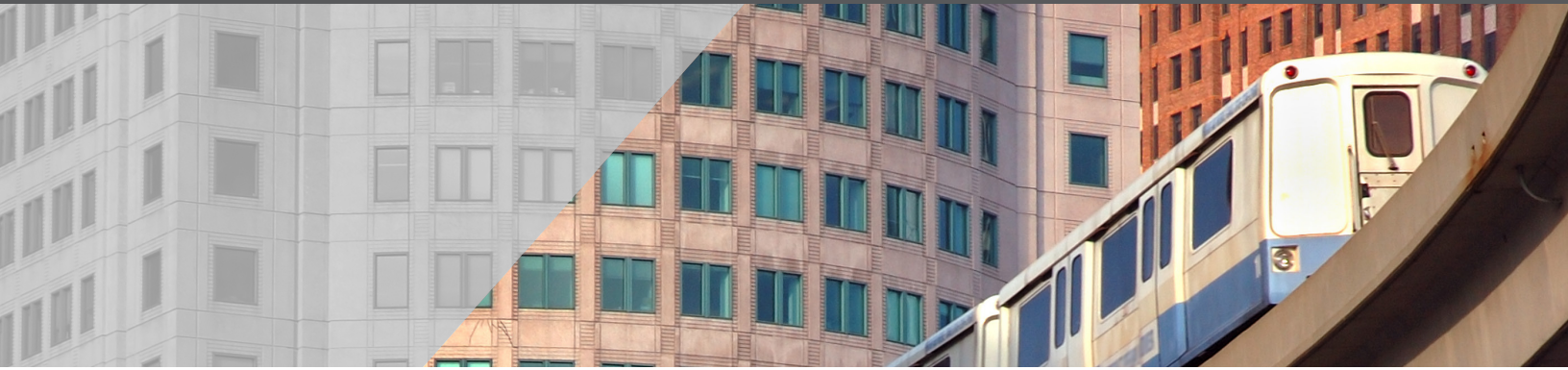




FEDERAL RESERVE BANK OF PHILADELPHIA



Transformative Economies

Emerging Practices for Aligning Growth and Inclusion

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ECONOMIC
GROWTH &
MOBILITY
PROJECT



* The authors' bios are in Appendix 1.

Introduction

Economic development professionals are beginning to think differently about how they create stronger neighborhoods, cities, and regional economies. They are applying an asset- and market-based development framework, which entails “growing from the inside out.” By applying this framework to the dynamics of the 21st century economy, they are concentrating on the synergies between fostering complementary assets in metropolitan areas: human capital, business, innovation, and infrastructure. And they understand that a key new dynamic is the need to align economic growth and inclusion – that is, sustainable growth requires inclusion and vice versa. This paper offers a summary of the new thinking underway in the field and describes some of the emerging practices.¹

A Changing Economy

The global economy is undergoing a fundamental transformation that is changing the dynamics of productivity and growth. As knowledge assets embedded in technology and people redefine all aspects of production (inputs, infrastructure, processes, markets) and drive growth across all sectors (not just “knowledge industries”), the economy is more global and more dynamic, placing a premium on continuous innovation. We are going through a period of dramatic “creative destruction,” which is causing major disruption in labor and business markets but also leading to enormous new value creation and market activity. These changes also affect the geography of economic activity, creating transformative challenges and opportunities for neighborhoods, cities, and regions.

A central dimension of this transformation is “the inclusive growth paradox.” On the one hand, in the short term, growth in this new economy is exacerbating income and wealth inequality (in large part because returns to capital are increasing much faster than returns to labor). On the other hand, in the long term, it is increasingly clear that the places with the least inequity do the best (in large part because they do not waste as many assets and do not bear the high costs of poverty).² A central challenge – and opportunity – for the new economic development practice then is how to align inclusion and growth. As we seize new market and value creation opportunities, how do we do so in ways that successfully use all of our

people, firms, and places, including redeploying legacy assets from the old economy to drive the new economic growth?

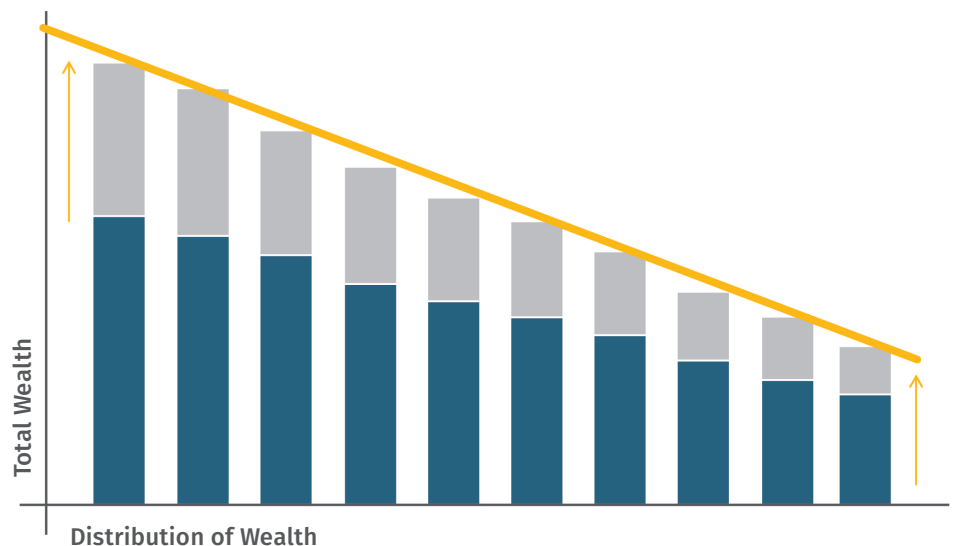
What Do We Mean by “Inclusive Growth”?

