Inclusive Growth in the Next Economy

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May 23, 2018
<table>
<thead>
<tr>
<th>I</th>
<th>Relating Poverty Alleviation to Economic Growth</th>
</tr>
</thead>
<tbody>
<tr>
<td>II</td>
<td>Economic Growth in The Next Economy</td>
</tr>
<tr>
<td>III</td>
<td>The Next Economy Requires a New Growth Practice</td>
</tr>
<tr>
<td>IV</td>
<td>Inclusive Growth is an Economic Imperative</td>
</tr>
<tr>
<td>V</td>
<td>Inclusive Growth Practice</td>
</tr>
</tbody>
</table>
Relating Poverty Alleviation to Economic Growth
From “Equity” to … “Equity”

Civil Rights

Empowerment

Economic Development: Assets

Economic Growth: Markets

Putting the ECONOMICS in Economic Development
Therefore, to increase wealth in poor communities, expand market activity to their assets

See, Weissbourd and Bodini, Market-Based Community Economic Development (Brookings 2005)
“… poverty has no causes. Only prosperity has causes. Analogically, heat is a result of active processes; it has causes. But cold is not the result of any processes; it is only the absence of heat. Just so, the great cold of poverty and economic stagnation is merely the absence of economic development. It can be overcome only if the relevant economic processes are in motion.”

-- Jane Jacobs
Economic Growth in The Next Economy
“Creative Destruction” is disrupting industries, labor markets and places.

Growth occurs through market levers enabling interactions of unique concentrations of firms, talent & technologies in place.

Divergence means economy no longer "takes care of itself" → be deliberate: what will you be good at/known for/the place to be?
The Next Economy Requires a New Growth Practice
Costly and one-off firm attraction

Sacramento MSA Job Growth/Loss, 1998-2016

<table>
<thead>
<tr>
<th>Category</th>
<th>Net</th>
</tr>
</thead>
<tbody>
<tr>
<td>Opened/(all) Closed</td>
<td>141,000</td>
</tr>
<tr>
<td>Expanded/Contracted</td>
<td>320,000</td>
</tr>
<tr>
<td>Moved In (time of)/Moved Out</td>
<td>12,000</td>
</tr>
</tbody>
</table>

1,480,000 - 1,339,000 = 141,000
829,000 - 509,000 = 320,000
28,000 - 16,000 = 12,000

Source: YourEconomy.org; CAREFUL re: interpretation due to methodological issues concerning attributions by category.

Stop competing to grow…
...To New Principles for the Next Economy

Build on existing strengths and unique assets

- Concentration of workers with relevant skills
- Industry cluster
- Relevant university research and technology
- Strengthen workforce and entrepreneurial ecosystem
- Strengthen university-industry connections
- Innovation Accelerator (catalyze technology commercialization, support new & existing firm growth)
- ...and start growing to compete
From the “Old Economy”…

Competing on low cost
...To New Principles for the Next Economy

Compete on value added
From the “Old Economy”…

Delivering disconnected programs
...To New Principles for the Next Economy

Act in context, with integrated solutions

Business Development

Infrastructure

Housing

Industrial Development

Workforce

Entrepreneurship

The whole is greater than the sum of its parts
Link Neighborhood and Regional Wealth Creation

- Human Capital Stock and Deployment
- Clusters
- Urban Growth Form
- Innovation and Entrepreneurship

- Wealth and Connectedness of Residents
- Wealth and Connectedness of Businesses

- Mobility - who moves in/out

- Retail Demand
- Housing Demand

- Quality of Life

- Retail Supply
- Housing Supply

Institutional Environment (Governance)
New Development Practice to Achieve **Quality Growth**

- Subsidize companies
- Low cost
- Profit generation
- Municipal competition
- Government-led
- “Inward” community development
- Equity pursued separately
- Invest in regional assets
- Value added
- Wealth generation
- Regional collaboration
- Public-Private partnerships
- Linking neighborhoods & regions
- Inclusion as core driver

Success = Short Term Job Creation

Success = Sustained Quality Growth
Inclusive Growth is an Economic Imperative
## Dimensions of Inclusive Growth

<table>
<thead>
<tr>
<th></th>
<th>Why Care</th>
<th>Causes of Exclusion</th>
<th>Fixes</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Social</strong></td>
<td>Values</td>
<td>Erosion</td>
<td>Moral Imperative</td>
</tr>
<tr>
<td><strong>Political</strong></td>
<td>Democracy and</td>
<td>Corruption of</td>
<td>Political Economy</td>
</tr>
<tr>
<td></td>
<td>Governance</td>
<td>Political System</td>
<td></td>
</tr>
<tr>
<td><strong>Economic</strong></td>
<td>Prosperity</td>
<td>Returns to Capital</td>
<td>Inclusive Economic Growth</td>
</tr>
</tbody>
</table>
The Inclusive Growth Paradox

Drivers of growth exacerbate inequity

Nonfinancial Corporations Sector

Changes in Share of Total Household Income, 1979 - 2007

Inequity is bad for growth

INCLUSION IS A BUSINESS AND ECONOMIC IMPERATIVE

Sources: Federal Reserve Bank of St. Louis; Congressional Budget Office; RW Ventures Analysis
What is Inclusive Growth?

