

QUALITY GROWTH PRACTICE TO DRIVE ECONOMIC MOBILITY

**Federal Reserve Bank of Atlanta
September 23, 2019**

Robert Weissbourd
RW Ventures, LLC
New Growth Innovation Network

Washington Center
for **Equitable Growth**



**New Growth
Innovation Network**

POWERING INCLUSIVE ECONOMIES

Agenda

- Relating Economic Mobility to Economic Growth
- Inclusive Growth is an Economic Imperative
- Economic Growth in the Next Economy
- Linked Neighborhood and Economic Development
- Practice

RELATING ECONOMIC MOBILITY TO ECONOMIC GROWTH

An abstract graphic in the bottom left corner consisting of several overlapping, curved, light gray lines that sweep upwards and to the right.

Mobility Pathways and Barriers

(Washington Center for Equitable Growth Research)

“Strong evidence suggest[s] that the rise in economic inequality has hampered upward economic mobility in the United States.”



DEVELOPMENT

- 1 Health
- 2 Parental resources
- 3 Education

“Household balance sheets impact young adults’ ability to fully deploy their potential.”

“Income from earnings, savings, and wealth all shape how parents are able to invest in their children’s development.”

Key Factors

DEPLOYMENT

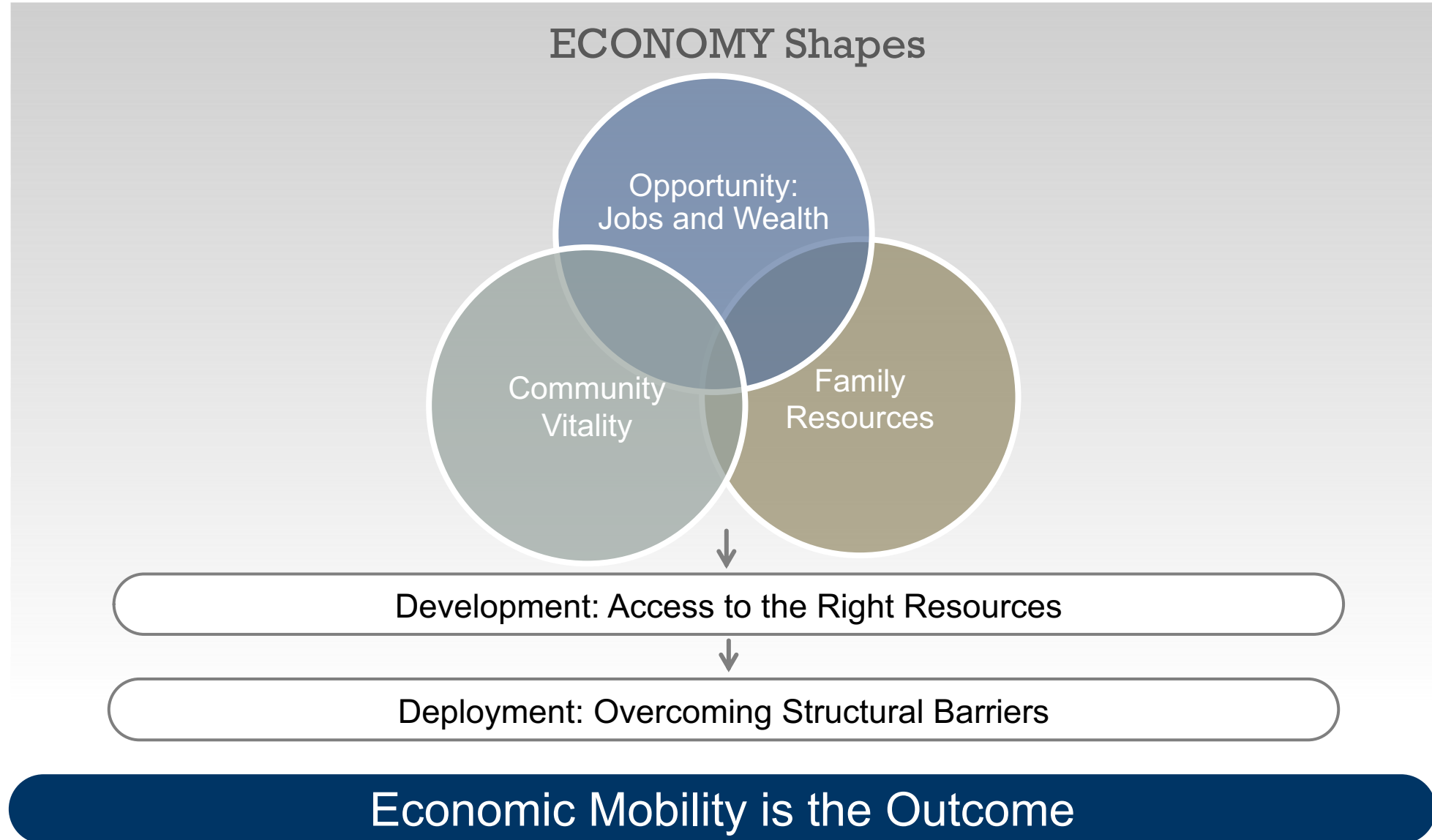
- 1 Labor market changes
- 2 Discrimination
- 3 HH wealth



“Structural changes to the labor market, persistent discrimination, and the importance of parental financial resources in young adulthood prevent the full and effective deployment of human potential.”

Broader Structural Conditions Impact Economic Mobility

Inclusive Growth is the Practice ...



Poverty and Economic Growth

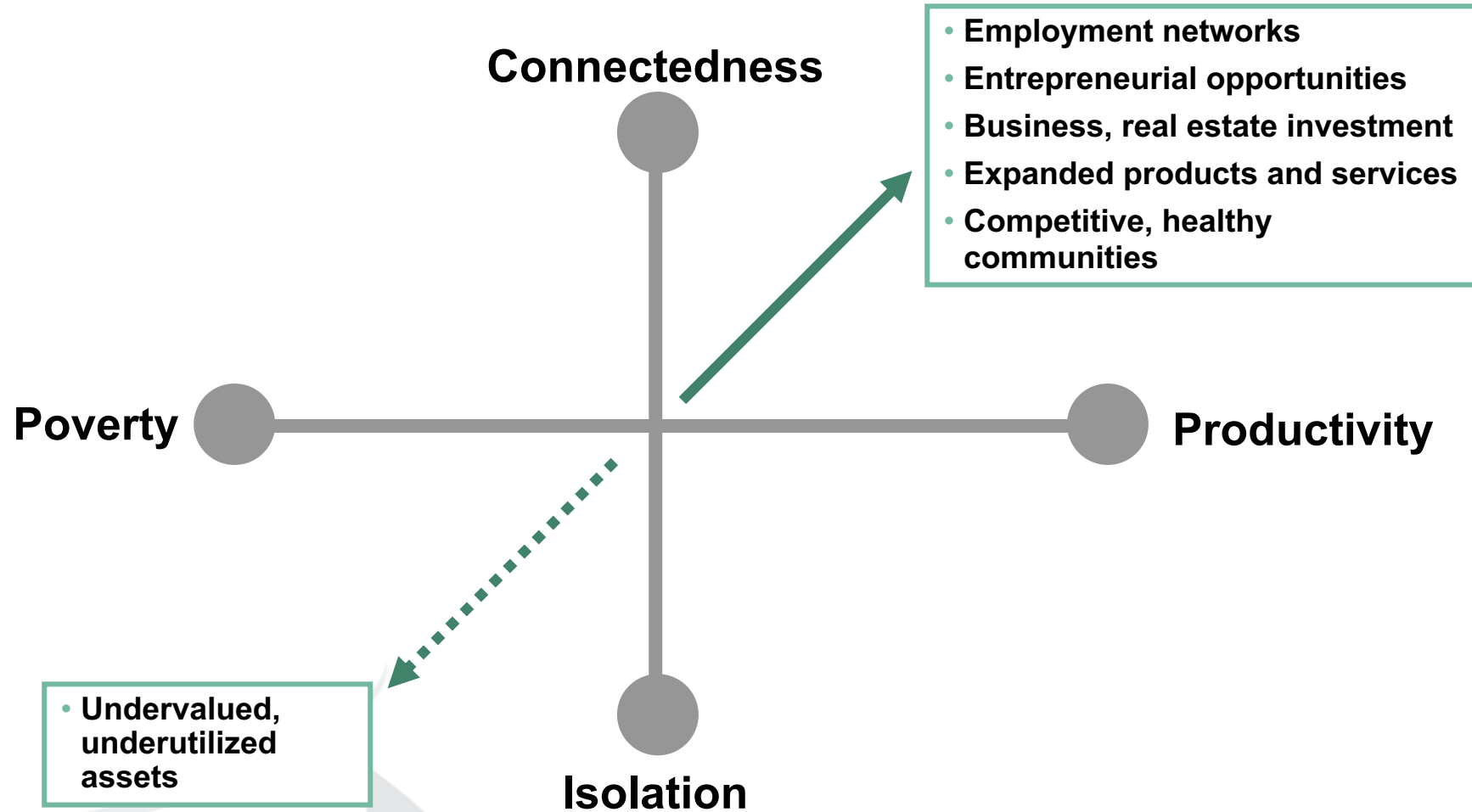
“... poverty has no causes. Only prosperity has causes. Analogically, heat is a result of active processes; it has causes. But cold is not the result of any processes; it is only the absence of heat. Just so, the great cold of poverty and economic stagnation is merely the absence of economic development. It can be overcome only if the relevant economic processes are in motion.”

-- Jane Jacobs



Photo from Shelf-Basin Interactions

Market Failure in Lower Income Communities



Market Based Development

To address poverty, create wealth



Wealth is created by investing in assets



The economic mechanism for investing in assets is the market



Therefore, to increase wealth in poor communities, expand market activity to (and develop and deploy) their assets

INCLUSIVE GROWTH IS AN ECONOMIC IMPERATIVE

A decorative graphic in the bottom left corner consisting of several overlapping, curved, light gray lines that sweep upwards and to the right.

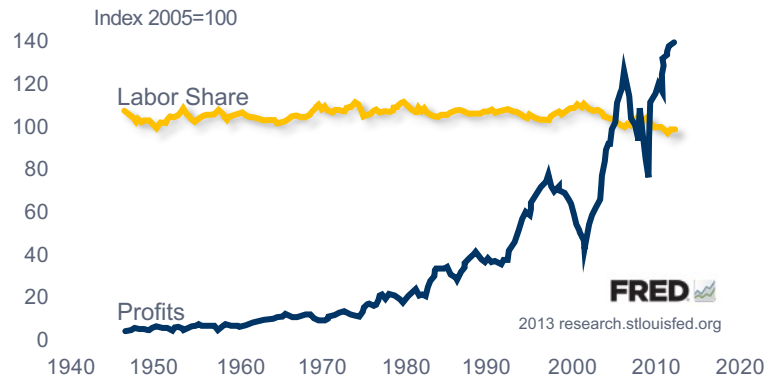
Dimensions of Inclusive Growth

	Why Care	Causes of Exclusion	Fixes
Social	Values	Erosion	Moral Imperative
Political	Democracy and Governance	Corruption of Political System	Political Economy
Economic	Prosperity	Returns to Capital	Inclusive Economic Growth

