**Blueprint 2025: Global Economic Scenario Theme.**
The luncheon meeting focused on building-out Blueprint 2025’s Global Economic Scenario theme. The overall objective was to identify a systematic, and believable, way to think about the future of the global economy, and – based on that insight – facilitate infrastructure decisions that enable the US economy to take optimal advantage of global economic developments.

The results were quite different. In the end, the balance of the discussion focused on devolving decisions to US states and major cities regarding determining the “right” infrastructure and access to the resources to finance it, as well as addressing the need for regulatory and permitting reform – those issues that make it impossible for the US economy to make the kind of rapid decisions that would allow robust financing of strategic projects. Boiling down Blueprint 2025’s ten themes and eighteen recommendations to a triad, the presentation drove home the point that we need to focus on strategic projects, ready financing, and efficient regulation – and that the need to give states and cities more control over their infrastructure destinies is a preeminent issue.

**Background.** On Wednesday, 27 April, CG/LA welcomed Blueprint 2025 members and supporters to a luncheon with author Parag Khanna, hosted by Squire Patton Boggs. Dr. Khanna presented key themes from his recently published book *Connectography: Mapping the Future of Global Civilization* and led a productive discussion of the implications of the trends it describes for U.S. political decision-making (mostly by states and cities), economics (we lack a strategy), and infrastructure (if states and cities are driving the future, they should be empowered to make the key decisions and given access to the resources to finance them). If connectivity is critical, then we are in urgent need of a national vision for connections. The session kicked off work to develop the Global Economic Transition action stream within Blueprint 2025, an activity CG/LA will lead over the coming weeks.

**Connectography - Three Primary Ideas.** Three primary ideas - drawn from both the presentation and the discussion - stood out. First, there will be a massive spend on infrastructure going forward, and these infrastructure investment decisions - rather than national issues like defense - are going to determine the success or failure of what he calls ‘urban archipelagos.’ Most of this spending will be organized and carried-out by cities and states.
Second, the growth of regions defined by functional geography and anchored by dynamic urban engines is challenging the importance of traditional boundaries and units defined by political geography worldwide. In the U.S. context, regional economies are emerging, creating large questions about how they can most effectively be governed and who will or should make regional infrastructure prioritization and investment decisions.

Finally, whatever the impact of megacities and regionalism on political structures, they will most certainly continue to be key drivers of economic growth and competitiveness through processes tightly linked to supply chains and infrastructural connectivity. The US paradigm of slow project development impeded by decision making at the national level and burdensome, inefficient regulation and inadequate or unreliable funding is a mortal challenge to both growth, and to smart environmental decisions.

Driving Thesis. Khanna’s thesis in Connectography is that global organization is being increasingly driven by economic connectivity rather than political division. He writes, “Human society is undergoing a fundamental transformation by which functional infrastructure tells us more about how the world works than political borders.” Economies are becoming increasingly defined by functional geography, where regions are tied together by supply chains and infrastructure lines that transcend ordinary political boundaries, including states and nations. Megacities – sometimes defined by clusters of several large cities, as in the US corridor defined by Boston, New York City, and Washington, D.C. – serve as the anchors for these regions, and, Khanna argues, the leaders of these cities have correspondingly growing power in governance and policy, not least as it affects the infrastructure that knits the regions together.
Dynamic economies will be those that most effectively embrace this functional geography and encourage economic alignment based on these trends. This can be through traditional tools like Special Economic Zones (SEZs), but new political and economic paradigms and structures must evolve further beyond these tools to truly capitalize on such developments.

**Discussion.** Discussion focused on the implications of Dr. Khanna’s arguments for development of U.S. infrastructure to support a competitive, growing economy. While views varied around the room, all fundamentally agreed that the United States faces a number of challenges that hinder the infrastructure development that would optimally enhance these trends. Khanna argues that “devolution is the most powerful political force of our age,” and “authority is dissipating away from the central capitals toward provinces [or states] and cities.” This argument met widespread support around the room – reflecting in large part participants’ disillusionment with current federal politics and institutions - but it remained equally clear that a bottom-up, self-organizing, collaborative model among states and cities for developing regional infrastructure poses deep challenges of its own. To overcome this, mayors and governors must increasingly collaborate to create new, often informal political structures that bridge the gap between the 50-state system and megacity-anchored clusters transcending these borders and that allow them to coordinate on a regional basis; the federal government’s role must evolve to more effectively support such city, state, and regional initiatives while providing judicious-but-overarching coordination, prioritization, and authority.

In a global context, the US is slow to realize the defining role of cities in growth, perhaps largely due to a political structure that diminishes the political power of states and cities, in favor of national government entities. This failure to embrace the emerging, regionally-connected world
is a significant factor behind our inability to make decisions on robust and properly focused infrastructure investment.

Khanna highlighted what members of Blueprint 2025 know: while the U.S. remains a leader in business and technological innovation, it is systematically underinvesting in the physical infrastructure of a networked, 21st century economy. Its mature cities – and the states that govern them – are less empowered and accordingly less decisive and aggressive in the pursuit of purposeful connected competitiveness than the global leaders in this area, while federal leadership is weak and bureaucracy an impediment to action.

In Khanna’s emerging global economy, competition is not over territory but over networks and connections, infrastructure and supply chains, including the financial supply chain (see his slide below). Speed and bold action are imperative.

The Financial Supply Chain

From the 1% to the 99%

Spend now, gain later: Sustain growth with 25% investment rate in Infrastructure, Innovation, Institutions

Turning $300T of financial stock into tangible infrastructure: Permanent capital investing in the “connectivity asset class”

Capitalize regional banks to finance large-scale job-creating infrastructure (Lin)

Private wealth, pensions, insurance, SWFs, private equity, hedge funds, asset managers

The winner is going to be the 'system' that figures out how to do two things (1) access a large and consistent share of the world financial stock ($300T at the moment), and (2) turn that capital availability into the kind of infrastructure investment that (a) drives sustained growth, that (b) yields increasing opportunities for the maximum number of citizens possible. For U.S. political and infrastructure leaders, the challenge is clear, and it is time to get to work. Blueprint 2025 is doing just that.