There are, of course, major social and political dimensions to addressing inclusive growth, but here we are concerned with economic development and offer a definition that is focused on the economics of growth. The core point, illustrated in the charts and explanation that follow, is that we are concentrating on who participates in and drives new growth in the economy. We are not talking about inclusion as an aside or afterthought or as redistribution of wealth, but instead, we are talking about inclusion as a quality of and way of undertaking growth.

From that perspective, economic growth can be defined as the increase in total economic activity – more outputs, reflected in more total wealth. To help illustrate this concept, Figure 1 provides a conceptual graph of an economy, in which the share of total wealth (the Y axis) is distributed across wealth segments in the population (deciles from the richest to the poorest 10 percent, shown on the X axis). Those on the left have a larger proportion of total wealth than those on the right. As economic growth occurs without any change in degrees of inclusion, total wealth grows in each segment (represented by the gray bars getting higher), but the distribution of wealth (represented by the angle, or slope, of the line) remains the same.

Inclusion, on the other hand, refers to the distribution of the economic activity – the slope of the line across income or wealth segments of the population. Equity (and equality) can be defined as referencing the distribution of wealth, and inclusion is the change in the distribution as growth or shrinkage occur. “Inclusive

Figure 1: Growth in Total Wealth Without Change in Distribution



growth” refers to the nature of the growth, not the static picture of distribution at a point in time.

In Figure 2, a portion of the total wealth from the segments on the left is redistributed to those on the right, inverting the slope of the line, but total wealth stays the same.

By inclusive growth, we are referring to growing the economy in ways that also positively affect the distribution, in which more people participate in increased wealth. Total wealth grows for each segment in Figure 3, while the slope of the distribution also flattens, suggesting a more equitable distribution.

To accomplish inclusive growth, it’s necessary to understand the dynamics that are driving growth in this economy and figure out how inclusion can enhance growth across all dimensions. Inclusion is not an afterthought (given growth, address equity) or a separate set of programs (e.g., poverty programs to alleviate the effects of exclusion), but rather, it’s an integral part of all growth activity. Inclusive growth is one activity, not two.

The Dynamics of Today’s Economy

The dynamics of today’s economy are creating inclusive growth opportunities in many ways:

- *Today’s economy favors and is centered in metropolitan areas,*³ in which assets are concentrated and are disproportionately productive because of the efficiencies, synergies, and continuous innovations arising from their interactions. The same persons or firms, with identical characteristics, make more money or are more profitable when located near people or firms like them. Metropolitan regions are highly dynamic, adaptive, and complex systems that give rise to unique economies at the intersection of their particular industries, human capital, technologies, institutions, and

Figure 2: Redistribution of Wealth Without Growth

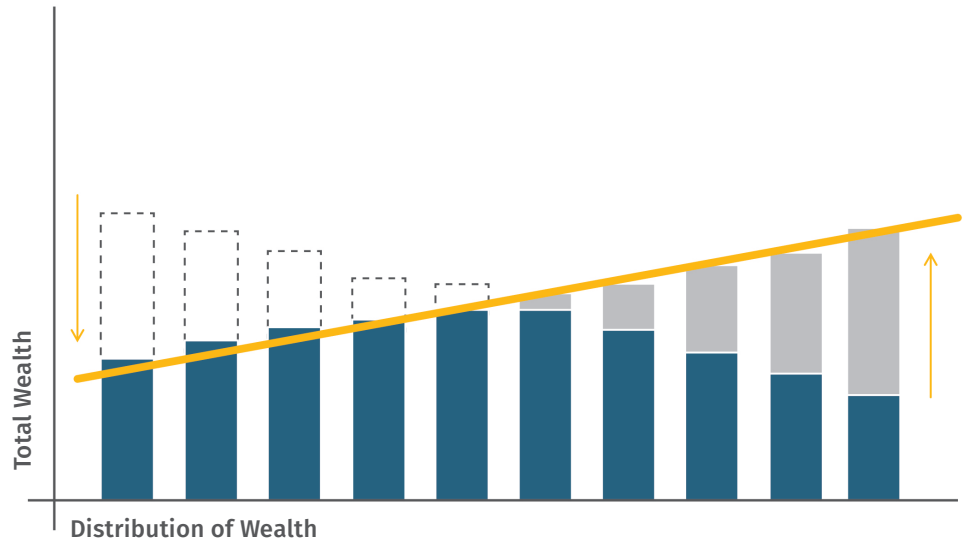
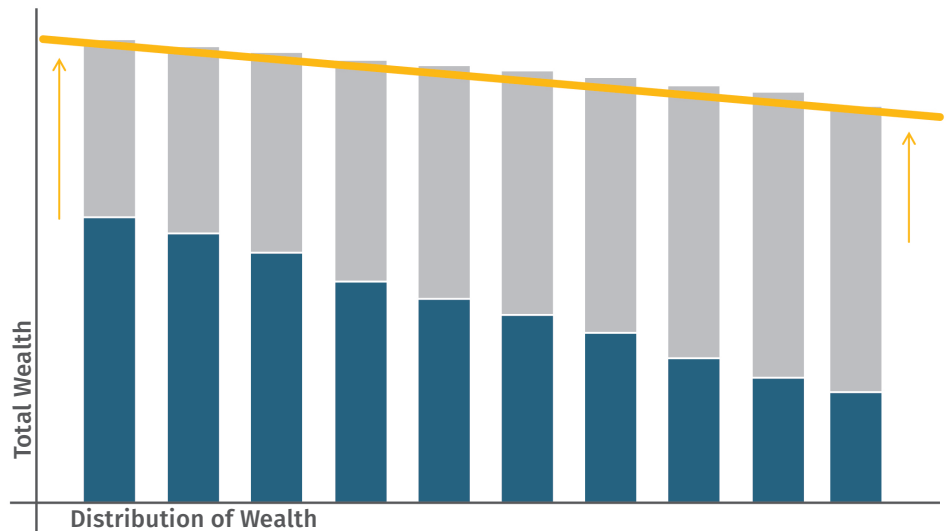