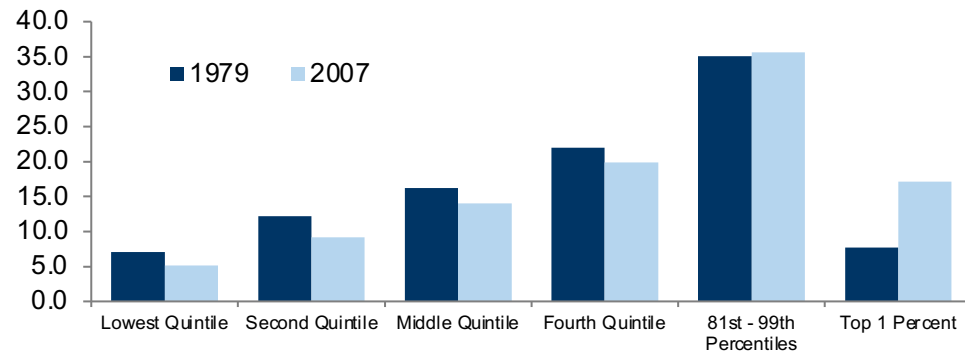
The Inclusive Growth Paradox

Focus on Inclusive Growth – as a Business Imperative

Drivers of growth exacerbate inequity
Nonfinancial Corporations Sector



Changes in Share of Total Household Income,
1979 - 2007

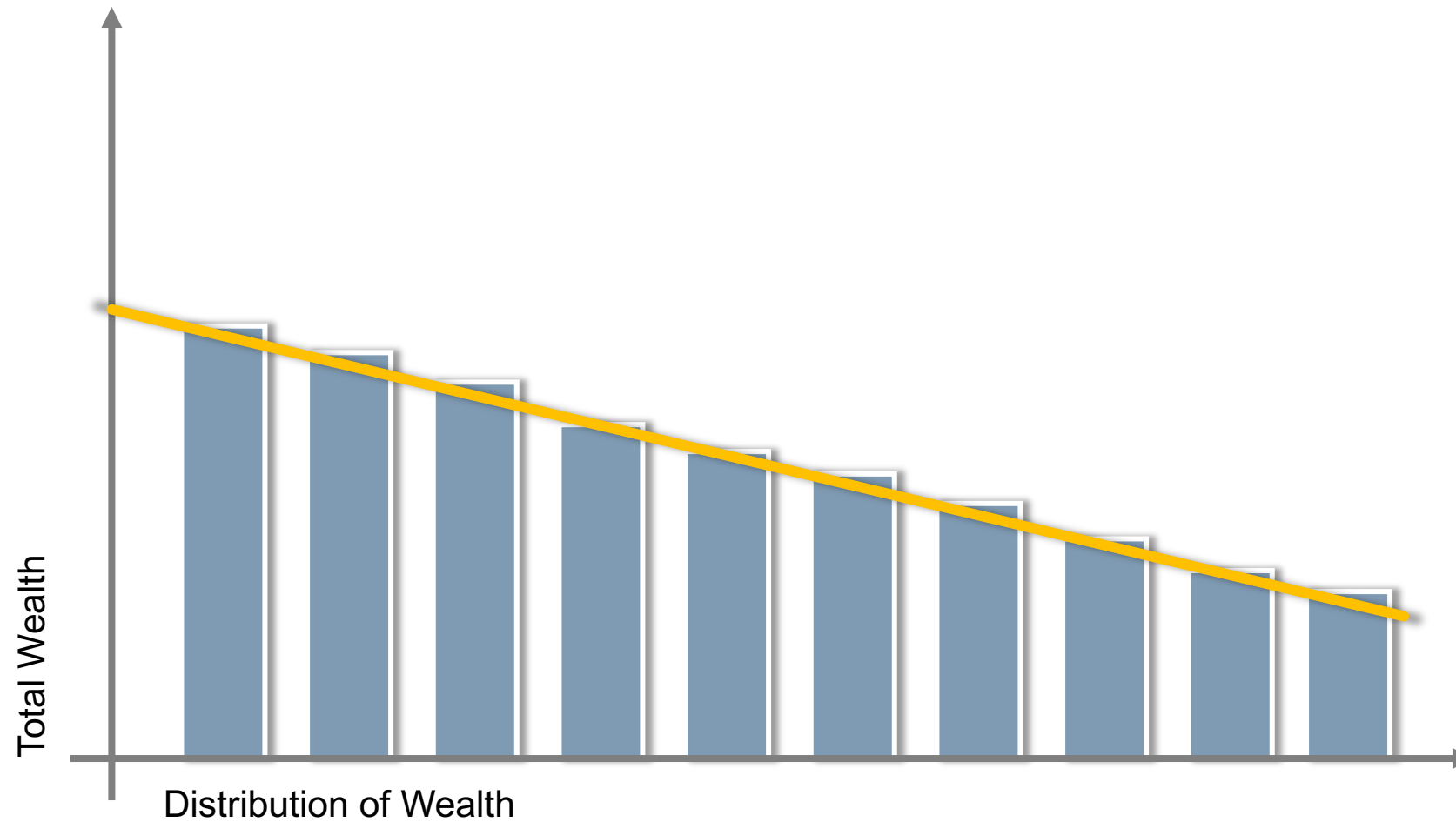


Inequity is bad for growth

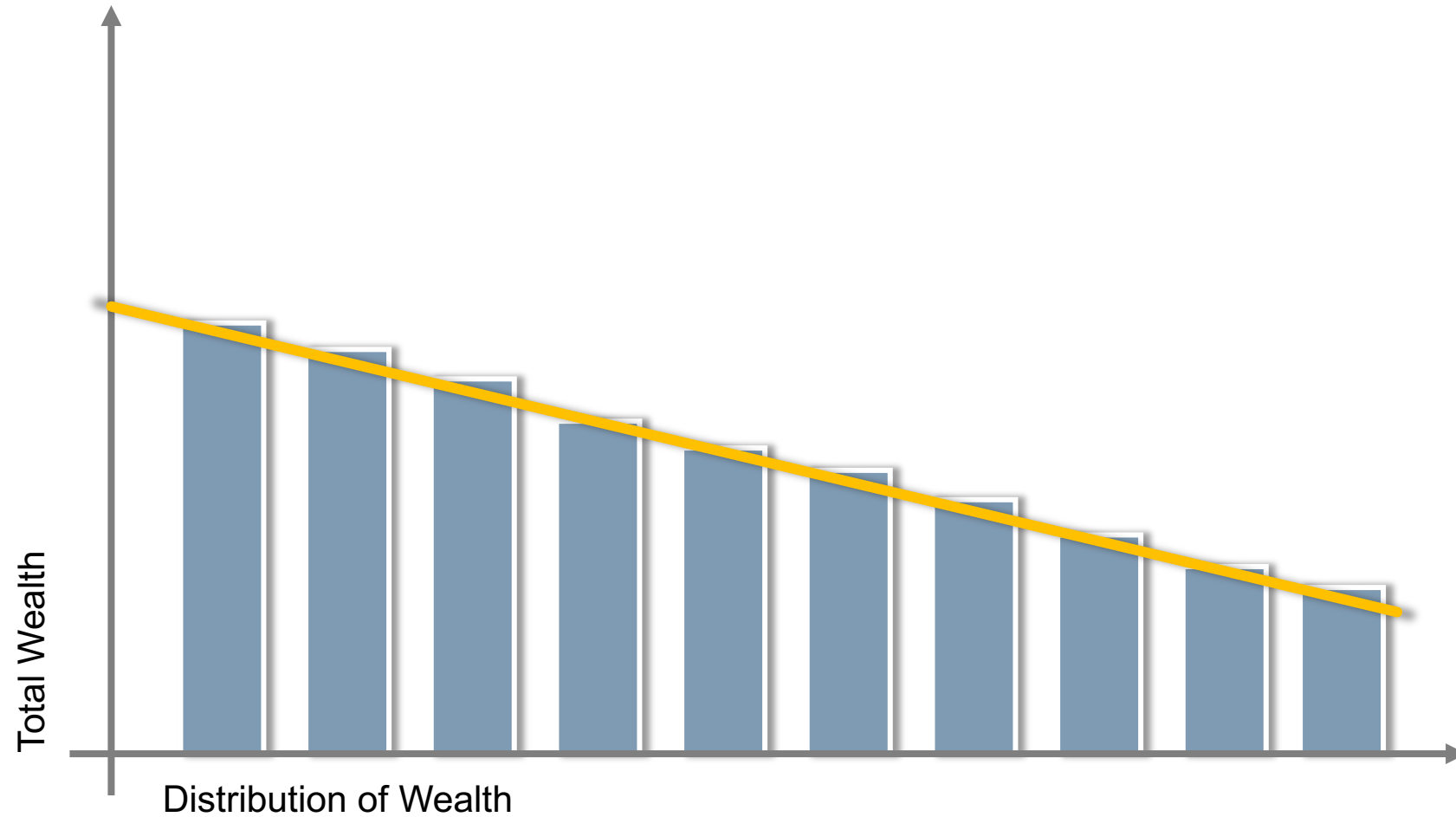


INCLUSION
IS A
BUSINESS IMPERATIVE

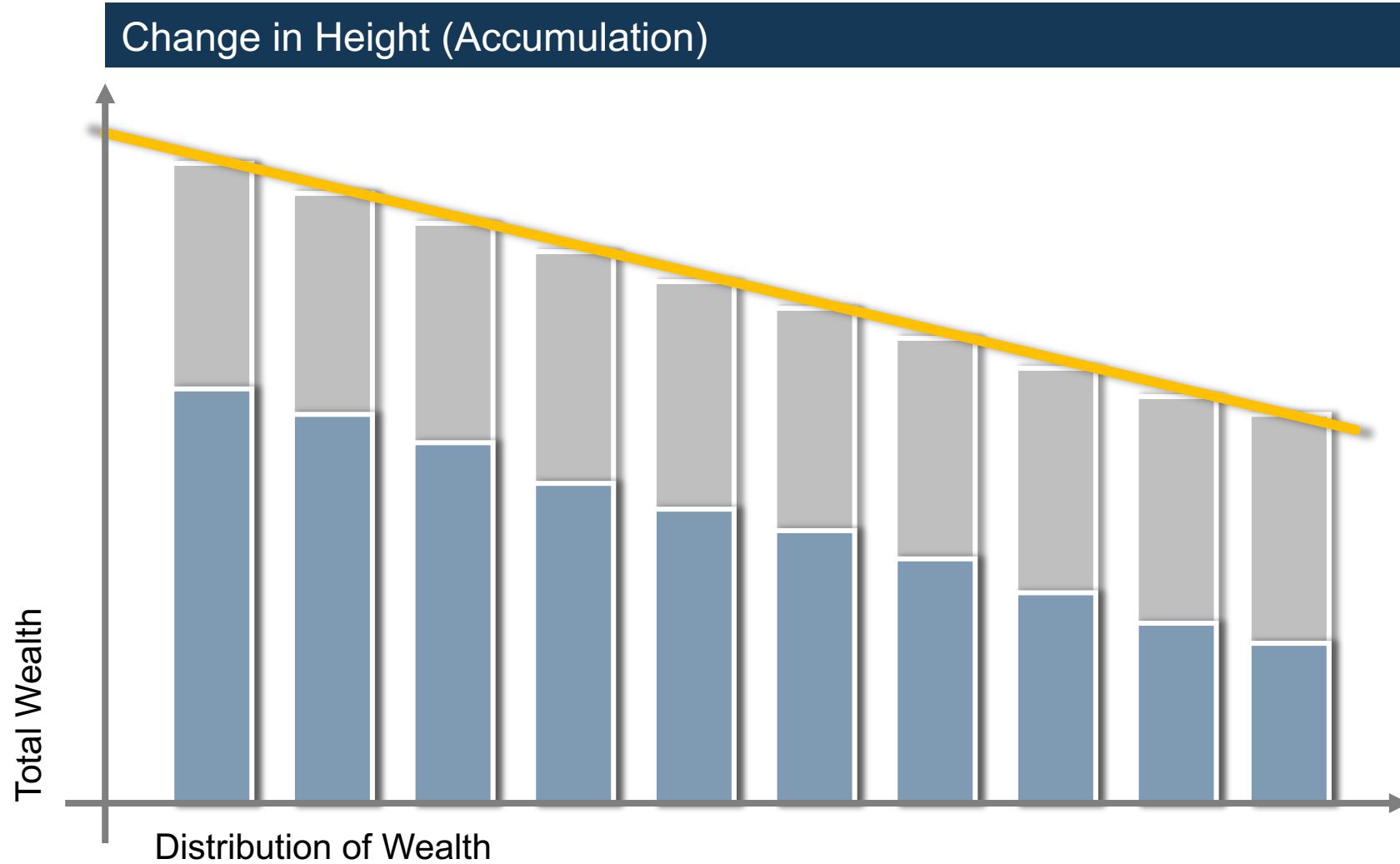
What is Inclusive Growth?



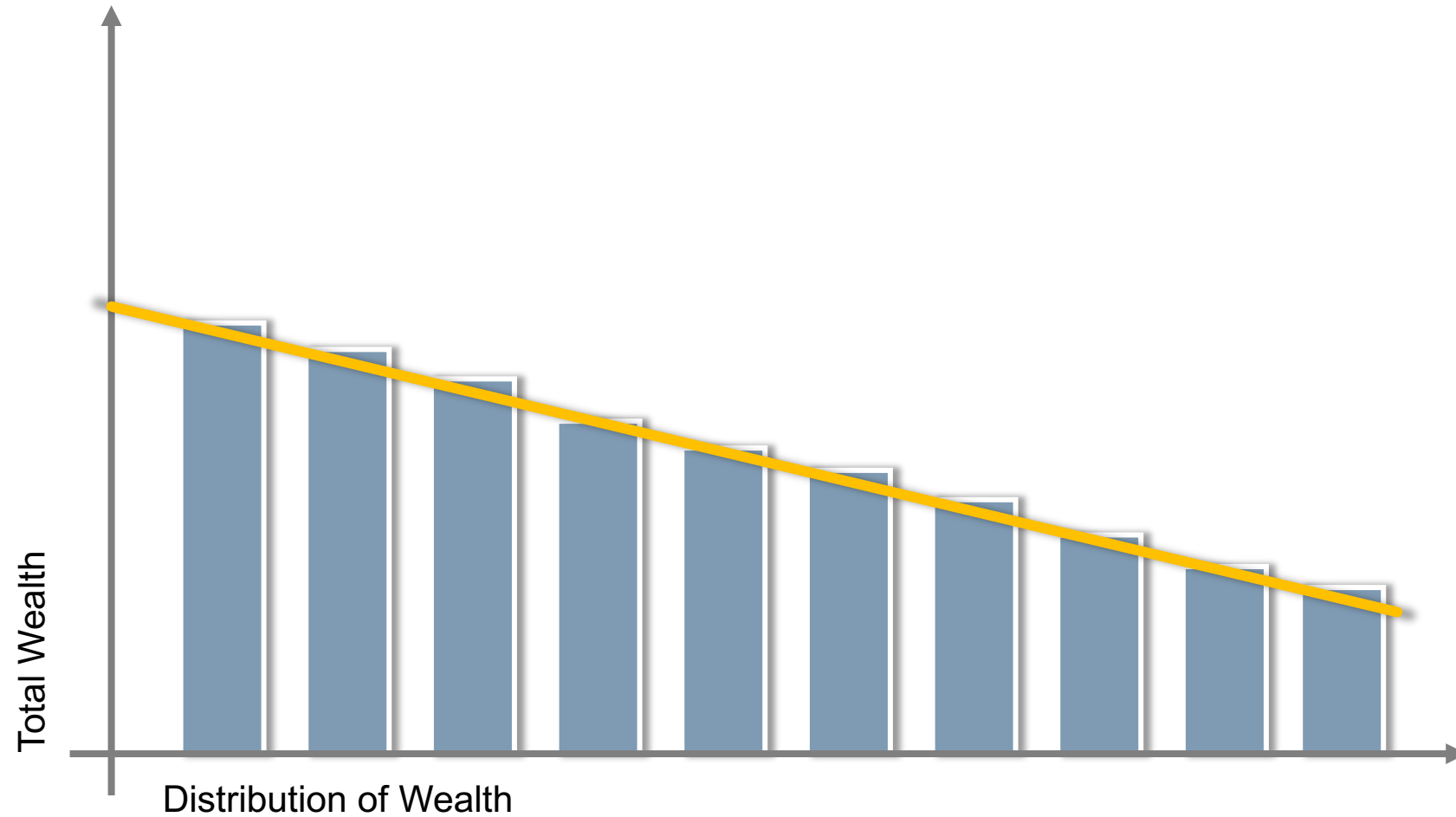
What is Growth?



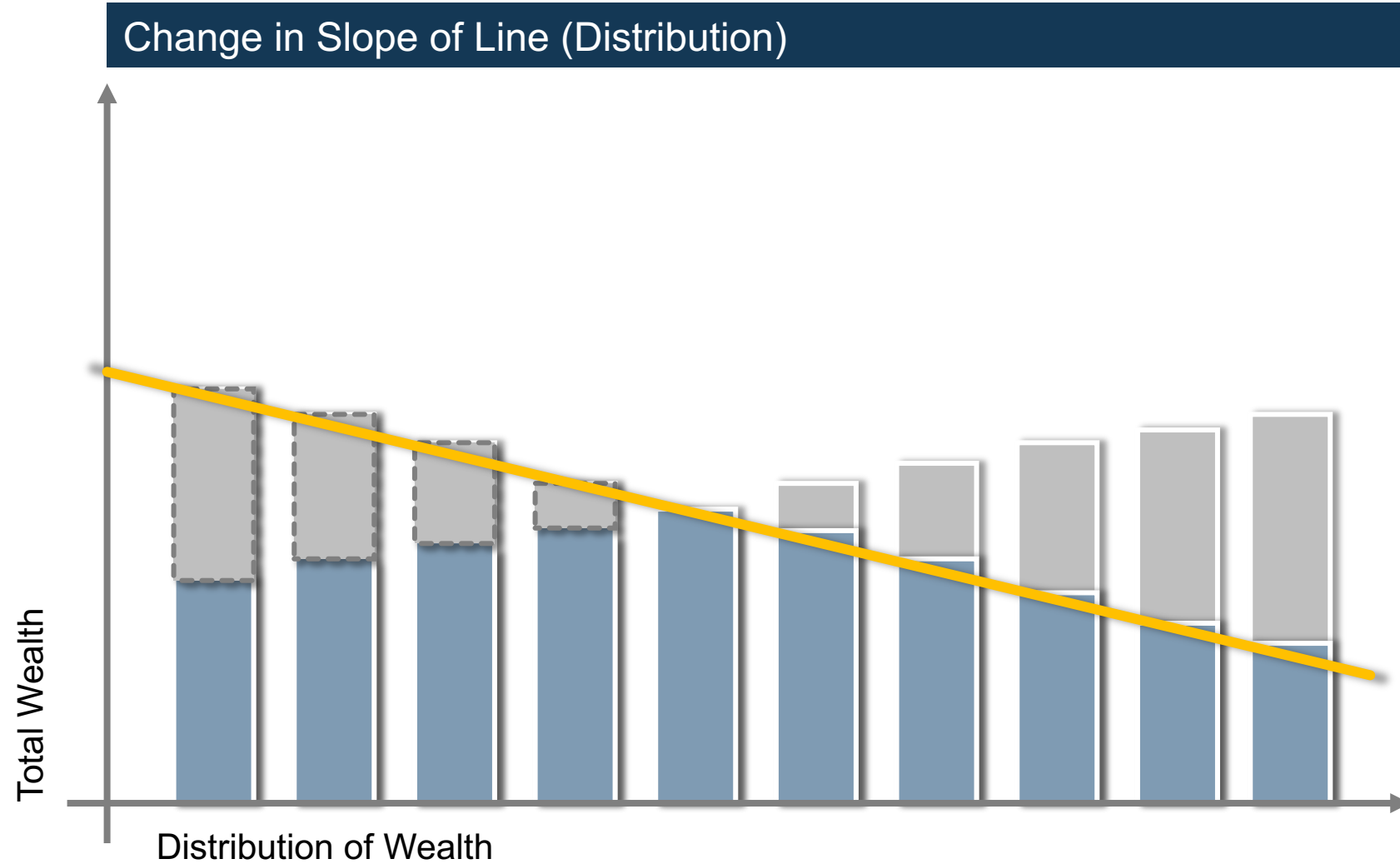
What is Growth?



