OPINION

The Rise of the Mega-Region

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When people talk about economic competitiveness, the focus tends to be on nation states. In the 1980s, many were obsessed with the rise of Japan. Today, our gaze has shifted to the phenomenal growth of Brazil, Russia, India and China. But this focus on nations is off the mark.

The real driving force of the world economy is a new and incredibly powerful economic unit: the mega-region.

Extending far beyond a single core city and its surrounding suburbs, a mega-region is an area that hosts business and economic activity on a massive scale, generating a large share of the world's economic activity and an even larger share of its scientific discoveries and technological innovations.

While there are 191 nations in the world, just 40 significant mega-regions power the global economy. Home to more than one-fifth of the world's population, these 40 megas account for two-thirds of global economic output and more than 85% of all global innovation.

The world's largest mega is Greater Tokyo, with 55 million people and $2.5 trillion in economic activity. Next is the 500-mile Boston-Washington corridor, with some 54 million people and $2.2 trillion in output. Also in the top 10 are mega-regions that run from Chicago to Pittsburgh, Atlanta to Charlotte, Miami to Tampa, and L.A. to San Diego. Outside of the U.S., you can find megas around Amsterdam, London, Osaka and Nagoya, Milan, Rome and Turin, and Frankfurt and Stuttgart.

Mega-regions are the true force driving the rise of emerging economies. Some 40% of Brazil's total economy is made up of a corridor stretching from Rio to São Paolo. Russia is propelled by the Moscow mega. India's economy is shaped by the mega-regions of Bangalore and Mumbai.

China is not our real competitor. Rather, we should be thinking about the great mega-regions around Shanghai, Beijing and the Hong Kong-Shenzhen corridor, which account for roughly 43% of the output of the entire country.

The problem is that much of our public policy not only ignores the rise of the mega-regions, it actually works against them. If we want to bolster economic competitiveness and ensure long-run prosperity, we must pursue policies that take mega-regions into account.

Above all, this means remaining committed to open global trade. Mega-regions thrive on trade, which is why their leaders – from business officials to mayors – strongly support it. While political candidates may find it attractive to bash trade agreements like the North American Free Trade Agreement, this will only weaken mega-regions in both the advanced and developing world.

Second, it's time to stop transferring wealth from our most productive mega-regions to lagging places. In the U.S., the past 50 years have seen a massive transfer of tax money from innovative and prosperous mega-regions on the East and West coasts to the South. While this transfer may be a boon to local politicians and developers, such misguided policy has diverted economic resources away from the core mega-regions where they can be used most productively.

Third, our public policy must work toward, not against, density. Nearly every expert on the subject agrees that innovation and productivity are driven by density. For the better part of a century, we've subsidized suburbanization. That stimulated