washington DC’s status as a global city has historically been anchored by its role as the capital of the world’s most powerful, influential, and economically prosperous nation. However, its evolution into a consensus top 15 global city since the 1950s (primarily over the past two decades) is largely due to the broadened reach of

the United States into global affairs and its increasing role as a business and economic powerhouse.

Prior to World War II, Washington was not a global city because the nation was not as globally engaged and was somewhat isolated. It was a “company town,” and the company was the federal government. What changed? After World War II, the nation’s reach grew and the importance of Washington DC (as its headquarters) grew with it. There was a growing diplomatic base, and infrastructure to support it, such as international schools, began to grow. The Kennedy Center brought culture to town and the Metro subway connected it. DC became more cosmopolitan, urban, affluent, and diverse.¹¹

Government contractors, legal firms, media, think tanks, consultants, lobbyists, not-for-profits, and associations established a strong base in Washington DC to build relationships, gain business, influence decisions, and stay on top of critical activities. Its stately federal buildings and monuments, cultural attractions, major events and conferences, and base of decision makers and influencers also make it a strong market for tourism and hospitality.

However, while the federal government remains the anchor for the region (and the post-9/11 focus on homeland security cemented this even further in DC), Greater Washington provides a strong example of the shifting role of national capitals into top networking and decision-making centers for politics, as well as economy and business. Many point to the 1980s, with the founding of AOL in the Dulles Corridor in Virginia and an emerging bioscience hub in Montgomery County, MD, as the start of the region’s transformation from a government town to a hub of innovation and business. Government contractors, consultants, and researchers at federal labs, such as the National Institutes of Health (NIH) and the National Institute for Science and Technology (NIST), began branching out to translate their research into products and services for the private market. Today, Northern Virginia is one of the nation’s premier information technology hubs, and DC’s Maryland suburbs make up one of the nation’s top bioscience hubs, resulting in a large number of locally made millionaires. A 2011 article in the Atlantic dubbed the region the “Silicon Valley of the East,” and the data strongly support this notion.¹²

A growing number of companies and entrepreneurs now feel the pull to have a significant presence in Greater Washington to access key clients, talent, the U.S. market, and even the global market. Government contractors Northrop Grumman, SAIC, and CSC recently joined Lockheed Martin, General Dynamics, and Booz Allen in the metro area, moving their respective headquarters from Southern California. Not only are these firms now closer to their federal government clients, they also have convenient access to global decision makers from other countries who serve in or visit the over 180 local embassies. In 2009, Hilton Hotels announced it would move its corporate headquarters to the region from California, joining Marriott and Choice Hotels. The move makes Greater Washington the “center of the world’s hospitality business” and home to three of the six top global hotel companies.¹³ Volkswagen of America and Siemens recently moved their American headquarters to the region, citing a determination to play a new and stronger role in the U.S. market.¹⁴ Greater Washington is now home to 15 Fortune 500 headquarters and 1,000 foreign-owned companies.¹⁵ It is also a major global media center, serving as home to influential players such as Gannett, the Washington Post Company, bureaus of major U.S. and foreign media outlets, National Geographic, the Discovery Channel, and PBS.

Global reach, career, and quality-of-life opportunities have also combined to make Greater Washington one of the nation’s leading magnets for highly educated, creative, and diverse domestic and immigrant populations. Over 46 percent of the region’s population (over age 25) has a bachelor’s degree or higher, ranking the metro area number one in the United States.¹⁶ The foreign-born population in 2010 was 21.8 percent, up from just 11 percent in 1990, and over 20 percent of the region’s residents speak a language other than English at home.¹⁷ The Indian population alone has risen ninefold since 1980 to 40,000, drawn by education and unique employment opportunities, particularly in the information technology sector.¹⁸ And “creative class” rankings consistently place Greater Washington among the top U.S. metro areas, signifying that the region is open and welcoming to new people and ideas.¹⁹

Evidence of the increasing globalization and connectivity of Greater Washington can be viewed through growth at Dulles Airport, which is now one of the largest and fastest-growing U.S. international airports. Dulles went from serving 1.4 million international passengers annually in 1990, to 3.5 million in 1999, to over 5 million in 2011.²⁰

3) Elements of international and global orientation - In what ways is the city globally connected and relevant? What sort of trade patterns does it exhibit?