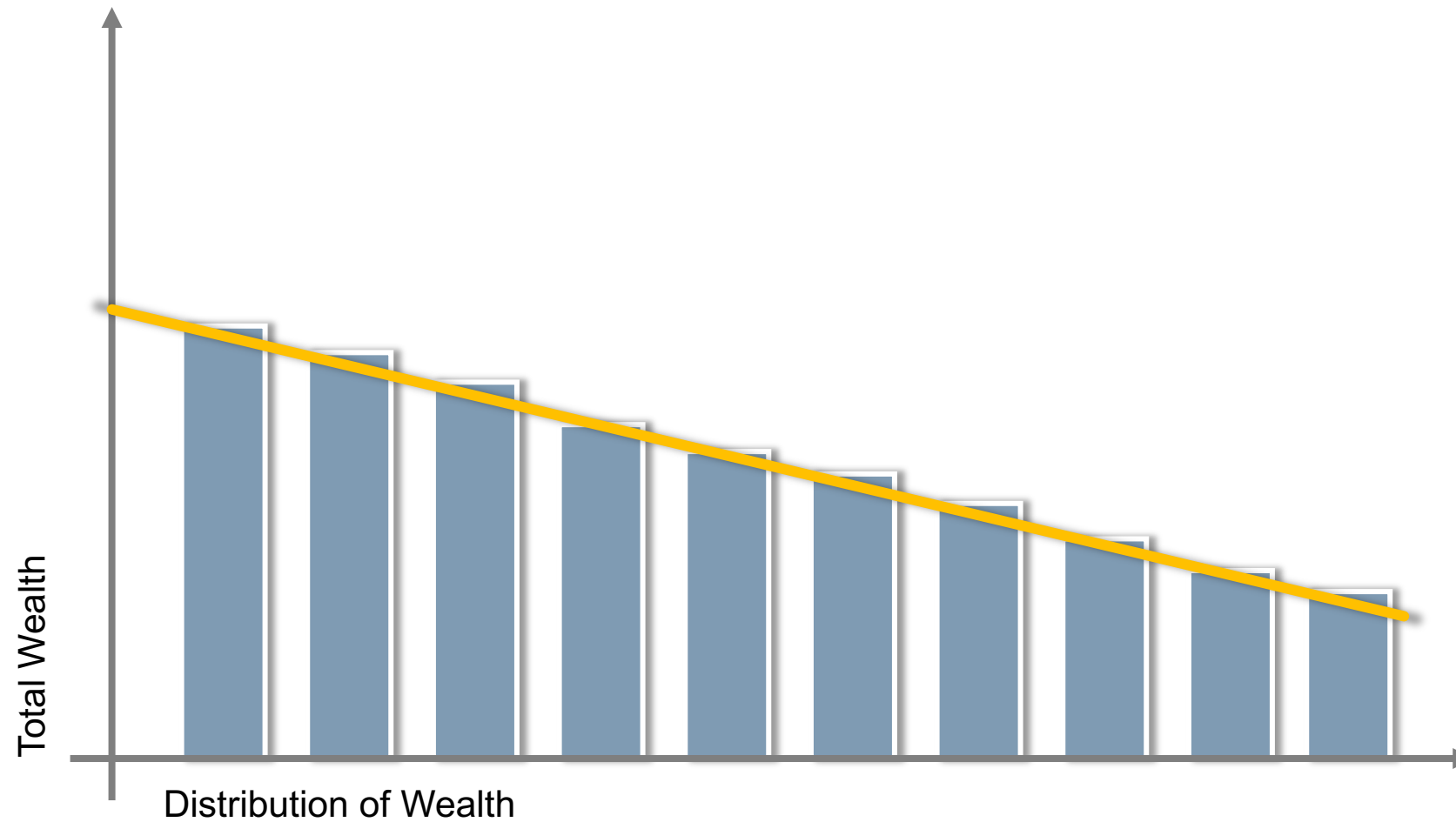
What is Equity?



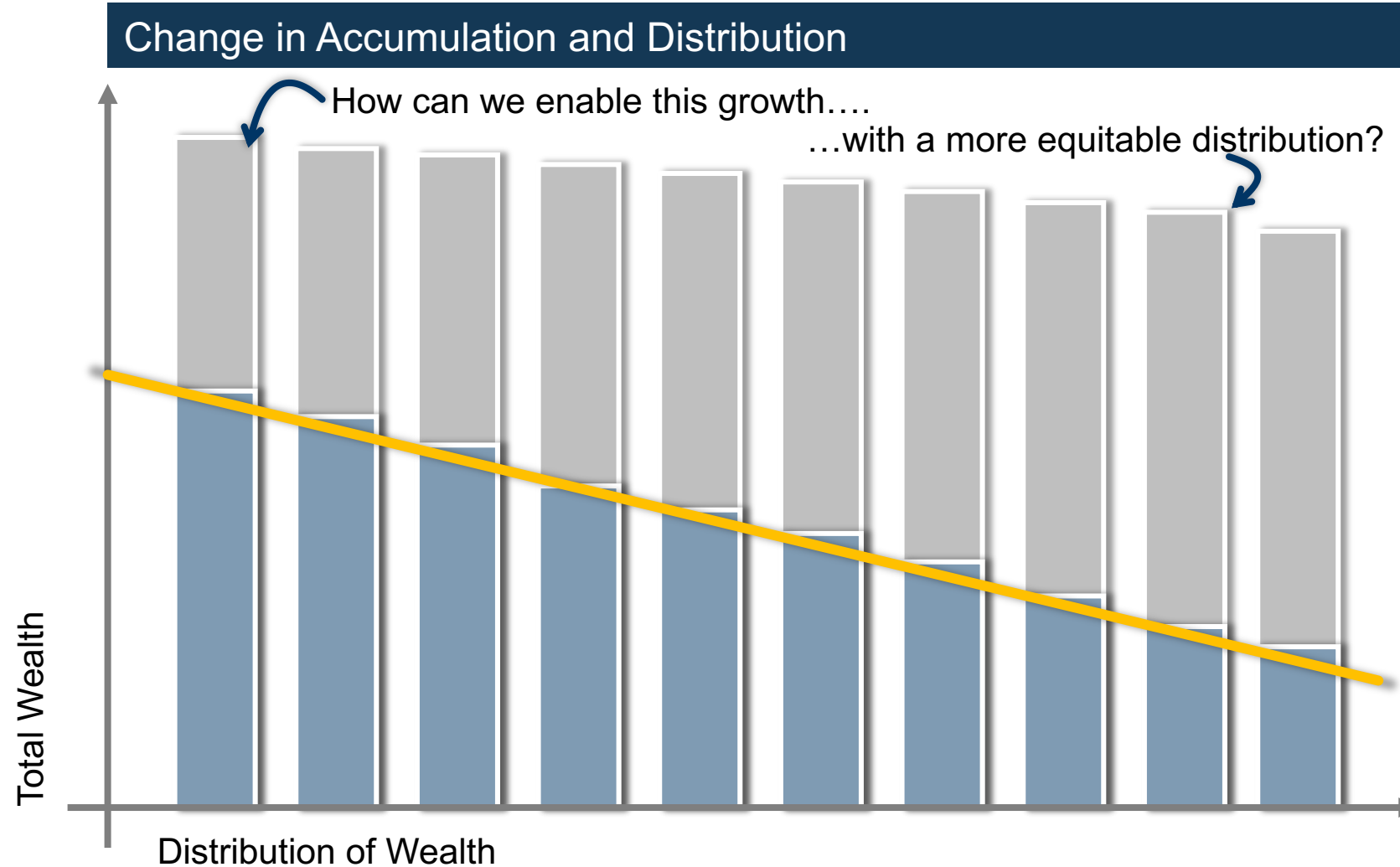
What is Equity?



What is Inclusive Growth?

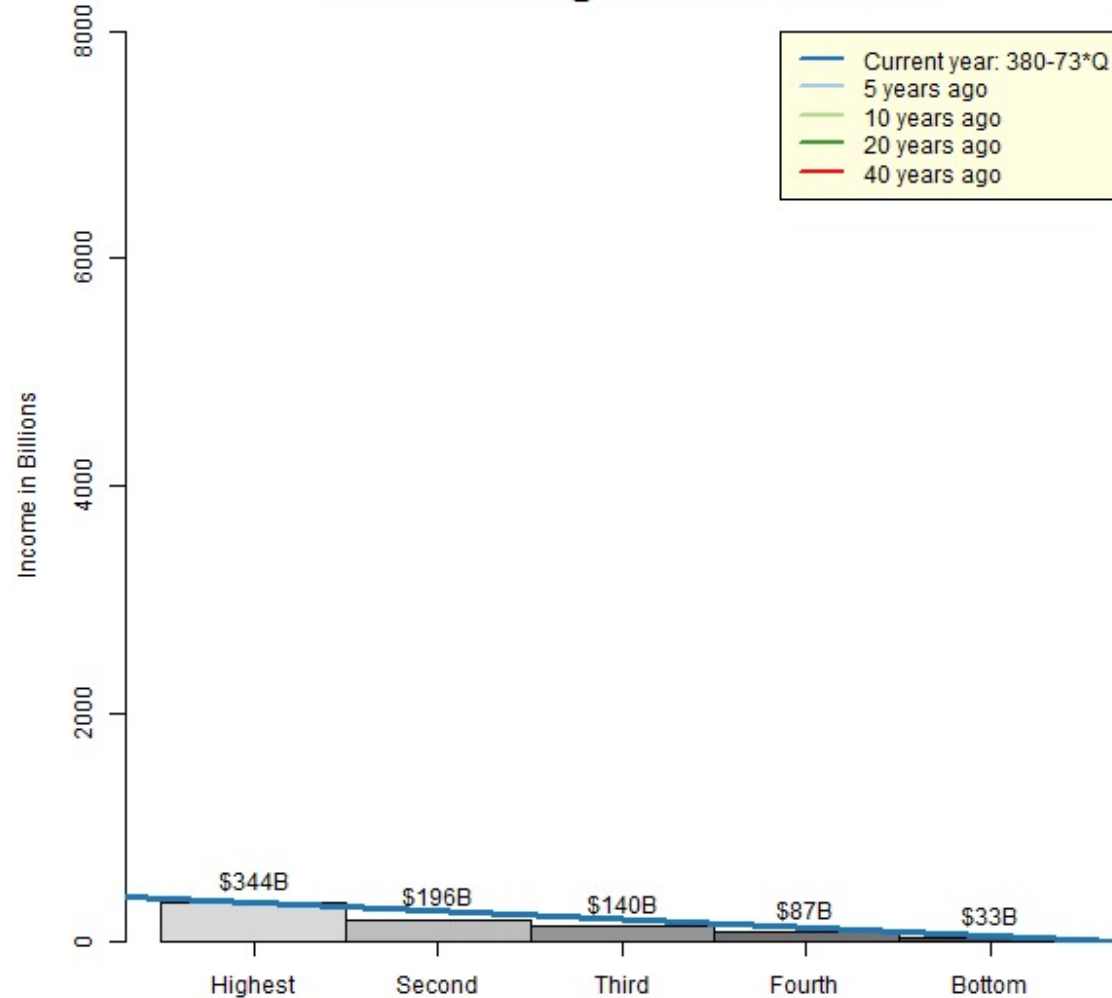


What is Inclusive Growth?

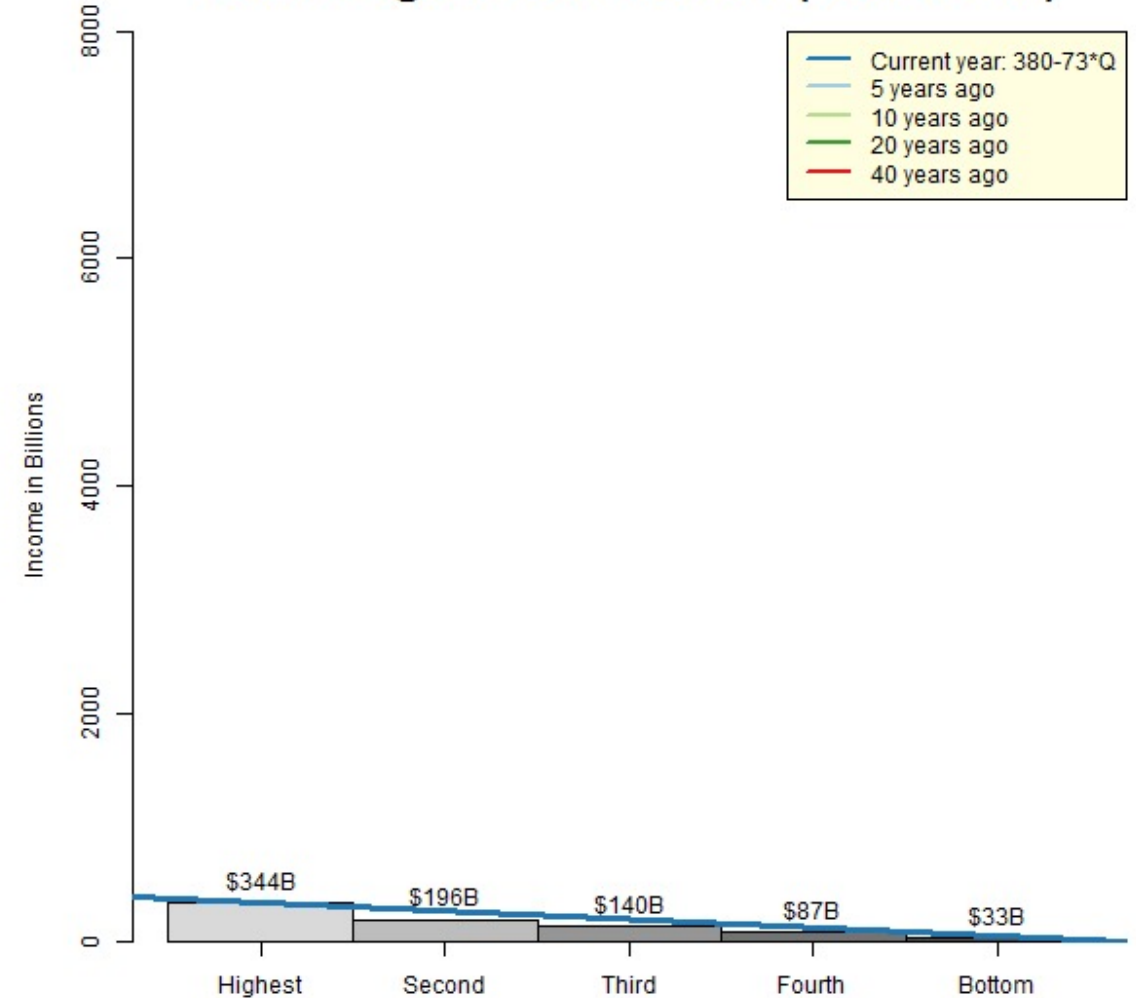


Our Challenge – Aligning Growth and Equity

1969 - Using Actual Shares

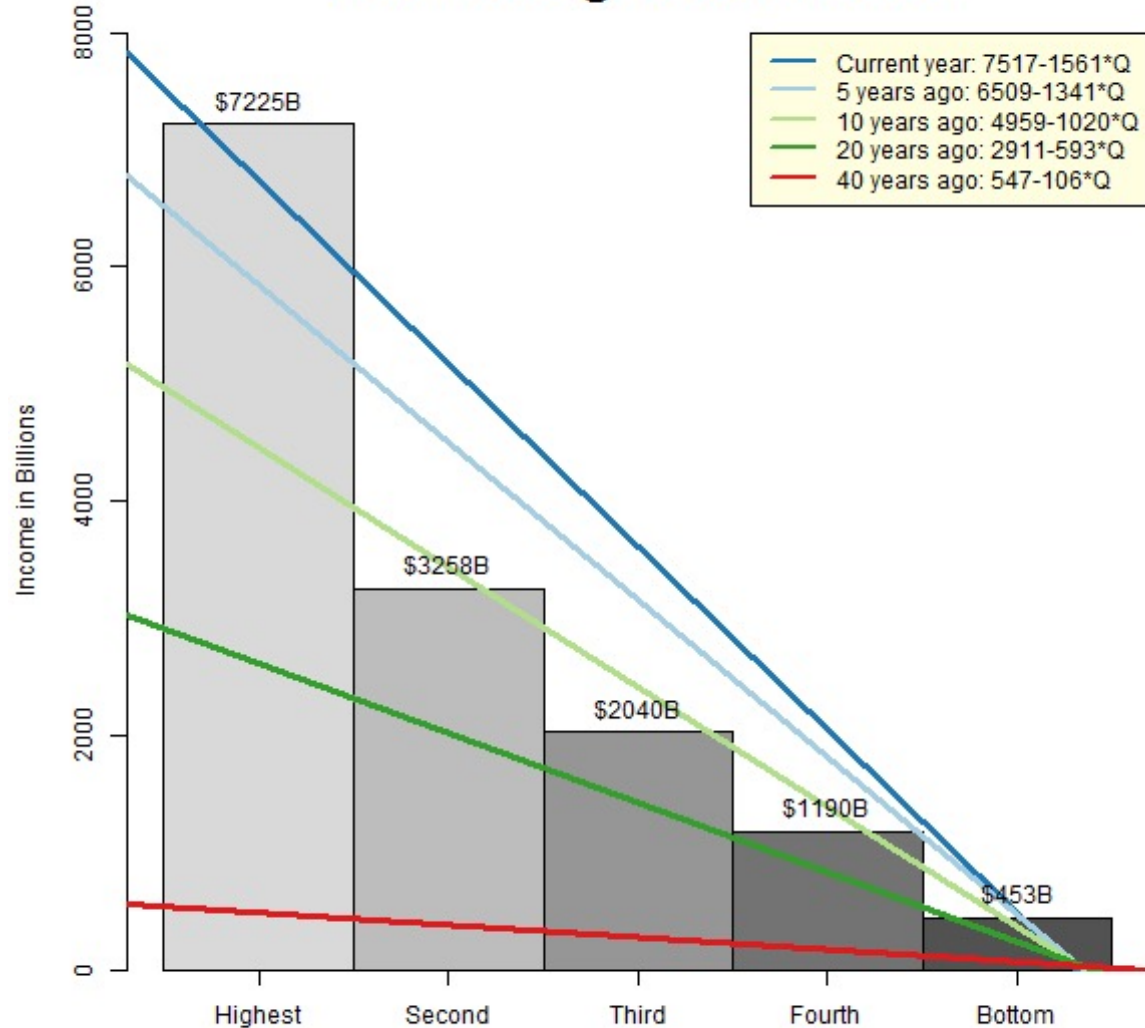


Assuming Constant Share (1969 value)