[Bar chart showing the distribution of wealth with a decreasing trend]
What is Growth?

Total Wealth

Distribution of Wealth
What is Growth?

Change in Height ( Accumulation)
What is Equity?

Total Wealth

Distribution of Wealth
What is Equity?

Change in Slope of Line (Distribution)
What is Inclusive Growth?

Total Wealth vs. Distribution of Wealth
What is Inclusive Growth?

Change in Accumulation and Distribution

How can we enable this growth...?

...with a more equitable distribution?

Total Wealth

Distribution of Wealth
Our Challenge – Aligning Growth and Equity

1969 - Using Actual Shares

Assuming Constant Share (1969 value)
Our Challenge – Aligning Growth and Equity
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New Inclusive Growth Practice
“Inclusive Growth” Usages

**EQUITY**
Help disadvantaged, independent of growth (including pre-market preparedness; redistribution)

- **E.G. Workforce Readiness**

**“RISING TIDE”**
Improve outcomes and opportunity, assuming that any improvement produces growth

- **E.G. MBE Set Asides**

**GRAB TODAY’s GROWTH**
Improve outcomes and opportunity by enhancing participation in growth that is ALREADY occurring

- **E.G. Biotech MBE/Workforce**

**CREATE TOMORROW’s GROWTH**
Improve economic outcomes and opportunity by positioning disadvantaged to lead wealth creation

- **E.G. MBE Urban Industrial REIT**
**Next-Generation Growth Practice**

**Metro Business Plan**
- e.g., M7 Framework for Economic Growth (Milwaukee), PEG&J (Chicago)

**Inclusive clusters**
- e.g., Chicagoland Food & Beverage Network

**Integrated neighborhood and regional development**
- e.g., Greater Chatham Initiative

**Innovation Districts**
- e.g., Philadelphia’s University City – Center City

**Additional, Mutually Reinforcing Strategies**
- Employer-led talent development and credentialing;
- re-use of urban industrial land; targeted minority small business TA + finance tailored to high-growth sectors; strategic retail development to drive neighborhood change; etc..
Inclusive Clusters: Food Manufacturing in Chicago

- Food & Beverage a large, crucial part of region’s economy:
  - 4,500 firms
  - 130,000 employees
  - $32 billion in sales

- Major changes in industry (e.g., local, organic, convenience)

- Industry trends, job ladders and locations → inclusive growth opportunities

- Firms’ recent performance lagging (e.g., slow productivity gains)

Inclusion can naturally drive growth of food & beverage manufacturing and packaging in Chicago
Inclusive Clusters

- Launching inclusive growth programs tailored to industry demand:
  - Industry-driven training curriculum and institute
  - Small business innovation “SWAT Teams”
  - Minority business venture fund
  - Networking and professional development

- Approx. 70 paying members; 1,600+ people from 275 companies attending events
Leverage Points for Sustainable and Inclusive Prosperity

Enhance Regional Concentrations/Clusters

Develop Human Capital Aligned with Job Pools

Improve Urban Form for Sustainable and Inclusive Prosperity

Create Effective Public & Civic Culture & Institutions

Develop Innovation-Enabling Infrastructure

Inclusive Clusters: Chicago FOOD

Industrial land reuse:
- Casey-Atlanta
- Inclusive REIT

Community Revitalization:
Greater Chatham Initiative

Inclusive Planning:
Milwaukee’s Growing Prosperity

Targeted inclusive training for emerging industries:
KC’s Talent to Industry Exchange

Doer-Maker Space+: mHub

New Inclusive Growth Practice
Principles from Leading Inclusive Growth Practice

- “It’s the Economy, ….” Focus on wealth creation opportunities and how underutilized assets can participate in, drive and own the new value creation.

- “Skate to Where the Puck is Going to Be.” It’s the next economy. Stop programming which moves the disadvantaged into old economy jobs and industries.

- Act in Context. Activities & geographies succeed or fail in context of each other. Activities need to be aligned, integrated & mutually reinforcing.

- Inclusion is Not a Separate Economic Practice. It’s an intentional, integral design principle for every growth activity.

- New Civics. Embrace new -- inclusive -- cross-sector partnerships, networks, and institutions to inform and implement the work.
DISCUSSION
Inclusive Growth in the Next Economy

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Quality Growth: New Practice for the Next Economy

• **Focus on Value and Wealth Creation**
  - Focus on the production side of your economy, not consumption
  - Nurture economic activities that create real wealth v. those that only generate profit
  - Avoid financialization of economy and rent seeking

• **Develop and Deploy Existing Assets**
  - Develop a supply chain/lifecycle approach – invest in and continuously upgrade ALL of your assets.
  - Make your markets work – address market imperfections and externalities to enable all assets to be deployed
  - Evolve governance to next economy dynamics – cross-sector, nimble, open, ...

• **Seek Long-Term Growth**
  - Compete primarily on value-added rather than low-cost
  - Look to tomorrow’s economy - pursue other “high-road” practices that invest in long-run competitiveness