The primary elements of Greater Washington's international and global orientation involve a network of political power and influence, thought leadership, globally relevant innovations and companies, a highly educated and diverse population base, and the anchor for it all—the U.S. federal government. The region's advantages are that the world comes to it because critical decisions are made there that affect global politics and the economy, because people and institutions in Washington think globally, and because it represents a visible and effective base for foreign firms and organizations looking to boost their overall U.S. presence. The networks, relationships, and connections that can be made, and the open, diverse community, serve as magnets to draw people from around the world, either to visit or to establish a base of operations. However, Greater Washington is held back by its lack of a true "corporate culture," such as those found in longtime U.S. business centers. The companies are now in the region, but they are not focused on the region or philanthropy, just operating in the market for strategic reasons. The region continues to be characterized as a transient culture that is not very regional in its operation. Regionalism is further hindered because Greater Washington comprises three separate and very different jurisdictions in the District of Columbia, Maryland, and Virginia.²¹

Greater Washington is also much less global when it comes to trade, ranking 99th among the top 100 U.S. metro areas for exports as a percent of GDP. Services account for over 70 percent of the region's total exports (compared to 33 percent nationally), led by business services, travel and tourism, royalties, and financial services.²² The lack of a significant manufacturing base limits the region's trade in goods. Further, while the headquarters operations of major firms are in DC, the actual manufacturing operations are typically located elsewhere, meaning the export is counted as being from the producing metro area. One of the most critical economic questions for Greater Washington to grapple with is, will the region's economic performance and rising global position wane with the envisioned major decline (or stagnating growth) in federal spending, or has it evolved and diversified into a position in which current momentum can sustain the region into the future, even with a potentially smaller, resource-deficient federal government?

4) To what extent is the city's international dimension inherited or intentional?

While specific economic development efforts have been pursued around innovation, quality of life, and projects such as Dulles Airport, there is little evidence to suggest that Greater Washington's position as a top 10 global city was attained through any broad intentional or strategic initiatives. Tom Morr, former president and chief executive officer of the Greater Washington Initiative, states, "I don't think anyone has taken a proactive effort with a focus on making DC more international. DC is a global city, but not because somebody set out to make DC into a global marketplace."

¹ Brookings analysis of Moody's Analytics and Oxford Economics data.

² Ibid.

³ Ibid.

⁴ Ibid.

⁵ Ibid.

⁶ "The World According to GaWC; Classification of Cities 2010," September, 14, 2011.

⁷ The data were produced by G. Csomós and constitute Data Set 26 of the Globalization and World Cities (GaWC) Research Network (<http://www.lboro.ac.uk/gawc/>) publication of inter-city data.

⁸ Brookings analysis of Moody's Analytics and Oxford Economics data.

⁹ "Hot Spots: Benchmarking Global City Competitiveness," Economist Intelligence Unit; "2012 Global Cities Index," AT Kearney and

the Chicago Council on Global Affairs, available at www.atkearney.com/gbpc/global-cities-index/full-report/-/asset_publisher/yAl1OgZpc1DO/content/2012-global-cities-index/10192.

¹⁰ Marketwatch.com

¹¹ Phone interview between Brad McDearman, fellow, Brookings Institution, and Tom Morr, former managing partner at Greater Washington Initiative.

¹² Derek Thompson, "The Silicon Valley of the East Is Washington DC," *Atlantic*, June 7, 2011; "Greater Washington Information and Communication Technology Industry Report," Greater Washington Initiative, 2010.

¹³ Michael S. Rosenwald, "Hilton to Move Headquarters to DC Area," *Washington Post*, January 22, 2009.

¹⁴ Marjorie Censer, "Siemens Relocates U.S. Headquarters to District," *Washington Post*, April 10, 2011; "VW of America's Corporate Headquarters to Leave Detroit Area for Washington DC Area," Auto Channel, September 6, 2007.

¹⁵ "Greater Washington: International Commerce and Culture," Greater Washington Initiative, 2011.

¹⁶ "State of Metropolitan America," Brookings Metropolitan Policy Program (Washington: Brookings Institution, 2010).

¹⁷ "State of Metropolitan America"; Matthew Hall, Audrey Singer, Gordon F. De Jong, and Deborah Roempke Graefe, "The Geography of Immigrant Skills" (Washington: Brookings Institution, 2010).

¹⁸ Derek Thompson, "The Silicon Valley of the East Is Washington DC."

¹⁹ Richard Florida, "What Housing Crisis," *New York Times*, January 5, 2012; Derek Thompson, "The Silicon Valley of the East Is Washington DC."

²⁰ Adie Tomer, Robert Puentes, and Zachary Neal, "Global Gateways: International Aviation in Metropolitan America" (Washington: Brookings Institution, 2012).

²¹ Personal communication from Stephen Fuller, Dwight Schar faculty chair and university professor, and director, Center for Regional Analysis, George Mason University.

²² Emilia Istrate and Nicholas Marchio, "Export Nation 2012: How U.S. Metropolitan Areas Are Driving National Growth" (Washington: Brookings Institution, 2012).

Acknowledgements

The authors would like to thank this case's external reviewers: Stephen S. Fuller, Dwight Schar Faculty Chair and University Professor and Director, Center for Regional Analysis, School of Public Policy, George Mason University, and Thomas Morr, president and chief executive officer, Select Greater Philadelphia.