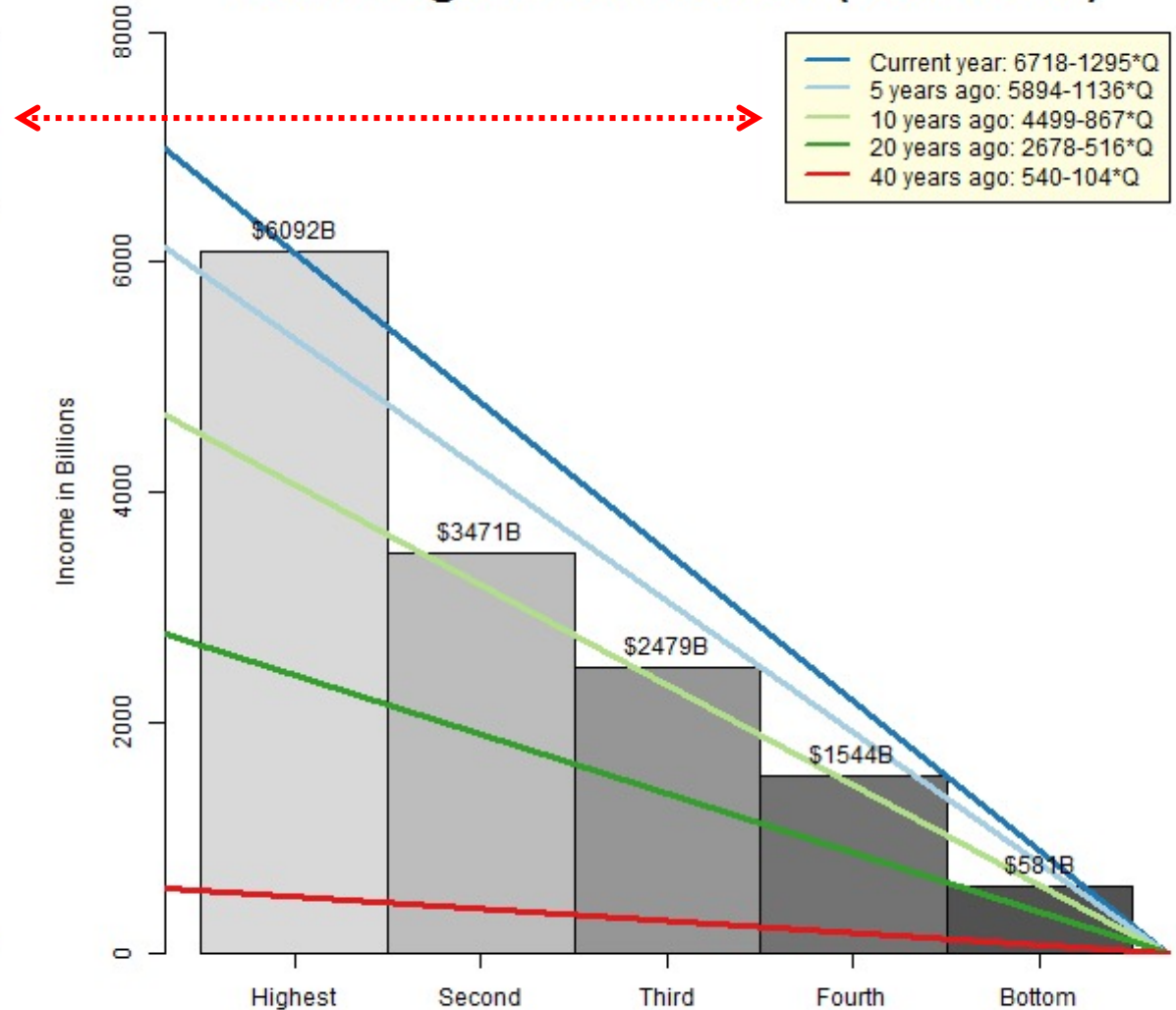


Our Challenge – Aligning Growth and Equity

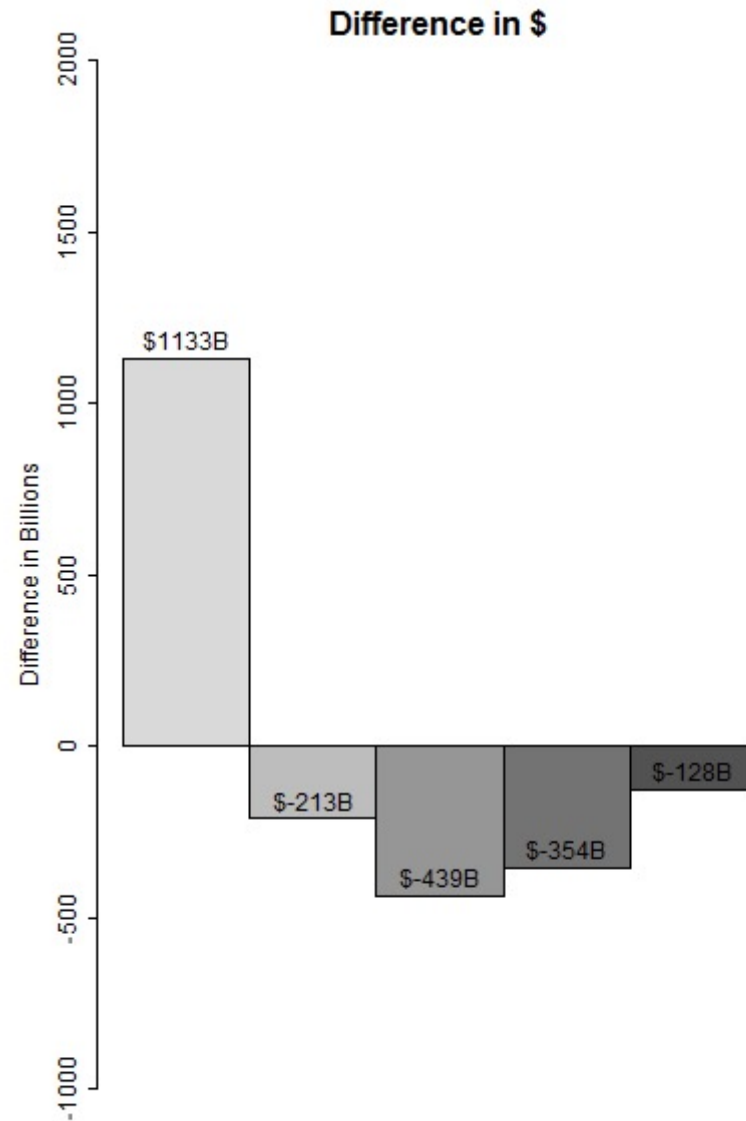
2013 - Using Actual Shares



Assuming Constant Share (1969 value)



Our Challenge – Aligning Growth and Equity



“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 Venture Fund

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

Principles for Poverty Alleviation through Inclusive Growth

■ “It’s the Economy”

- Focus on opportunities (specific assets, markets & growth drivers) to leverage (not supplant) markets to create value.

■ “Skate to Where the Puck Is Going to Be”

- It’s the next economy. Stop putting marginalized people in old economy jobs and businesses!

■ New Civics

- Embrace new cross-sector partnerships, networks, institutions to inform and implement work.

■ Act in Context

- Activities & geographies succeed or fail in context of each other & their interactions in place. Strategies and initiatives need to be aligned, integrated & mutually reinforcing.

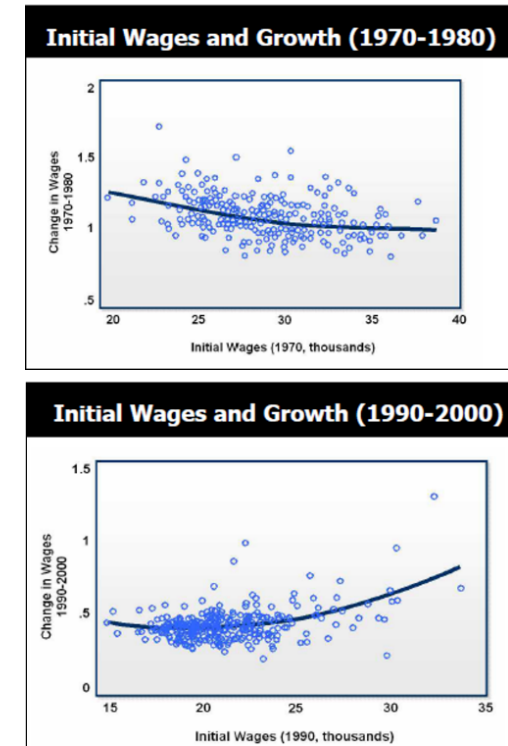
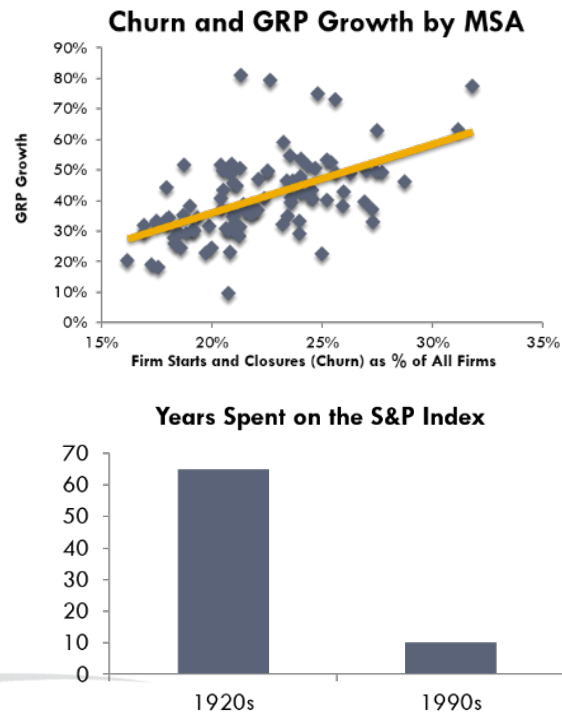
■ Inclusion is Not a Separate Economic Practice

- It’s an intentional, integral design principle for every growth activity.

ECONOMIC GROWTH IN THE NEXT ECONOMY

An abstract graphic in the bottom left corner consisting of several overlapping, curved, light gray lines that sweep upwards and to the right.

Wealth Creation 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?**

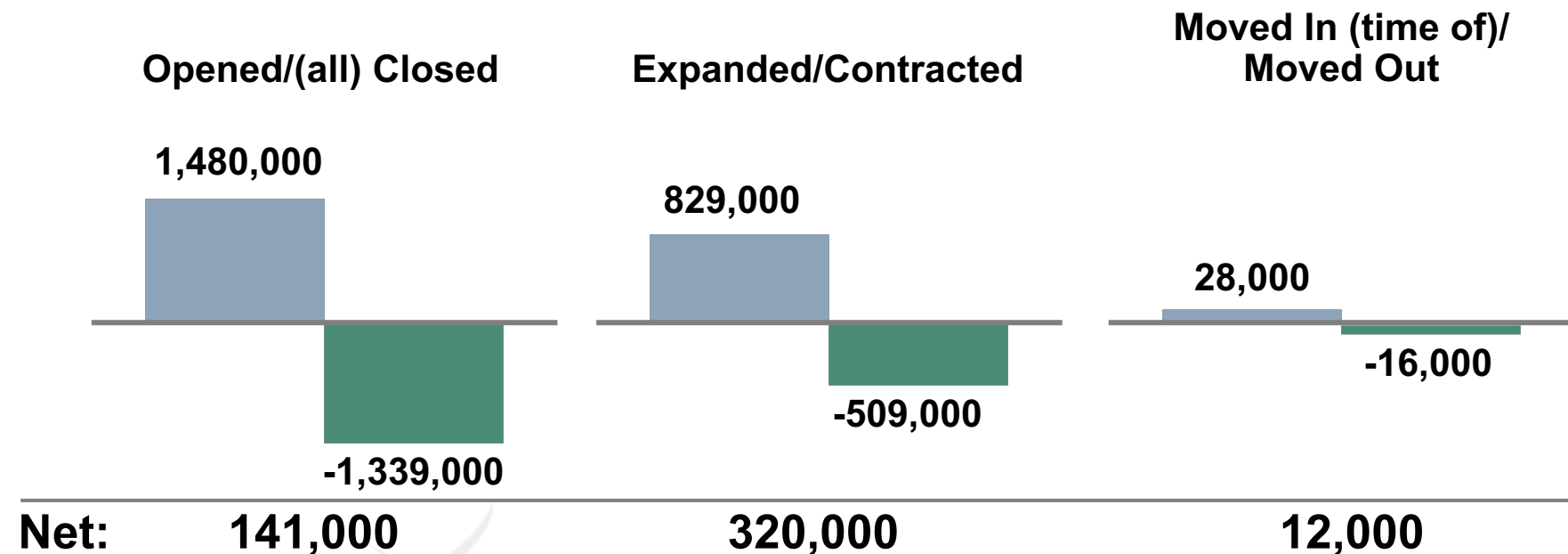
THE NEXT ECONOMY DEMANDS A NEW GROWTH PRACTICE

An abstract graphic in the bottom left corner consisting of several overlapping, curved, light gray lines that sweep upwards and to the right.

From the “Old Economy”

Costly and one-off firm attraction

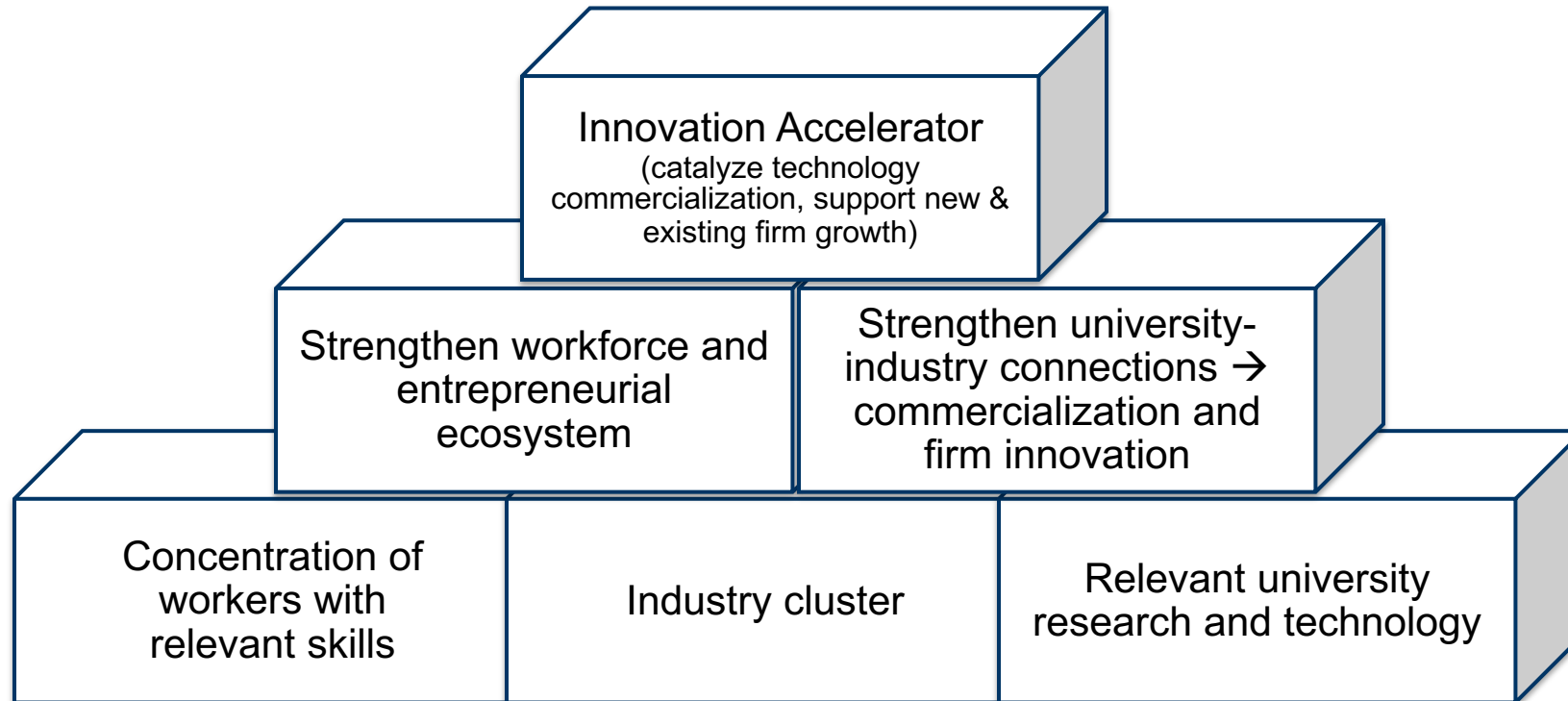
Sacramento MSA Job Growth/Loss, 1998-2016



Stop competing to grow...