Figure 3: Inclusive Growth: Growth with Change in Distribution



other place-specific characteristics. Economic growth in Milwaukee, for example, is based on strengths in food and beverage, energy controls, and water clusters. Chicago is fueled by its strengths in business services, advanced metals fabrication, food production, and transportation and logistics industries. Memphis’s unique air-freight cluster is seeding growth in innovative industries such as specialized medical equipment that rely on these systems to reach customers quickly.

- *Regional competitiveness and success in the emerging economy is driven by production, particularly by increasing productivity, not primarily by consumption.* Economic development based on this understanding entails identifying and building on the synergies of the unique concentration of business, human capital, and technology assets in a region. It then addresses the key levers that affect their efficient interaction and ensuing productivity: labor market dynamics (development and deployment of human capital), sector and functional clustering, innovation systems, and the built environment and governance.
- *As a result, practice is also moving from siloed programmatic activities to more integrated and strategic growth initiatives.* To create new dynamics and synergies to increase productivity, implementation activities must effectively "connect the dots" across economic assets and activities as well as capital flows and other enabling activities. Workforce, business, housing, neighborhood, and other development all succeed or fail in the context of each other and their interactions in a place.
- *Success in the emerging economy also requires that places be forward looking, understanding the need to transition to the next economy.* This entails identification of emerging industries and markets and, equally important, initiatives to transition people and firms from dying industries. Places must adapt to changing realities, identify potential trajectories, and focus on developing and positioning assets to shape movement along a transition path to competitiveness in this new economy.
- *This transition does not take care of itself; local economies are diverging in their success.⁴* Cities and regions need to be deliberate and strategic, developing rigorous, fact-based plans tailored to their unique assets and status to identify a prosperous path forward, including a focus on inclusive growth.
- *Strategies and implementation activities also need to connect the dots across geographies.* Neighborhoods succeed or fail in the context of how well they develop and deploy their assets into larger marketplaces, particularly metropolitan economies. Neighborhood improvement strategies must reach beyond the internal characteristics of each neighborhood. They need to shift the focus toward understanding the dynamics and drivers of each neighborhood in the context of larger markets, highlighting where the regional opportunities are and identifying ways in which specific neighborhood assets (e.g., workers, businesses, real estate) can be deployed to participate in, contribute to, and benefit

Milwaukee's Growing Prosperity Plan

The Milwaukee region's local business and governmental consortium, Milwaukee 7 (M7), developed a regional growth plan that identifies key growth clusters and is based in part on the premise that "regions that exhibit the least inequality do best." M7 worked closely with the City of Milwaukee government and the civic sector in developing a companion plan, Growing Prosperity, which connects city-based opportunities and challenges to the regional plan. One result is that a considerable amount of the new businesses in the growth clusters are in the central city, where they are accessible to and benefiting from inner city workers, and job-training programs are targeted toward connecting neighborhood workers with opportunities in the region's priority clusters.



Chicagoland Food & Beverage Network

The Chicago region has long had a major concentration of food manufacturers and packagers. This industry cluster is going through dramatic restructuring due to the demands for local, organic, convenient, indulgent, and other niche products; new technologies and regulation; changing innovation dynamics (toward smaller firms and shared resources); aging owners and workforce; and other factors. As a result, the cluster is beginning to underperform overall, but it is very dynamic and presents major opportunities for new employees, entrepreneurs, owners, and others. It also is located in the neighborhoods and needs more industrial land.

Chicagoland Food & Beverage Network (CFBN) is a new cluster organization that selected this cluster because of its importance to the economy and natural opportunities — indeed, necessities — for inclusive growth. Inclusive growth is both a matter of process (who participates in the organization) and of products and services. CFBN is designing innovation, consulting, financial, workforce training, and other activities explicitly to address the needs of and make the opportunities available to all potential participants in the cluster.

from regional economic growth. The success of regional economies, in turn, depends upon how well they include and use all their assets in all their places.⁵

- *Metropolitan economies also need to expand connections to the global economy.* A natural outgrowth of growing from the inside out based on a region's unique assets is understanding and accessing global markets.⁶ Throughout the U.S., regions are working to understand and invest in what makes them unique in global markets, using these strengths as a foundation for capturing growth in global markets. For example, Portland is translating its cluster strengths in apparel design and manufacturing into a suite of global trade practices, ranging from regional branding to focused business retention to industry-targeted site development.

- *Poverty alleviation, in this context, rather than being an aside largely distinct from — or even seen as inherently conflicting with — economic growth, is seeking alignment of development and growth objectives and therefore more systematically “moving people and places into the economic mainstream.”*⁷ This means that economic development practitioners focused on poverty alleviation need to understand and influence where the local economy is going (e.g., emerging industry clusters, occupations, and entrepreneurial opportunities) — and ensure that disinvested places and populations are participating in driving these new economy opportunities.

To thrive, then, metropolitan areas and the cities and neighborhoods in them need to (1) develop the capacity to figure out what they are going to be good at and what they will be known for; (2) understand how the pieces will fit together to make them a global hub for those firms, occupations, and technologies; and (3) then craft and implement comprehensive, integrated, cross-cutting strategies that are tailored to their unique assets and competitive path and that break down traditional planning and development silos. Only then can synergies be realized across human capital, clusters, innovation, built environments, governance, and other economic drivers, and across all levels of geography, engaging the entire spectrum of people and places within the region to drive inclusive prosperity.