...To New Principles for the Next Economy

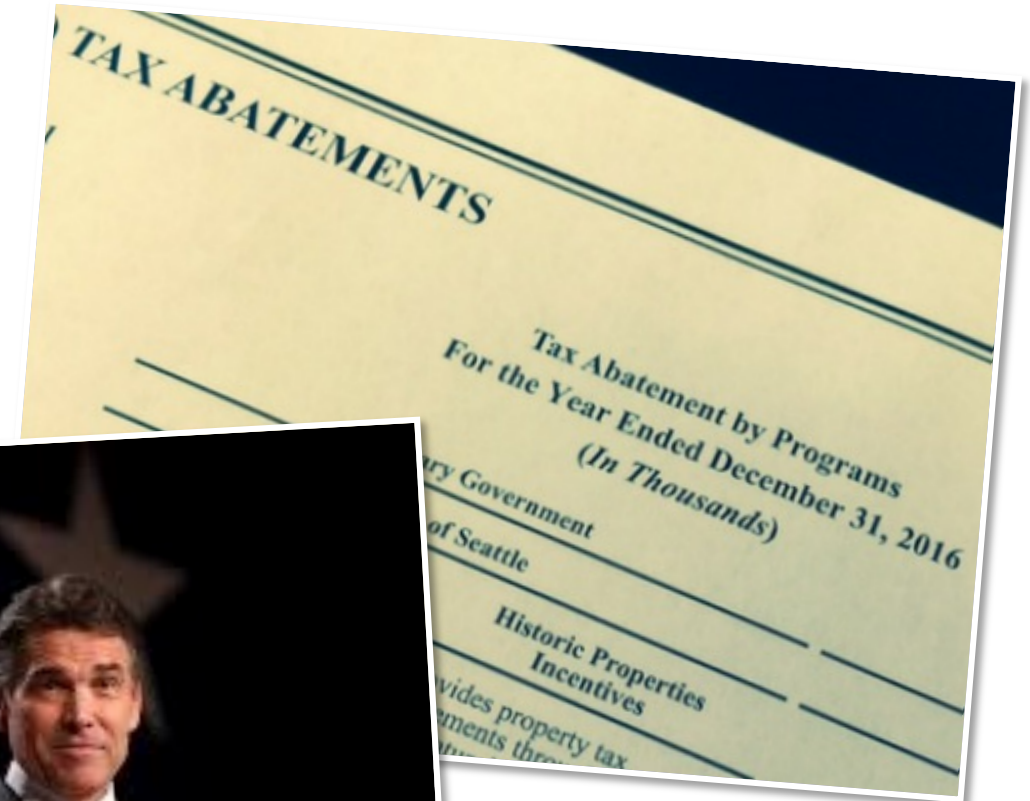
Build on existing strengths and unique assets



...and start growing to compete

From the “Old Economy”...

Competing on low cost



...To New Principles for the Next Economy

Compete on value added



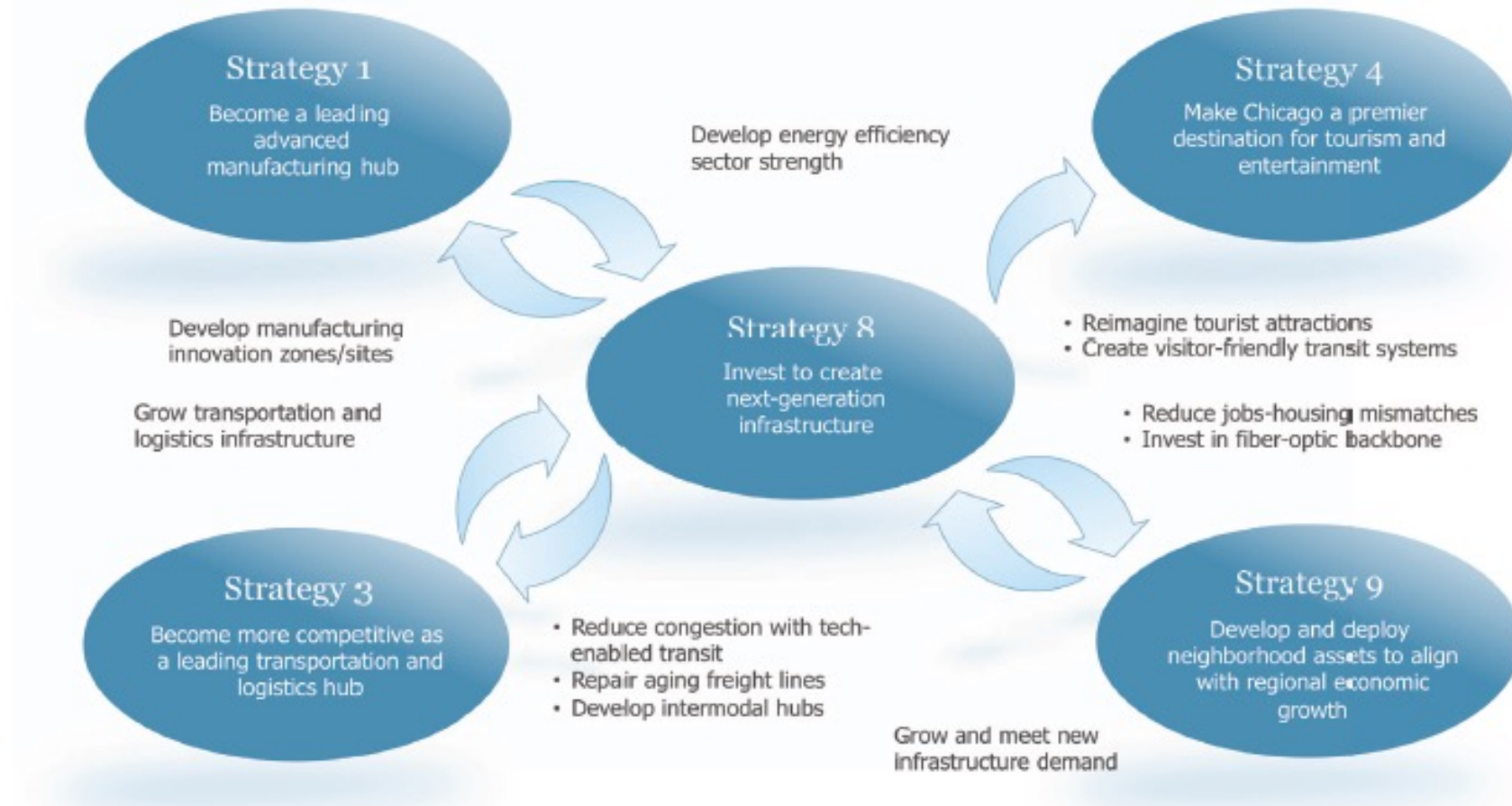
From the “Old Economy”...

Chasing the “Big Deal”



...To New Practices for the Next Economy

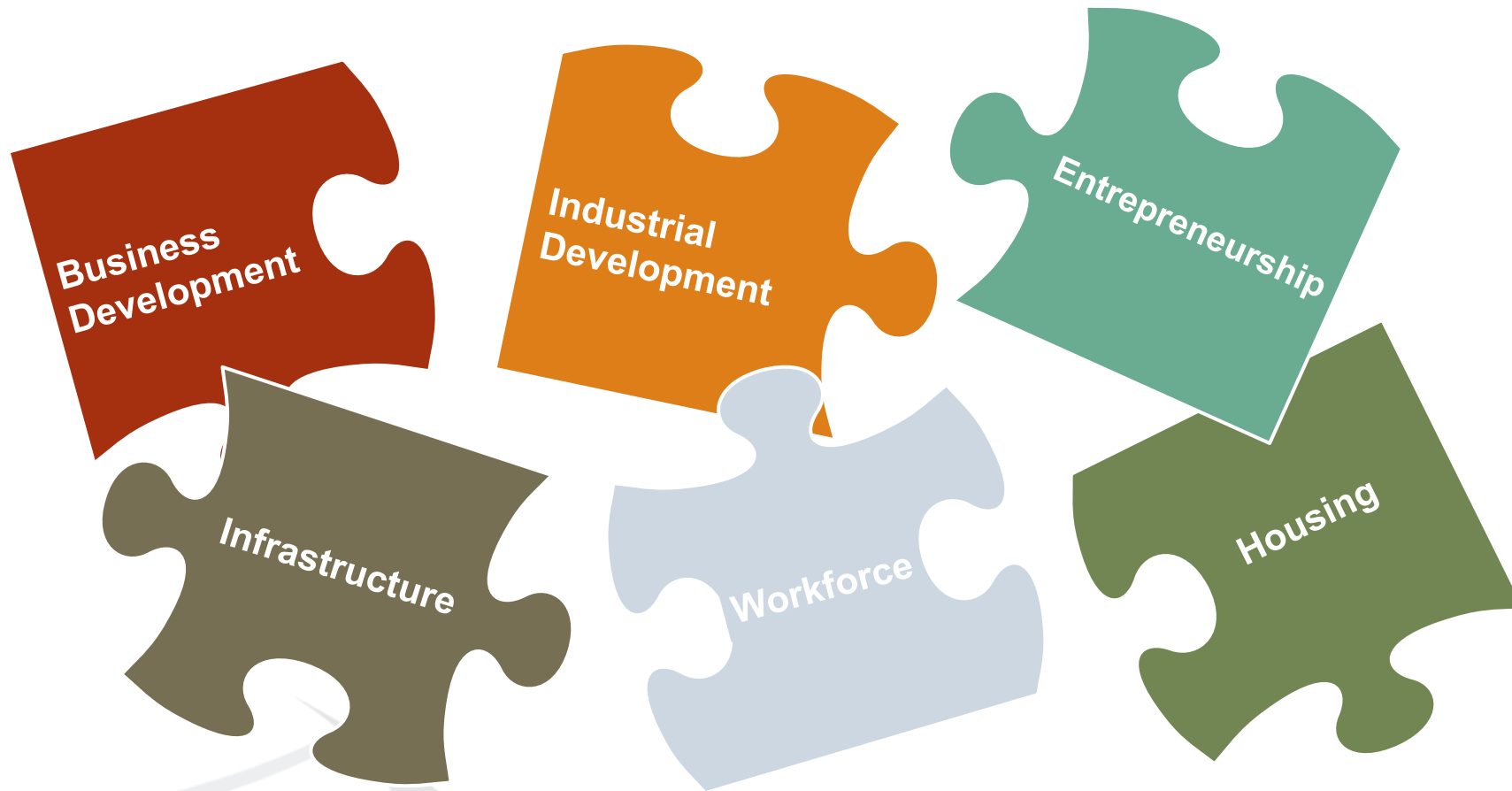
Be strategic – understand your place and path in context



Deals as a tactic, driven by an underlying strategy

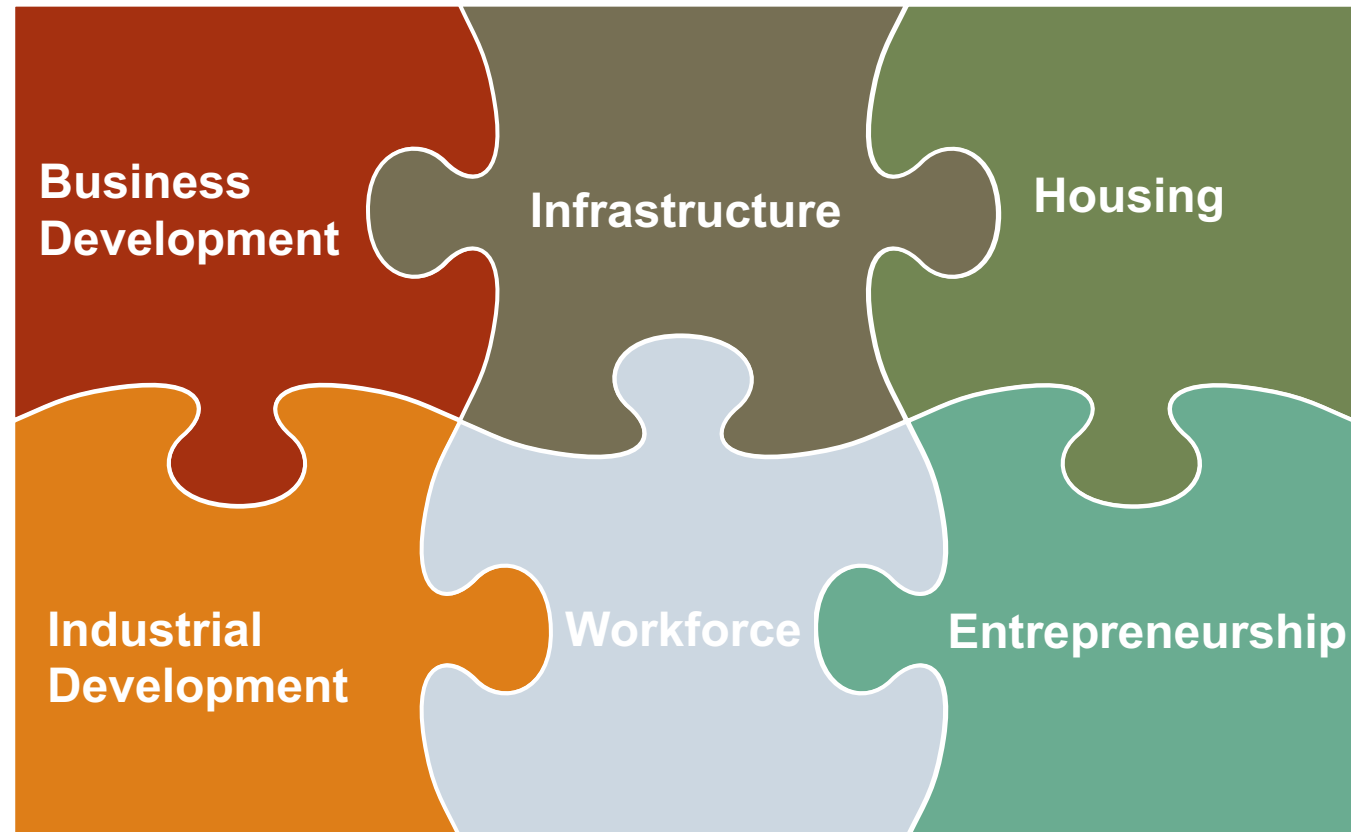
From the “Old Economy”...

Delivering disconnected programs



...To New Principles for the Next Economy

Act in context, with integrated solutions



The whole is greater than the sum of its parts

From the “Old Economy”...

Bureaucratic, top-down, inside-out government



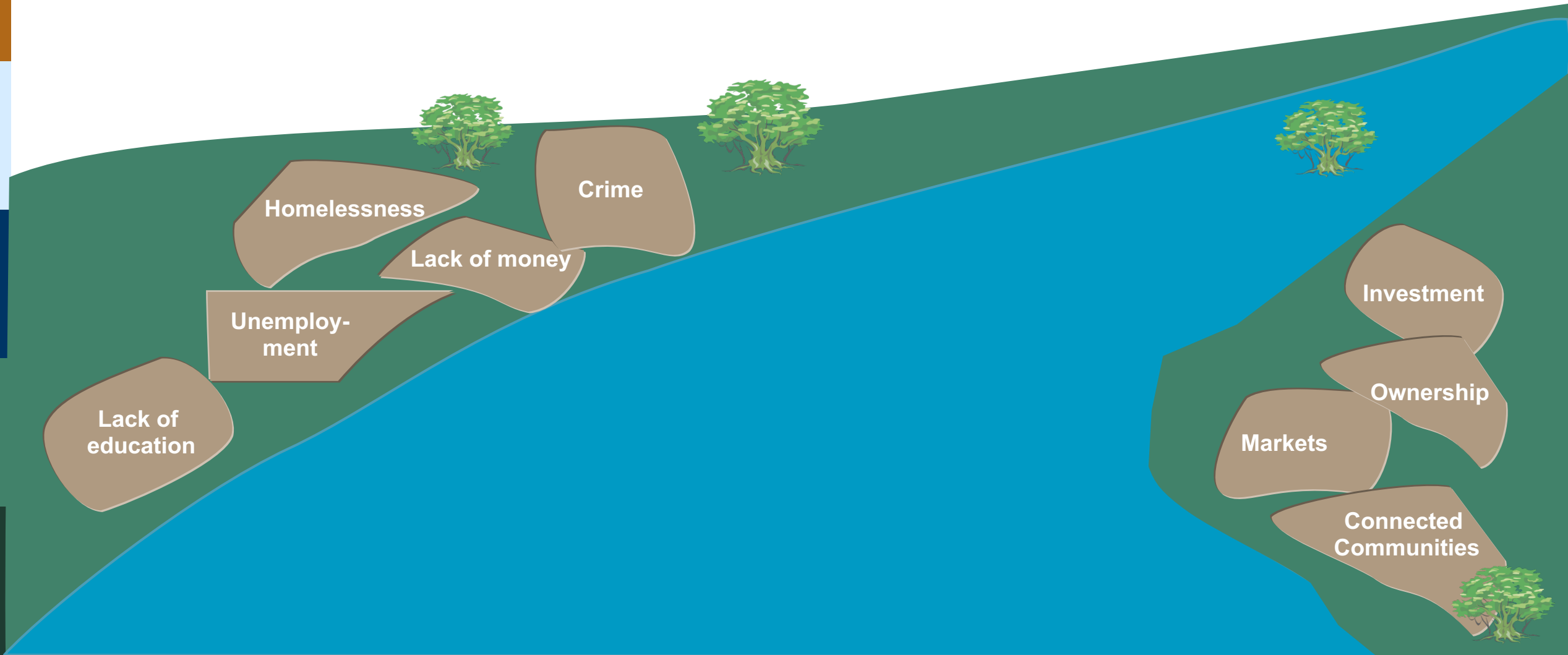
...To New Principles for the Next Economy

Transparent, outside-in, networked collaboration across sectors, subjects and borders



From the “Old Economy”...

Addressing poverty as isolated problem

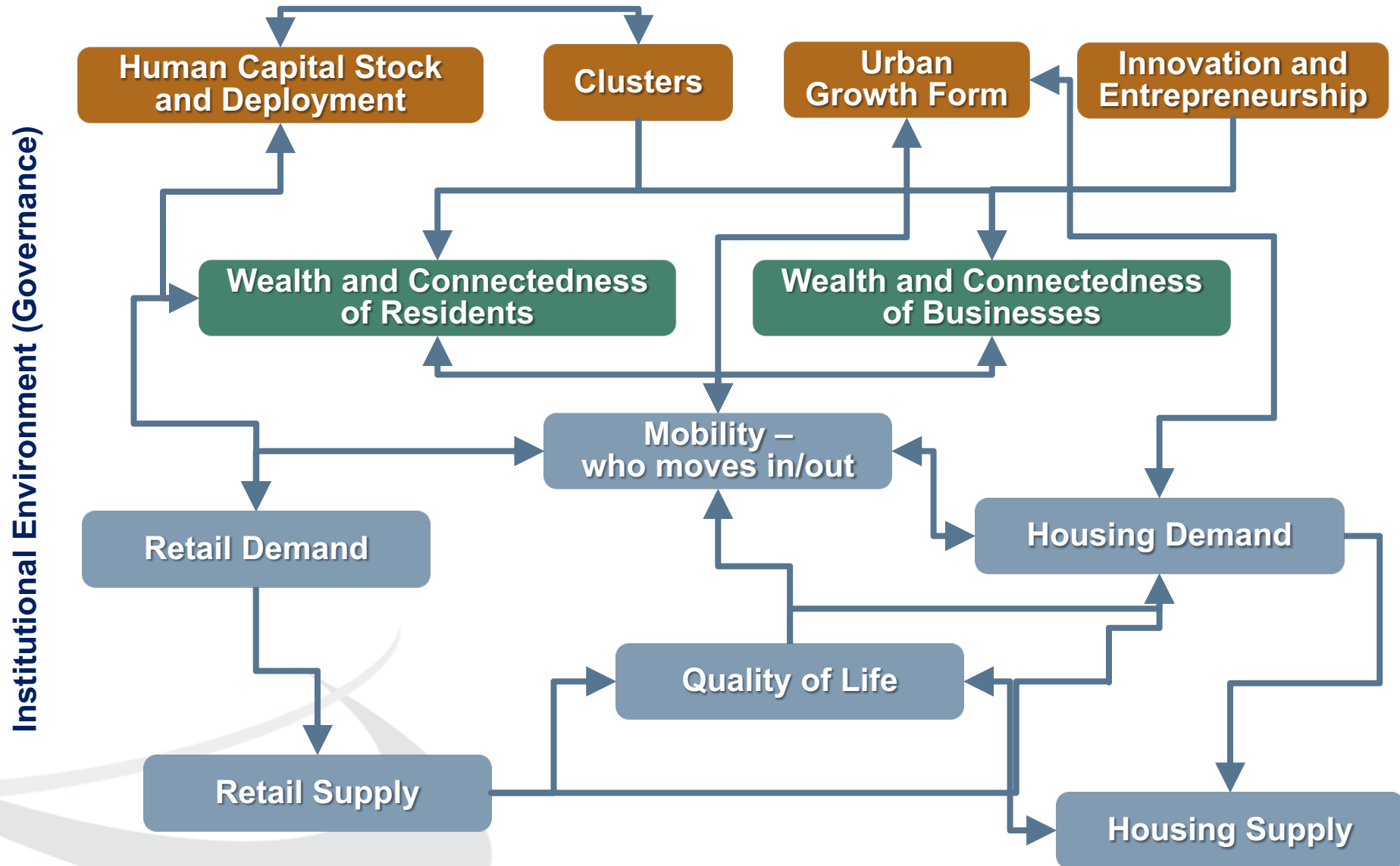


...To Embracing Next Economy Dynamics

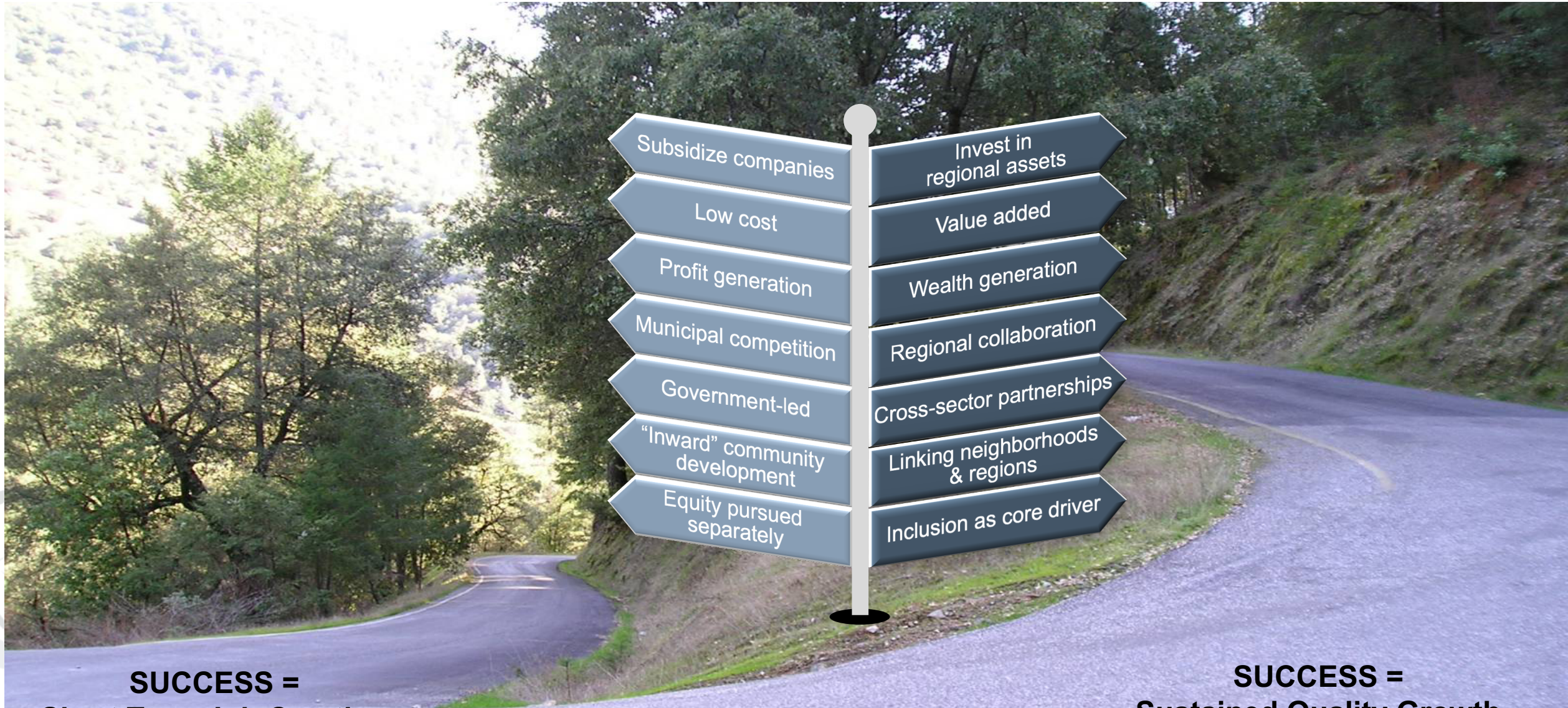
Move people & places into the economic mainstream



Link Neighborhood and Regional Wealth Creation



Quality Growth



SUCCESS =
Short Term Job Creation

SUCCESS =
Sustained Quality Growth

Quality Growth: New Practice for a New Economy

■ Focus on Value and Wealth Creation

- Lead with production, not consumption
- Prioritize generating real wealth over short-term profit and shareholder returns
- Limit financialization and rent seeking

■ Develop and Deploy Existing Assets → Market Efficiency and Inclusion

- Develop a supply chain/lifecycle approach – invest in and continuously upgrade ALL of your assets.
- Make 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: be the place businesses and workers want to locate and stay because they will be more productive
- Build for future competitiveness - pursue other “high-road” practices that invest in long-run competitiveness

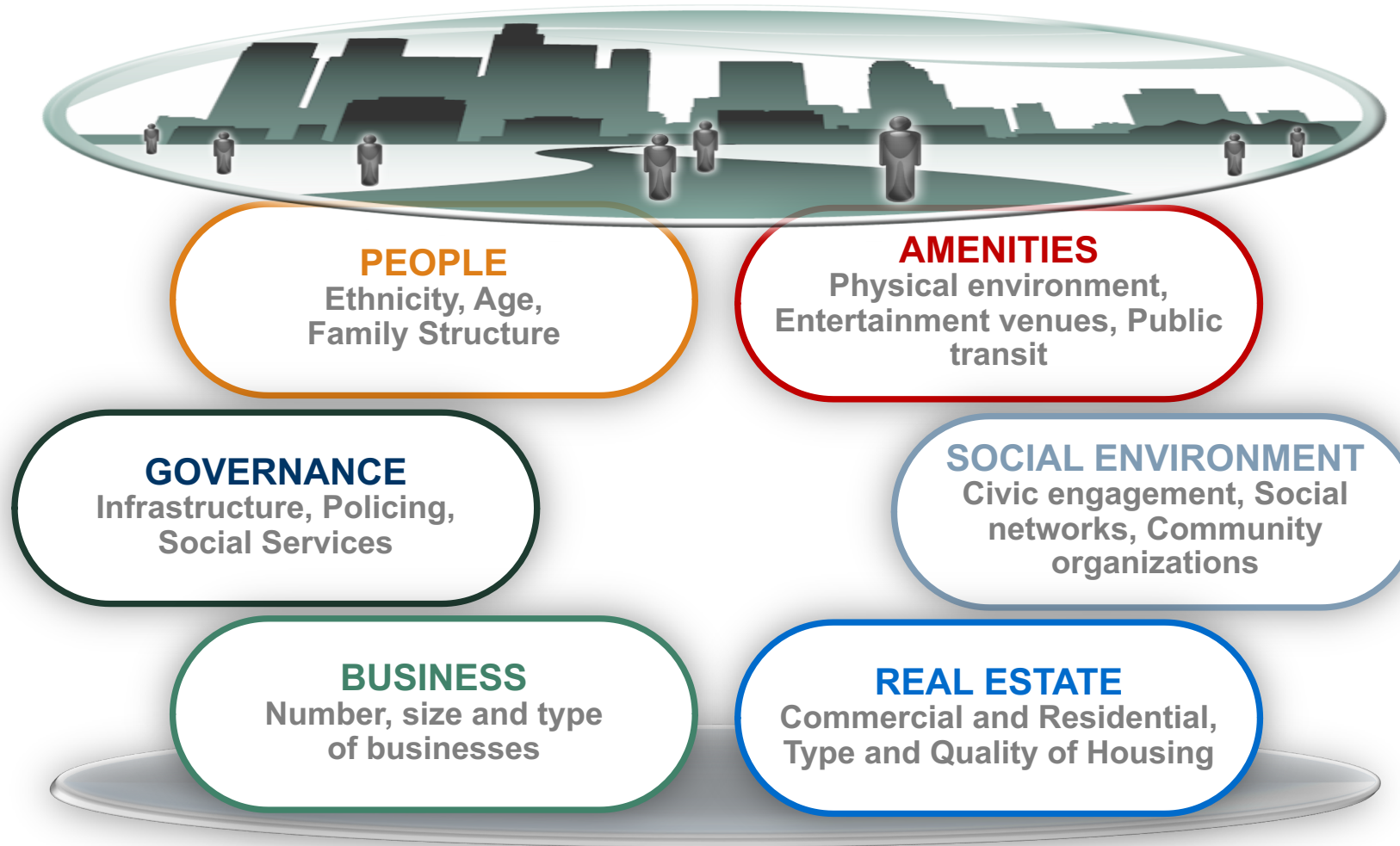
LINKED NEIGHBORHOOD AND ECONOMIC DEVELOPMENT

A decorative graphic in the bottom left corner consisting of several overlapping, curved, light gray lines that sweep upwards and to the right.