Conventional approaches to economic development at the neighborhood, city, and regional levels are not typically well suited to the new economy. In particular, traditional competition on low cost (e.g., tax incentives) at the deal level to attract individual businesses is giving way to competing on value-added to grow existing businesses (and make the economy as a whole more attractive to new businesses). A new inclusive economic development approach is emerging, one that can generate “transformative economies.”

Building Transformative Economies: New Challenges and Opportunities in Inclusive Growth Practice

Leading practitioners are inventing new approaches within and across five critical market levers to build growing and inclusive transformative economies. The following section describes the challenges and opportunities practitioners face with respect to each, along with new inclusive growth practices that are being invented in response. The content that follows is a high-level and illustrative discussion of the economic changes and responses underway and is not intended to be exhaustive.

1. *Industry Clusters and Concentrations*

Production and productivity in the 21st century economy are driven by specific concentrations of related firms, economic

assets, and institutions that benefit from clustering. Clustering and the benefits associated with it – from shared inputs to reduced transaction costs – are increasingly in the form of functional clusters, such as headquarters and business services, in which a particular set of economic functions, rather than a single industry (such as filmmaking in Hollywood), is concentrated. Generally, economic development practitioners need to combine quantitative analysis with interviews and industry research to identify what firms, related assets, and institutions are actually clustering and to understand the dynamics of the economic interaction that drive the benefits of clustering and how to enhance them.

The disruptive process of creative destruction is particularly manifest in the disappearance and emergence of whole industries and clusters in this economy. As a result, understanding which clusters are dying (and thus which firms need help migrating to new activities) and which are emerging (and thus creating the opportunities for new market, value, and wealth creation) is of paramount importance.

Of course, this is a predominant opportunity to drive inclusive growth. Cluster initiatives inherently identify promising growth opportunities and target resources to drive and determine how growth will occur. This can be done deliberately – indeed, too many current programs targeted at helping poor people and businesses are not sufficiently demand and market driven, resulting in people being trained for jobs, or small businesses being supported, in dying industries.

In all targeted clusters, inclusive cluster development entails understanding both the growth opportunities in employment, business supply chains, industrial real estate development, etc. and the disadvantaged people, firms, and places that are or could be competing for those opportunities. In other words, for any cluster, practitioners need to focus on how currently excluded people, firms, and places can help drive the cluster growth. Moreover, cluster targeting itself can be much better informed by understanding which clusters naturally create inclusive growth opportunities. By applying metrics that examine requirements for entry-level jobs and job ladders, for business suppliers and entrepreneurs potentially entering the cluster, and for the location of cluster firms, cluster selection itself can be prioritized by opportunities for inclusive growth. These range from business-to-business (B2B) services to certain segments of advanced manufacturing.

New products and enterprises are being invented to inclusively nurture, invest in, and strengthen regional clusters. For example, Chicagoland Food & Beverage Network (see sidebar on page 6) is a

collaboration of food and beverage manufacturers, packagers, and industry stakeholders that explicitly have selected this cluster. It is designing products and services to grow it with a focus on inclusive growth.

This focus on inclusive clusters as a driver of regional growth has important implications for the capital ecosystem that supports these industries. There are opportunities for capital innovations that can support staged cluster transition, investments in inclusion, and new business models to support these systems. For example, Chicagoland Food & Beverage Network has identified a segment of small but high-growth companies with opportunities to compete in expanding supply chains (such as for local or healthy ingredients) that need working capital to support their rapid growth. A subset of these companies, which tend to be minority owned and slightly smaller, also need equity to support the loans. In designing and delivering financial products to support the industry, Chicagoland Food & Beverage Network is tailoring its investments to drive inclusive growth by assuring not just working capital needs but also the equity barriers that are unique to driving the growth inclusively are met.

2. *Development and Deployment of Human Capital*

Human capital is the dominant asset in today's knowledge economy. The combination of this economy's massive disruption in labor markets and the changing demographics



YearUp

One illustration of this approach is the nonprofit YearUp. The organization's adult students complete six months of intensive training in the technical, professional, and communication skills that employers look for in entry-level, middle-skilled jobs (e.g., IT services and retail management). Then, for an additional six months, they apply those skills during internships with corporate partners, gaining on-the-job training and proving their abilities. Through 2015, YearUp had placed 13,000 young adults in 16 cities into permanent, well-paying jobs at leading corporations.

of the workforce makes this an area of great challenges and opportunities for inclusive growth.

As old industries die and new ones emerge, occupations and skill requirements are changing. This is reflected, for example, in the disappearance of traditional manufacturing jobs and legacy middle-skill jobs (particularly in occupations that can be automated), while new middle-skill jobs are slowly arising (particularly in service and other activities that require personalized context). An aging workforce of baby boomers is retiring, while the entering workforce has very different demographics. In this period of shifting occupations, skill requirements, and workforce characteristics, many regions are coping with labor pools, industries, and training providers that are out of sync. One result is higher labor market transaction costs and market inefficiencies for both employers and employees as employers seek to identify suitable candidates and jobs, and prospective employees seek to match their skills to the needs of employers. Workforce trainers and other intermediary providers are similarly challenged with knowing who to train with specific skills for certain emerging occupations.