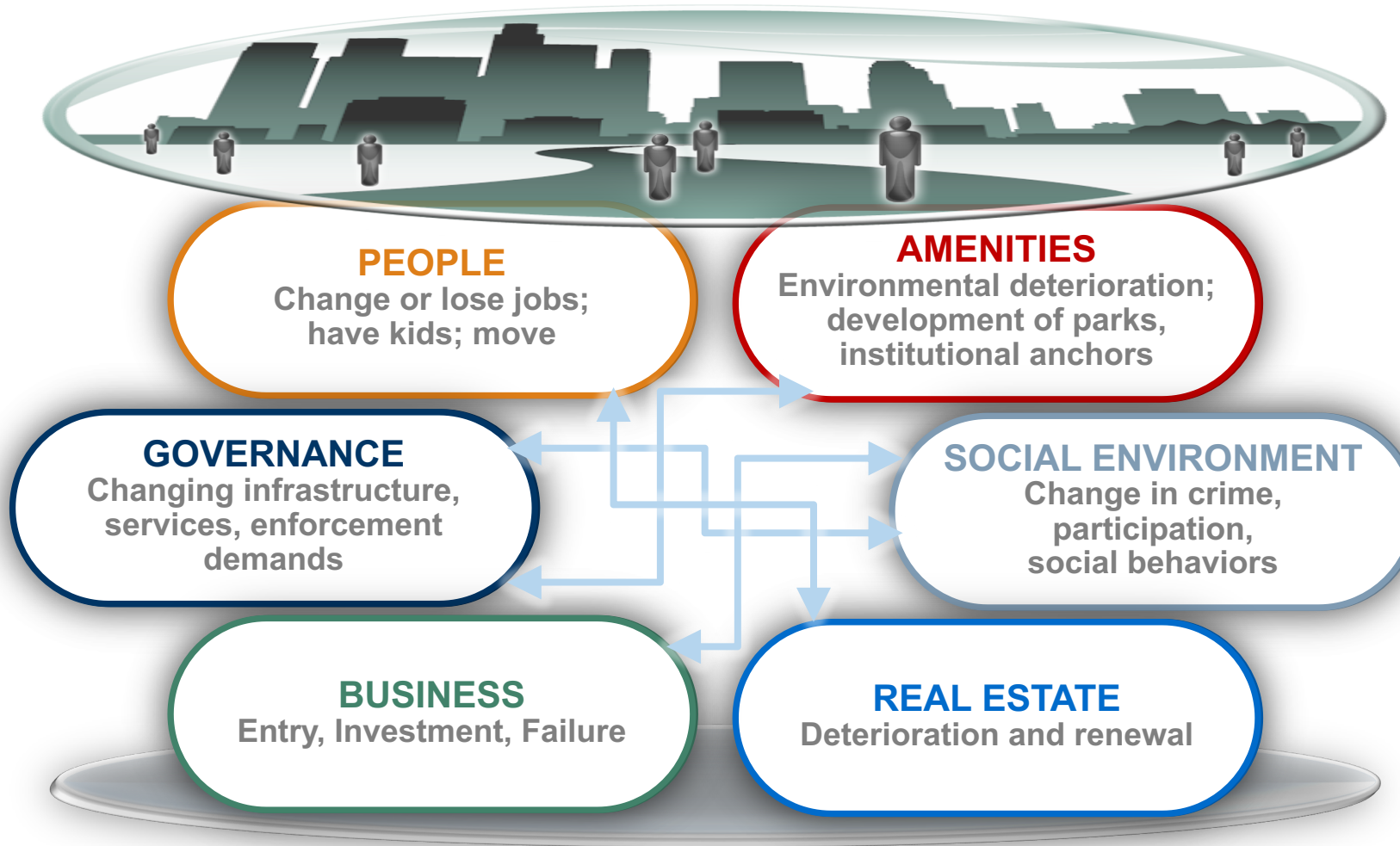
Neighborhoods are Complex



Neighborhoods are Complex

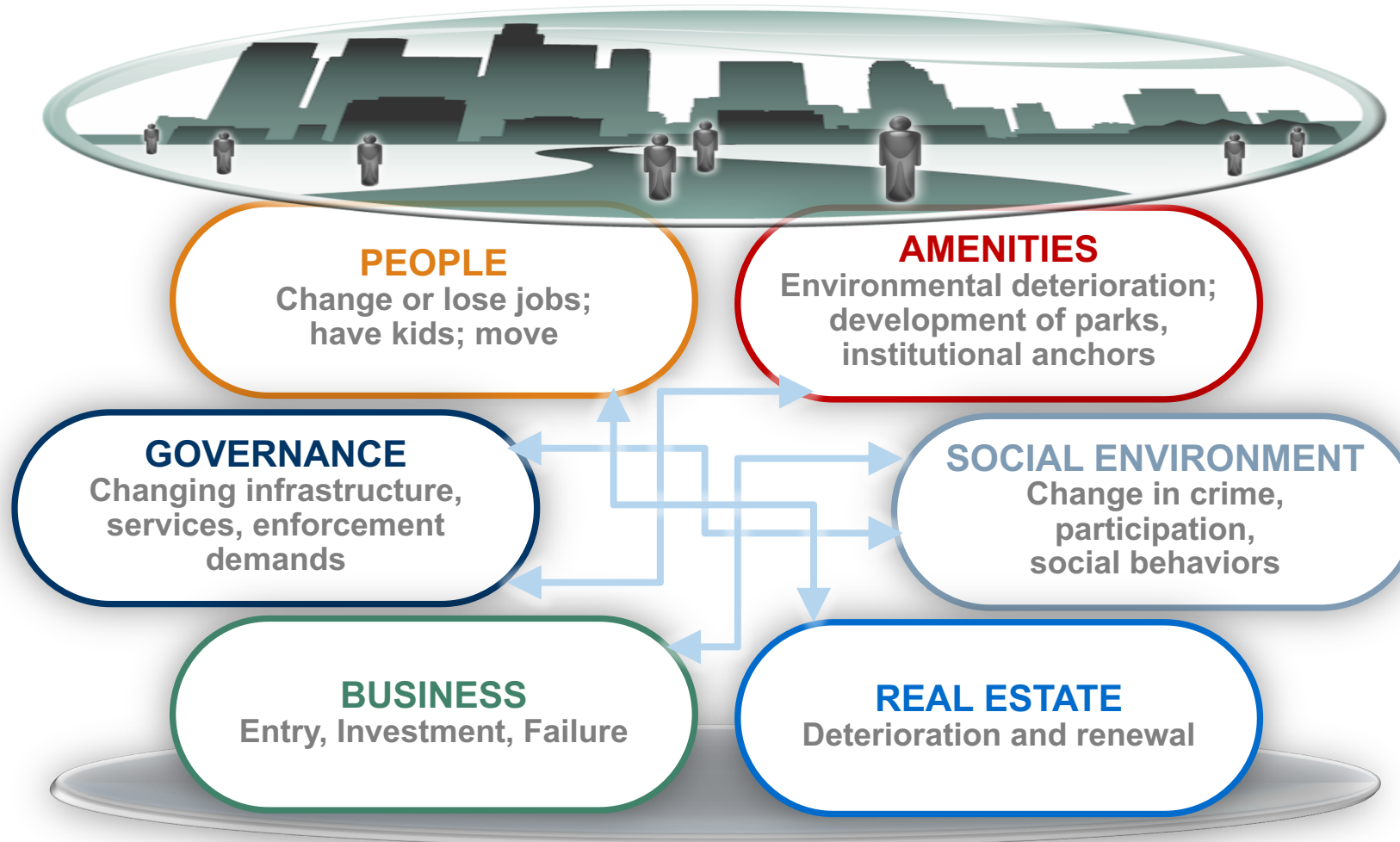


Neighborhoods are Dynamic



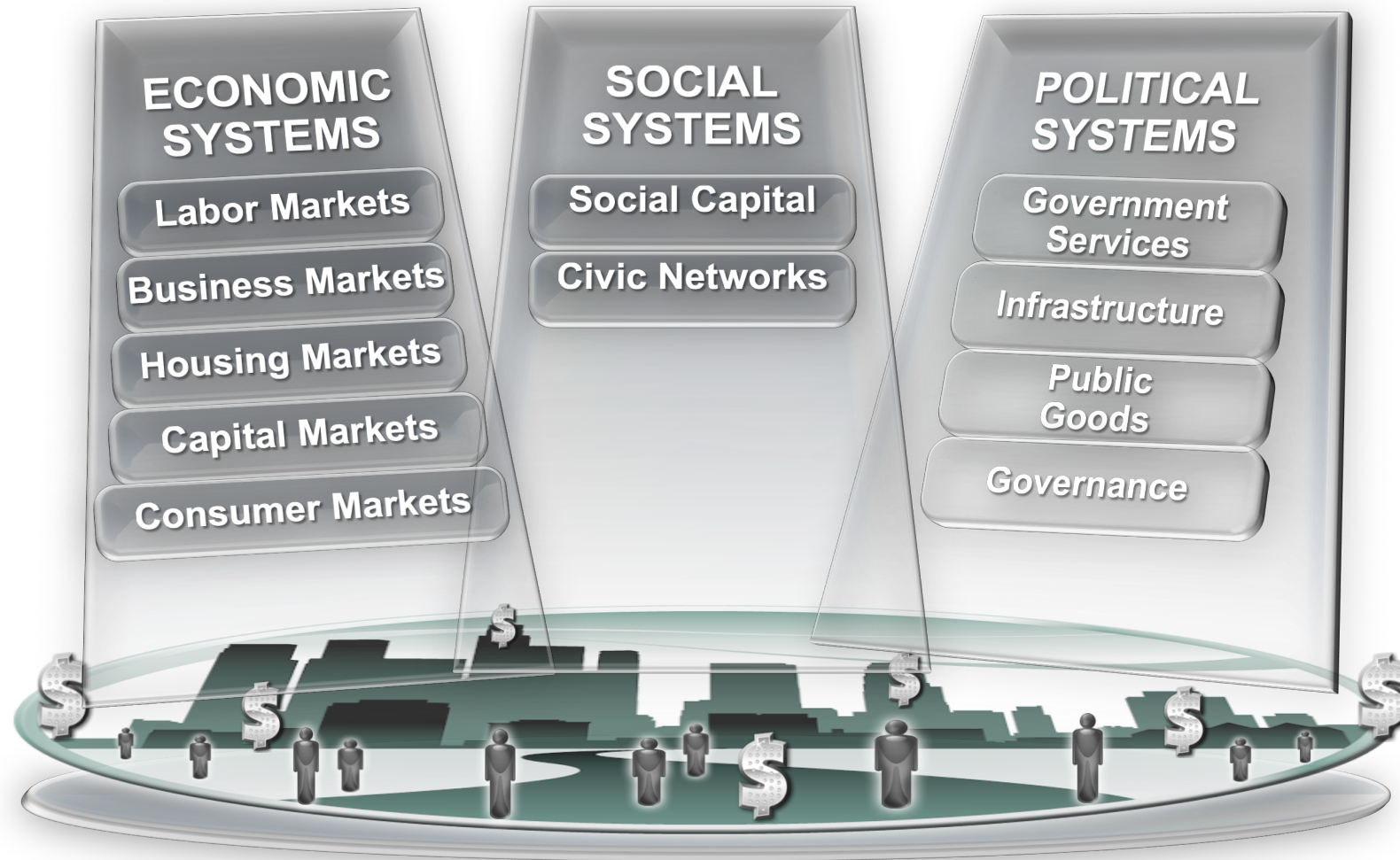
A Web of Interdependent Activities: “Organized Complexity” (Jacobs)

Neighborhoods are Dynamic



A Web of Interdependent Activities: “Organized Complexity” (Jacobs)

Neighborhoods are Nested in Larger Systems Which Drive the Flows of People and Capital



Neighborhoods arise from the interaction of regional economic, social and political systems with physical place.

The Role of Neighborhoods within Regions

Neighborhoods of Opportunity

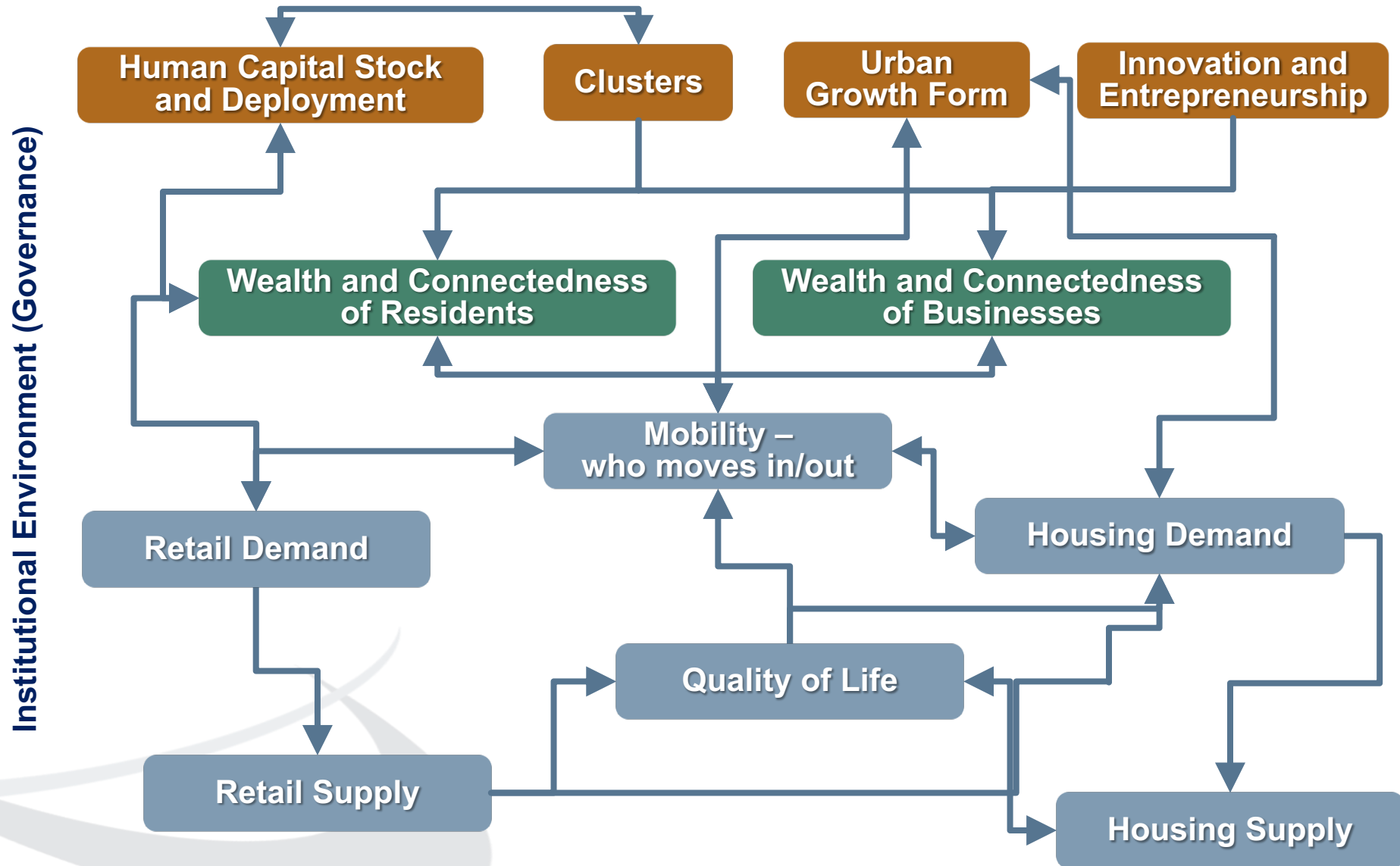
- Neighborhoods as collection of assets – labor, land, businesses, etc. - nested in larger markets
- Function = develop and deploy assets into larger systems
- Emphasis on economics



Neighborhoods of Choice

- Neighborhoods as collection of amenities – housing, retail, public goods, etc. – interacting in place
- Whole greater than the sum of its parts
- Emphasis on quality of life

Link Neighborhood and Regional Wealth Creation



Integrated Strategies Across Levers to Create Communities of Opportunity and Choice

Communities of Opportunity

Develop and connect business, human capital, real estate, other assets into larger markets



Communities of Choice

Offer goods, services & amenities to attract & retain residents



PRACTICE

A decorative graphic consisting of several overlapping, curved, light gray lines that sweep across the bottom left corner of the slide.

PRACTICE:

GREATER CHATHAM INITIATIVE

Historically “Neighborhood of Choice” for Middle-Class African American Population



Regional Role:

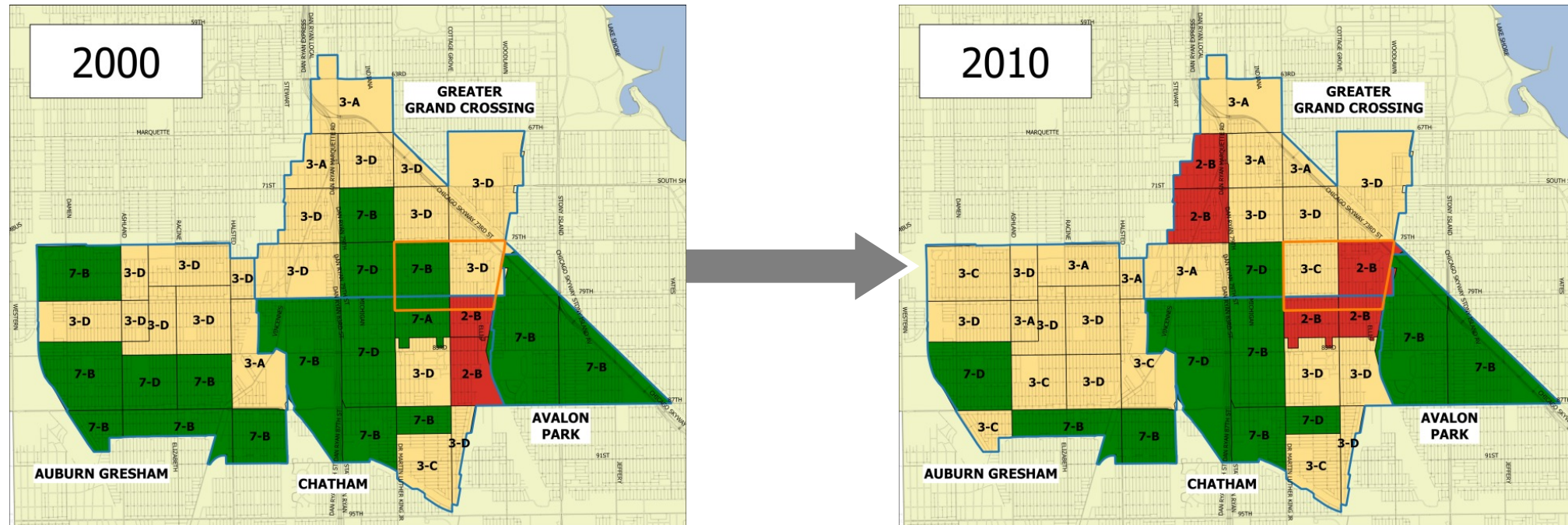
- Home to many AA-owned businesses
- Deployed workers into gov't., mfg, middle mgmt., etc.
- Primarily bedroom community



Neighborhood Characteristics:

- Multi-generational families
- Quality, affordable homeownership
- Family-friendly – safe, good transit/transportation, quality schools, strong commercial corridors

Threatened by Convergence of Global, National and Local Dynamics



Hollowing out of
middle class

Frozen housing
market

Demographic
changes/incoming
population

Building a Community of Opportunity & Choice

- 16 mutually-reinforcing strategies
 - Tying neighborhood assets to regional markets
 - Ranging from appraisal gap financing, to middle-skill placement to cluster supply chains.