These conditions create prime opportunities for inclusive growth; indeed, they require it. Labor market and workforce training systems are being retooled to be more demand and employer driven, and more tailored and specialized. They are shifting toward clearer occupational definitions and related certifications and credentialing and toward more sector-based training, apprenticeships, and continuous upgrading. High road employer practices are growing. New technologies are emerging

for better projecting labor demand and for enabling workers to better find matching jobs. In effect, economic development planners need to figure out how to train and deploy the new workforce — which includes many of the traditionally disadvantaged — into the emerging occupations. They are inventing new systems to address the transaction costs and better connect new workers and new jobs.

Many regions across the country are taking advantage of these opportunities for propelling inclusive growth by having the right workers ready for the right jobs. Using community colleges and other workforce intermediaries, they have market- and employer-driven institutions that focus on where the economy is headed and where their workers, with the right skills, can create the most value toward growing clusters. Inclusive workforce strategies are integral parts of their business and cluster development strategies. The importance of aligning industries, workers, and workforce institutions to continually and inclusively develop the right workforce to drive growth is intensified in this economy because occupations cluster alongside industries and places compete to be the best location for various occupational concentrations.

Today's economy requires more segmented, targeted approaches to staged, continuous training and placement of varied populations, particularly given projected demographic changes. Workers need more varied workforce "on-ramps," career ladders, and opportunities for continuous skill development, career change, and on-the-job learning. This means investments from the private sector and intermediary organizations, such as technology training to help manufacturing workers shift toward more advanced segments and new intermediaries to build nontraditional pathways across industries. All of this must be done through the lens of regional demand and cluster opportunities (e.g., training Portland residents for opportunities in green manufacturing or Chicagoans for the metals industry).

Innovations are also emerging on the demand side. Demand-driven labor market intermediaries and job/training matching platforms are being invented that are better at aggregating, segmenting, and expressing employer demand to inform and drive more tailored, and often shorter-term, training and placement systems and generally reduce finding and matching costs in labor markets. Programs such as Chicago's 1,000 Jobs Campaign and Skills for Chicagoland's Future work with leading employers and intermediaries to assess and rapidly meet industry workforce demand, with a focus on drawing from underserved communities and populations. New models such as the U.S. Chamber of Commerce Foundation's Talent Pipeline Management program are advancing a new approach and paradigm for how employers recruit and participate in the workforce development system.

As new human capital models emerge, new capitalization models are also needed to support new programs, business models, and

training systems like lifelong learning and industry-supported workforce development models. The business sector increasingly understands that it needs to own the challenge of developing and matching human capital to shifting employer needs, which has led to approaches that are more employer driven, more focused on the workplace, and based on skills certification.¹⁶

In other words, inclusive growth is beginning to occur in the leading labor markets because it has to, and workforce development and deployment as part of overall economic growth work presents a leading opportunity for scaling inclusive growth.

3. *Innovation and Entrepreneurship*

We are living in an innovation economy, and, as with human capital and clusters, the changing dynamics of innovation are creating major opportunities for inclusive growth. Technology, and broad access to it, is lowering the barriers to innovation and increasing opportunities for entrepreneurship. Top-down, siloed, large-firm and “old boy” driven innovation is being replaced by flexible, cross-sector, much more networked, bottom-up activity. New practices are emerging to capitalize on these shifts and drive inclusive growth. They often combine diverse networks and resources, are sector driven, and pay attention to addressing the challenges of disadvantaged entrepreneurs and firms. Here are some examples:

- Incubators and accelerators are becoming more sophisticated, connecting more resources and types of institutions, providing services beyond their tenants to industry sectors, and targeting broader and more inclusive areas of innovation. The “doer-maker” spaces springing up around the country reflect this inclusive growth opportunity.
- Chicago’s mHub is accelerating the development and commercialization of new products in the region’s core manufacturing industries by providing entrepreneurs pulled from across the city with access to expertise, equipment, training, capital, and customers. Inclusion is a core design feature, influencing everything from industry partnerships to considerations such as transit accessibility.
- A new generation of business services is taking form, such as NextStreet and Jumpstart, that couple intensive growth-stage strategic and technical advising with innovative financing tools to help firms scale and stay competitive. These efforts particularly target and see opportunity with respect to disadvantaged firms and entrepreneurs entering growing markets and

industries. Innovative capital approaches are especially important in this space. Chicagoland Food & Beverage Network is focused on building inclusive supply chains, reflecting major changes in supply chains in food manufacturing (because there is more demand for local, organic, etc.), that create opportunities for new and smaller firms.

- Northeast Ohio’s Partnership for Regional Innovation Services to Manufacturers (PRISM) provides expertise to legacy manufacturing companies to adapt their expertise and production facilities to new products and markets, and to increase productivity. The results are that the manufacturing sector is being strengthened and blue-collar workers employed.

There are also opportunities for more intentionality around connecting local firms with bigger and more regionally aligned enterprises. Efforts like Chicago’s Anchors for a Strong Economy (CASE), the University Circle initiative in Cleveland, and Philadelphia’s local procurement strategy for “eds and meds” are helping drive strength of key industries and clusters by strengthening their local supply chains and making them more inclusive.¹⁷



4. *The Built Environment and Places of Opportunity*

As a result of the economic synergies from concentrating business, workforce, institutional, and other assets, people and firms are moving toward density, whether that is occurring in very hot markets such as Seattle, San Francisco, and New York or in recovering places such as Pittsburgh, Philadelphia, and Milwaukee. And since more industrial uses have a lower environmental impact than in the past and are more compatible with commercial and residential uses, this is leading to major changes in urban growth form and opportunities for economic placemaking. These changes are reshaping neighborhoods, cities, and regions and creating major opportunities for inclusive growth.

This phenomenon creates opportunities to reuse urban industrial land in ways that are inclusive, attracting jobs and buyers suited to neighborhood workers and suppliers and to connect and reignite activity in urban neighborhoods. It similarly creates opportunities to integrate land use and economic planning¹⁸ in ways that manage the regeneration of disconnected neighborhoods and their connections to job centers.

Examples abound:

- Innovation districts, including blue-collar districts, are forming in many regions. The Brookings Institution has a major initiative underway to understand innovation districts, which Brookings defines as “geographic areas where leading-edge anchor institutions and companies cluster and connect with start-ups, business incubators and accelerators. They are also physically compact, transit-accessible, and technically wired and offer mixed-use housing, office, and retail.” Examples include the University Science Center in Philadelphia and Cortex in St. Louis.
- The Greater Chatham Initiative in Chicago reflects a new approach to linked neighborhood and regional development. Fully organized and informed by inclusive growth economics and engaging hundreds of partners in four South Side communities and throughout the region and its sectors in dozens of linked initiatives, this initiative is driving community resident and business participation in regional growth.¹⁹ HUD and NeighborWorks America are supporting training of this new model of neighborhood business planning throughout the country.²⁰
- In Atlanta, a major abandoned industrial site surrounded by distressed neighborhoods is being redeveloped with regional industry uses tailored to the workforce and firms of the surrounding neighborhoods.²¹
- The 30th Street Corridor in Milwaukee, an industrial area embedded in residential neighborhoods, is being revitalized by linking new jobs with skilled neighborhood

residents in alignment with the overall regional plan developed by Milwaukee 7, a regional economic planning and development organization. This strategy follows the principles used in the transformation of the Menomonee Valley, a 300-acre nearly abandoned older industrial valley that has been reclaimed as an environmentally sensitive industrial/commercial corridor with 4,200 jobs.

- Detroit, Philadelphia, Chicago, and other cities are rethinking their zoning to support many more categories of uses, relating to major redevelopment plans. The Detroit Future City project, for example, combined rigorous land use planning with comprehensive economic planning and strong civic organizing to produce a set of integrated and forward-looking strategies for catalyzing growth at the intersection of Detroit’s unique land, infrastructure, workforce, industry, and other assets.²²
- Repositioning urban land uses is accompanied by a revolution underway in passenger transportation, particularly transit-oriented development. While cars remain dominant, workers are walking, biking, and using mass transit more for work, shopping, and entertainment. A good example of this is Philadelphia’s Center City, in which 25 percent of Center City residents walk to work. Another excellent example of good planning for job connections is the Minneapolis-St. Paul Corridors of Opportunity project, which intentionally opens job access for many workers via a new streetcar connecting downtown Minneapolis and St. Paul.²³
- New capital models are emerging to help regions, cities, and stakeholders facilitate these types of place-based synergies. These include innovative funding mechanisms for innovation districts, new approaches for concentrating and stacking capital around specific geographies (e.g., place-based housing funds, special cluster-focused funding mechanisms). At the cutting edge here is the MacArthur Foundation-sponsored program Transforming Retail Economics of Neighborhood Development, or TREND, which offers carefully tailored financing to support retailers “on the leading edge” entering markets in which they can help drive community change.²⁴

Of course, reshaping urban-built environments do not have to occur inclusively – it could instead be through gentrification – but this is a better way to assure economic growth. Spatial efficiency, including the intelligent concentration and connection of all assets, uses, and places, is inherently best achieved through inclusion.

5. *Governance — Public and Civic Culture, Institutions, and Regional Processes*

As economic activity is increasingly fostered by rich and flexible networks of economic actors, institutional economics

is teaching us the importance of the varied public, private, and cross-sector institutions that enable these interactions and transactions. This shifting institutional landscape also presents critical opportunities and needs for inclusion. Some regions have radically transformed civic decision-making by being more inclusive and cross-sectoral. Who is at the table as the new economy emerges plays a big factor in achieving inclusion.²⁵

The following four examples of this evolution illustrate the dynamics at work.

- The Allegheny Conference on Community Development in Pittsburgh, once the meeting place of only the elites of the corporate sector, is now a dynamic, multifunctional and more open cross-sector organization of leadership in the region.²⁶ The conference's agenda moved dramatically from its long-time focus on downtown to initiatives that updated the county government's structure and created a regional asset tax district, both the results of a regional consensus organizing effort.
- The Detroit Future City Framework and process involved 150,000 city leaders and residents in shaping this plan for the future. The framework, which is being implemented via a new organization that has a broad leadership base, makes the connection between targeted economic growth and inclusion.²⁷
- As previously cited, the Milwaukee process of creating its plan, *Growing Prosperity*, engaged a broad spectrum of city players — leaders from business, the civic sector, philanthropy, neighborhoods, and labor. The plan was formally adopted by the city's Common Council and now serves as the blueprint for economic progress, all with an emphasis on inclusionary growth.
- The Greater Chatham Initiative was created through a two-year process of engaging over 250 cross-sector partners from the neighborhoods and throughout the region and has created a distributed work leadership and operating structure, through which five working committees and dozens of partners carry out the work.²⁸

Increasingly, regional and city leaders throughout the country are seeing the importance of addressing inclusive growth, starting with inclusive participation in their organizations and initiatives. As the opportunities and imperatives become clearer, this movement is gaining momentum.

Connecting and Inventing Practice Across Space and Subject

In practice, the alignment of growth and inclusion is the necessary ingredient for successful transformative economies.

As new inclusive growth challenges and opportunities emerge around each of these levers, practitioners are exploring and inventing new discrete practices to manage and enable their market's transition in the next economy. These efforts are bolstered and unified by a set of new practices that seek to connect these inventions across space and subject.