- Modeling new partnerships & programs designed to be replicable across region
- New institutional infrastructure:
 - Engaging community & regional stakeholders from public, civic, and private sectors
 - Accountable to community & markets
 - Flexible, distributed work, and entrepreneurial

Transformative Initiatives



**Integrated
Workforce Center,
with targeted
regional employer
partners**



**Small Business
Capacity Building,
for firms in cluster
supply chains**



**Single Family
Rehab
Investment Fund**



**Anti-Violence
Marketing
Campaign**



**Extended After &
Out-of-School
Programming**



**New Institutional
Infrastructure**

PRACTICE:

SOUTH SUBURBAN ECONOMIC GROWTH INITIATIVE

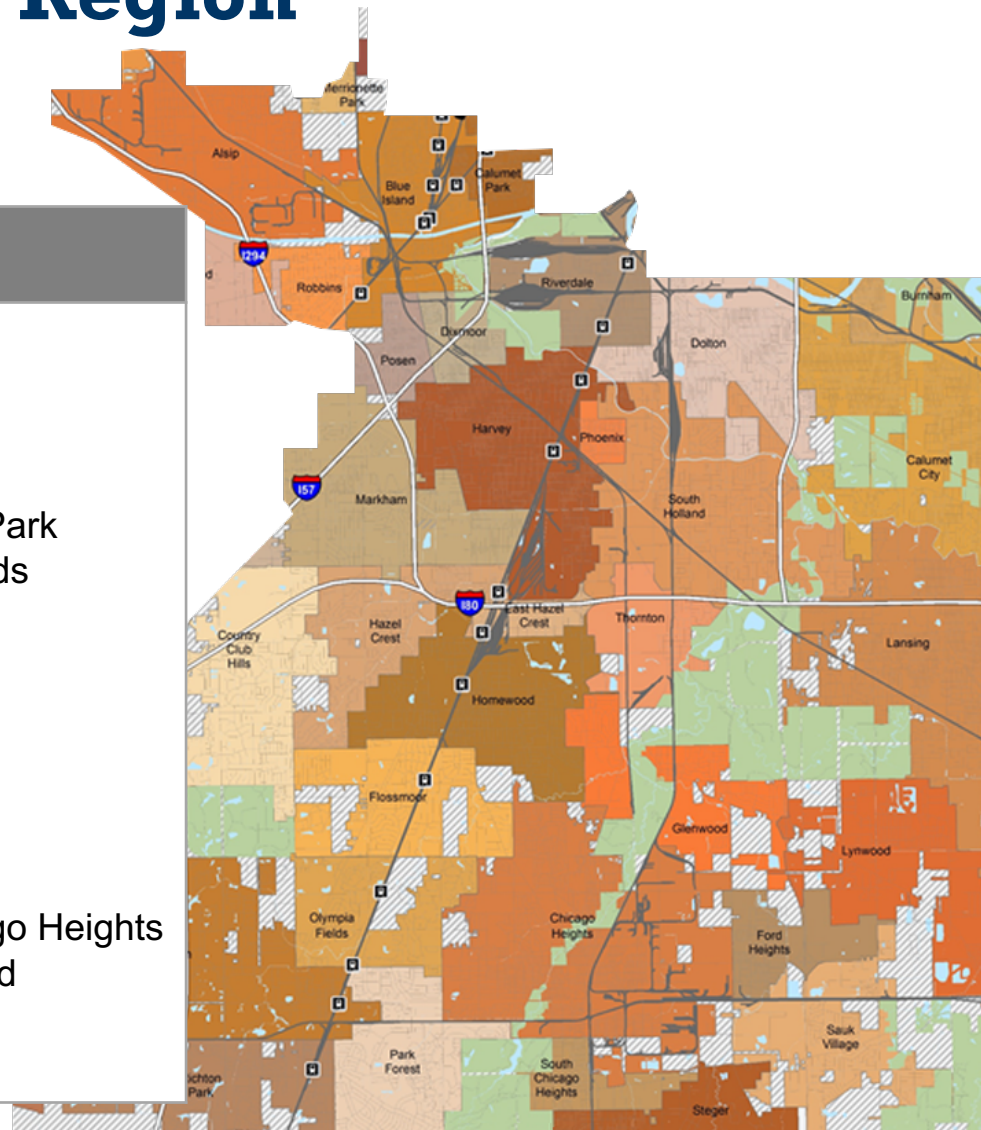
A decorative graphic consisting of several overlapping, curved, light gray lines that sweep across the bottom left corner of the slide.

SOUTH SUBURBS: A Critical but Overlooked Part of the Region





- **441,000** residents
- **20,000** businesses
- **\$16B** economic output
- **130,000** jobs
- **74%** of residents work elsewhere in region

34 Municipalities

Alsip	Lansing
Blue Island	Lynwood
Burnham	Markham
Calumet City	Matteson
Calumet Park	Merrionette Park
Chicago Heights	Olympia Fields
Country Club Hills	Park Forest
Crestwood	Phoenix
Dixmoor	Posen
Dolton	Richton Park
East Hazel Crest	Riverdale
Flossmoor	Robbins
Ford Heights	Sauk Village
Glenwood	South Chicago Heights
Harvey	South Holland
Hazel Crest	Steger
Homewood	Thornton



Storyline

	 Economic Activity & Workforce 	 Community Characteristics & Capacity 
ORIGINS	Powerhouse for ag processing; steel & heavy manufacturing; freight	Bedroom communities of local blue-collar & downtown workers
MID CENTURY CHANGE	<ul style="list-style-type: none"> • Industry decline and facility closure • Job losses or downgrade 	<ul style="list-style-type: none"> • Suburban sprawl to collar counties • Higher poverty, demographic shift • Property tax down, sales tax up
TODAY	<ul style="list-style-type: none"> • Legacy industrial base in important regional clusters • Industrial vacancy + contamination • Misaligned workforce • Home to regionally important industries and infrastructure 	<ul style="list-style-type: none"> • Older, majority minority population • Attractive working class communities + some in transition • Lagging retail, but compelling commuter and green recreation amenities • Diminished public capacity

SOUTH SUBURBS: Economic Challenges, Changing Demographics

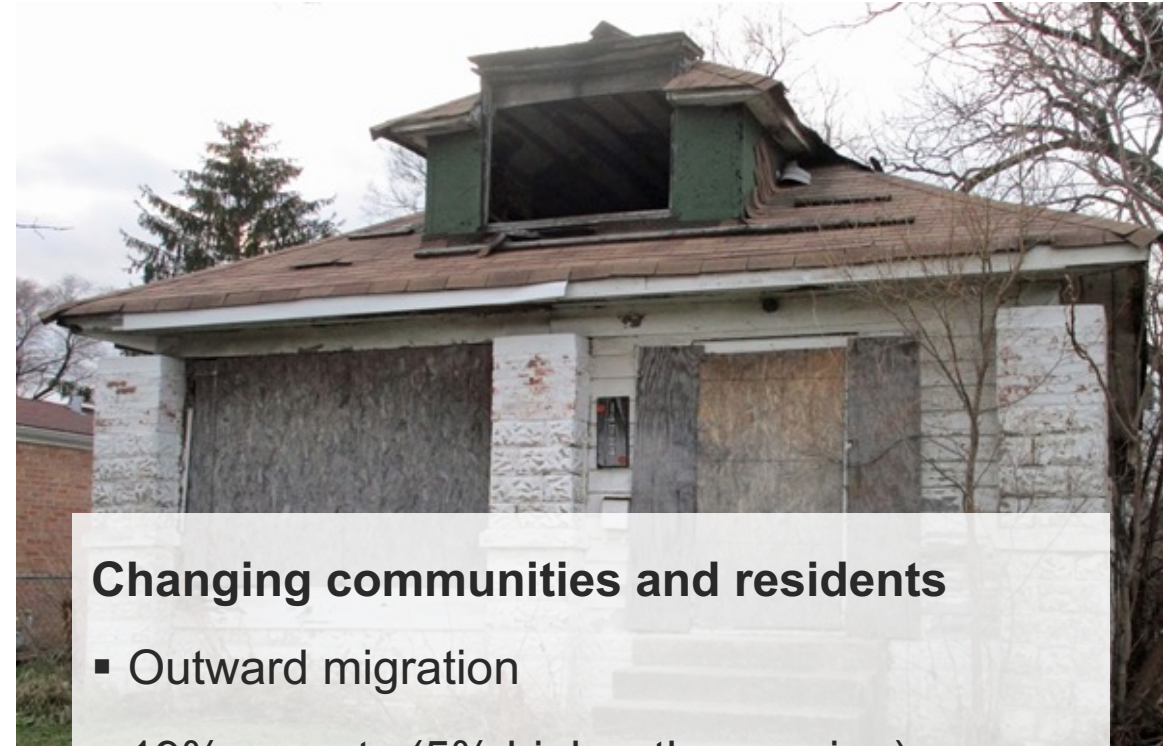
Economic Activity & Workforce



Industry decline and facility closure

- Vacant and contaminated industrial land
- High unemployment (doubled 2000-2014 to 17.5%)
- Median income \$12k less than region

Community Characteristics & Capacity



Changing communities and residents

- Outward migration
- 19% poverty (5% higher than region)
- Aging population
- Eroding tax base

SOUTH SUBURBS: Asset-Rich, Transitioning

Economic Activity & Workforce



Regionally vital industries, workforce & infrastructure

- Concentrations in metals, chem, TD&L and others (with expansions underway)
- Skilled workforce (36% middle-skill, trending higher)
- Under-employment and Opportunity Youth growing

Community Characteristics & Capacity



Attractive communities; some facing challenges

- High quality, affordable housing + rich recreational amenities
- New, diverse residents driving reinvention
- Limited public sector capacity in some places

South Suburbs have potential to be...



Vibrant Economy

- Innovation hubs in TD&L and food packaging
- Supplier concentrations for fabricated metals and B2B
- Metro Chicago's "green playground"



Productive Workforce

- Mid-skill workers in TD&L, manufacturing and B2B
- High-skill workers connected to regional opportunities
- Young adults and teens in training and on-ramps



Attractive Communities

- Diverse working- and middle-class communities
- Affordable, quality housing offering easy access to downtown and other job centers

SOUTH SUBURBS OFFER THE SINGLE MOST PROMISING PLACE-BASED DEVELOPMENT OPPORTUNITY FOR THE FUTURE OF THE REGION

Achieving South Suburban Potential Requires Large-Scale, Transformative Investments

“Development Authority”
and
Financial Tools

10+ Mutually
Reinforcing Initiatives



Metals Supplier Park



Center for Smart
Intermodal Logistics



Enhanced Housing
and Amenities



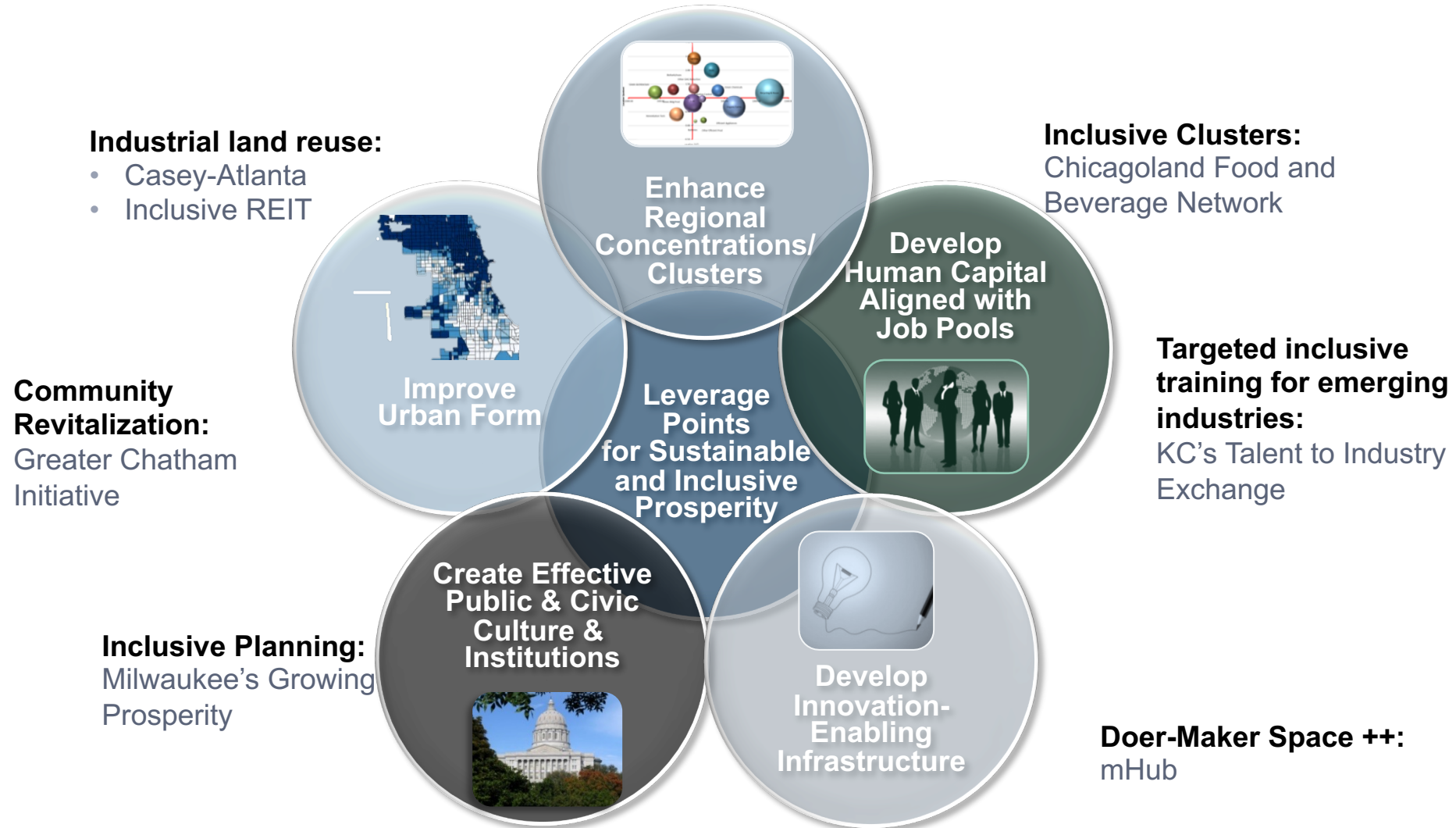
Green Playground

PEOPLE, FIRMS, COMMUNITIES OF SOUTH SUBURBS CAN ONCE AGAIN LEAD THE REGION

Distributed Work Network Structure



The Next Economy Offers Huge Opportunities for Aligning Growth and Poverty Alleviation



Discussion – Translating Theory to Practice (and vice-versa)

I. Framing Issues

- A. How does “mobility” narrow the focus of work? Implications for practice?
- B. People // Place: relationships of programs and outcomes?

II. Considering Interventions

- A. Targeted (e.g. health) vs. Wrap-Around –
 - How do they fit together?
 - Pros/Cons?
 - Where/When to do which?
- B. Tailoring by population segment (e.g. opportunity youth), nature of barriers (e.g. health, job access), conditions of place
- C. Relationship of inter- vs. intra- generational.

QUALITY GROWTH PRACTICE TO DRIVE ECONOMIC MOBILITY

**Federal Reserve Bank of Atlanta
September 23, 2019**

Robert Weissbourd
RW Ventures, LLC
New Growth Innovation Network

Washington Center
for **Equitable Growth**



**New Growth
Innovation Network**

POWERING INCLUSIVE ECONOMIES