We believe that, in many respects, the economic analysis is ahead of the product development and practice, and a practitioner-driven network needs to emerge to build a sophisticated capacity for and field of inclusive growth practice.

Some promising solutions are beginning to emerge that knit together interventions so as to advance inclusive growth.

1. Metropolitan Business Planning, for example, is a methodology and practice for developing comprehensive, integrated, tailored plans and implementing enterprises for transformative economies, and for building new civics for implementation. Led by the Brookings Institution and RW Ventures, LLC, this approach uses the five market levers previously described as the basis for metropolitan areas to identify their core economic opportunities in the next economy and a set of strategic priorities and implementation activities for catalyzing this transition with respect to clusters, workforce, and other local assets — all through the lens of inclusive growth.
2. Neighborhood business planning is a companion methodology. It aims to connect these levers across space by identifying the market position of neighborhoods based on current market data and combining that with an understanding of the neighborhood's function in the region to develop improvement strategies that are market based and crafted for each neighborhood. Examples of this approach can be found in the Greater Chatham Initiative in Chicago and Milwaukee's 30th St. Corridor. These plans and those like them connect neighborhood assets to regional growth clusters, integrating neighborhood employment, land development, and small business supplier strategies with regional cluster strategy.
3. Innovative capital strategies play a defining role in these and related efforts that seek to align investments across subjects. Well-orchestrated and targeted publicly and civically assisted capital flows in metro areas are critical ingredients in transformative economies. These funds can provide the needed seed money for small and growing businesses and capital for targeted public investments needed to strengthen growth clusters in the local economy. Work by Living Cities, the Kresge Foundation, the Initiative for Responsible Investment, and others are helping practitioners at all levels invent new capital strategies tailored to their unique economic opportunities.

4. The global characteristics of today's economy, particularly the anticipated growth in foreign markets, present additional opportunities. As more regions recognize that foreign investment and exports activity concentrates in their strongest clusters, they are collaborating to double down on these assets. They are connecting their most successful firms to global consumers through exports initiatives and are organizing to create "sticky" places where global investors in priority industries want and need to be.

This has important implications for small and medium-size, often minority-owned, firms that may feel the pressure of global competition but tend to be less connected with international trade opportunities. Regional investments in strengthening global trade benefit from being deliberately inclusive because they take advantage of the full range of their region's global trade opportunities. Evidence suggests that small and medium-size businesses, despite often being

overlooked, have particularly large, untapped exports and foreign direct investment (FDI) opportunities. Efforts such as the Brookings Institution/JPM Chase's Global Cities Initiative, for example, are helping regions around the country identify their global opportunities tailored to industry, workforce, and other core strengths and develop corresponding and often small and medium-sized enterprise-focused strategies to capture growth in global markets.

Conclusion

A great deal more remains to be learned about how best to fully align growth and inclusion in practice across the myriad activities of economic development. It is clear, however, that new approaches to economic development must be and are emerging to fit the dynamics of the new economy and that inclusive growth must be an organizing principle informing successful transformative economies.

Appendix: About The Authors

Paul C. Brophy is a principal with Brophy & Reilly, LLC, a consulting firm specializing in economic development and neighborhood improvement in legacy cities, the management of complex urban redevelopment projects, and the development of mixed-income housing communities. Brophy has been a nonresident senior fellow at the Brookings Institution, a senior advisor to the Center for Community Progress, and a senior scholar at the George Warren Brown School at Washington University in St. Louis. He is currently a senior advisor to Enterprise Community Partners and the chair of the Legacy Cities Partnership. Before the formation of Brophy & Reilly, LLC, Brophy was the co-CEO of Enterprise Community Partners, and prior to that, he held executive positions in Pittsburgh city government, working on economic development and downtown and neighborhood improvement.

Brophy has degrees from La Salle University and the University of Pennsylvania. He is coauthor/editor of four books: *Neighborhood Revitalization: Theory and Practice* (1975), *Housing and Local Government* (1982), *A Guide to Careers in Community Development* (2001), and *On the Edge: America's Middle Neighborhoods* (2016).

Robert Weissbourd manages RW Ventures, LLC, an economic development firm specializing in the technical analysis of urban assets and markets and in creating the information, products, and enterprises necessary to successfully grow urban and regional economies. Weissbourd was a lead developer of TREND, the Greater Chatham Initiative, Chicagoland Food & Beverage Network, MetroEdge, the Center for Financial Services Innovation, the Urban Markets Initiative, and the Metropolitan Business Planning Initiative, which he comanaged with the Brookings Institution. He previously was in executive positions for 10 years at Shorebank Corporation, designing, delivering, and managing comprehensive development finance initiatives to invest in distressed communities. Before Shorebank, he spent

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Beideman has a master's degree in public policy from the College of William & Mary and dual bachelor's degrees in international policy and German from the American University.

Endnotes

¹ The content here is based on much more extensive research and practice. For a summary of relevant research, see <http://rw-ventures.com/implementing-regionalism-connecting-emerging-theory-and-practice-to-inform-economic-development/>. The practice was applied in the “Metropolitan Business Plans” initiative led by the Brookings Institution and RW Ventures, LLC (<http://brook.gs/28XOb7V>) and is being developed and extended by many other practitioners, many of whom are working together to create a new “Regional Growth Innovation Network” (information available from the authors).

² See, for example, Robert Weissbourd and Christopher Berry, “The Changing Dynamics of Urban America,” Cleveland: *CEOs for Cities*, 2004, available at <http://rw-ventures.com/the-changing-dynamics-of-urban-america/>; Jonathan D. Ostry, Andrew Berg, and Charalambos G. Tsangarides, “Redistribution, Inequality, and Growth,” IMF Staff Discussion Note, April 2014, available at www.imf.org/external/pubs/ft/sdn/2014/sdn1402.pdf; OECD Directorate for Employment, Labour, and Social Affairs, “Does Inequality Hurt Economic Growth?” *Focus on Inequality and Growth*, 9 (December 2014); Manuel Pastor and Chris Benner, *Equity, Growth, and Community: What the Nation Can Learn from America’s Metro Areas*, California: University of California Press, 2015, available at <https://doi.org/10.1525/luminos.6>; OECD, *In It Together: Why Less Inequality Benefits All*, May 2015, available at www.oecd.org/social/in-it-together-why-less-inequality-benefits-all-9789264235120-en.htm.

³ Bruce Katz and Jennifer Bradley, *The Metropolitan Revolution: How Cities and Metros Are Fixing Our Broken Politics and Fragile Economy*, Washington, D.C.: Brookings Institution Press, 2013.

⁴ Historically, regions caught up with each other as labor and capital experienced diminishing returns in highly developed places; however, now regions are diverging since knowledge assets have increasing returns. See <http://rw-ventures.com/the-changing-dynamics-of-urban-america/>.

⁵ See, for example, the Greater Chatham Initiative, “Comprehensive Plan for Economic Growth and Neighborhood Vitality,” June 2016, available at <http://rw-ventures.com/greater-chatham-initiative/>, and the East Liberty neighborhood in Pittsburgh, available at www.cathedralofhope.org/news/elpc-in-the-media/2010/100302_nytimes_SlumberingPittsburghNeighborhoodReawakens.pdf.

⁶ See Devashree Saha, Kenan Fikri, and Nick Marchio, “FDI in U.S. Metro Areas: The Geography of Jobs in Foreign-Owned Establishments,” Brookings Institution, 2014, for a review of global investment in U.S. metros, available at <http://brook.gs/292iAoQ>.

⁷ Robert Weissbourd, “Into the Economic Mainstream: A Discussion Paper on Bipartisan Policies for Inclusive Economic Growth,” 2006, available at <http://rw-ventures.com/into-the-economic-mainstream/>.

⁸ The practice of focusing only on traded clusters should be questioned in this context, since some local clusters support traded clusters and present major opportunities for catalyzing inclusive growth opportunities (e.g., local B2B services as part of a headquarters and business services functional cluster).

⁹ See www.chicagolandfood.org

¹⁰ See, for example, YearUp (www.yearup.org), the Council on Adult and Experiential Learning’s Career Action Platforms (e.g., <https://cocareeractiontools.com>), The Manufacturing Institutes’ NAM-endorsed manufacturing certifications (www.themanufacturinginstitute.org), and many others.

¹¹ See, for example, U.S. Chamber of Commerce Foundation’s Talent Pipeline Management Framework (www.uschamberfoundation.org/talent-pipeline-management) or McKinsey Global Institute’s digital labor market research (www.mckinsey.com/global-themes/employment-and-growth/connecting-talent-with-opportunity-in-the-digital-age).

¹² See, for example, LinkedIn (linkedin.com), Burning Glass (burning-glass.com), or Barcelona@21 (www.22barcelona.com/index.php?lang=en).

¹³ For an overview of these approaches, see Maureen Conway and Robert P. Giloth, *Connecting People to Work: Workforce Intermediaries and Sector Strategies*, New York: American Assembly, 2014.

¹⁴ See www.skillsforamericasfuture.com for more information.

¹⁵ U.S. Chamber of Commerce Foundation, “Talent Pipeline Management: A New Approach to Closing the Skills Gap,” 2014, available at www.uschamberfoundation.org/talent-pipeline-management-white-paper.

¹⁶ See Fred Dedrick, “The National Fund for Workforce Solutions: The Impact and Challenges of the Workforce Partnership Model,” Federal Reserve Bank of Philadelphia, Cascade, Winter 2012. For further explanation and examples, see U.S. Chamber of Commerce (2014).

¹⁷ For more information, see Chicago Anchors for a Strong Economy (www.worldbusinesschicago.com/case/) and Greater University Circle Initiative (www.clevelandfoundation.org/wp-content/uploads/2014/01/Cleveland-Foundation-Greater-University-Circle-Initiative-Case-Study-2014.pdf).

¹⁸ For more information, see RW Ventures, LLC, “Integrating the Practices of Urban Planning/Design and Economic Development,” a background memo prepared for a practitioner convening in March 2015, available at <http://rw-ventures.com/integrating-practices-of-urban-planning-and-economic-development/>.

¹⁹ Greater Chatham Initiative Plan for Comprehensive Economic Growth and Neighborhood Vitality, June 2016, available at www.greaterchathaminitiative.org.

²⁰ RW Ventures, LLC, “Economic Place-Making: How to Develop a ‘Neighborhood Business Plan,’” October 2014, available at <http://rw-ventures.com/economic-place-making-how-to-develop-a-neighborhood-business-plan/>.

²¹ RW Ventures, LLC, “Strategic Development Scenarios for University Avenue Site,” October 2014, available at <http://rw-ventures.com/strategic-development-scenarios-for-the-annie-e-casey-foundations-university-avenue-site/>.

²² See <http://detroitfuturecity.com> for more information.

²³ Jessica Leber, “Linking Minneapolis and St. Paul with a Transit Project That Doesn’t Destroy Communities,” *Fast Company*, June 2014, available at www.fastcoexist.com/3031465/linking-minneapolis-and-st-paul-with-a-transit-project-that-doesnt-destroy-communities.

²⁴ See <http://chicagotrend.tumblr.com> for more information.

²⁵ For a description of the value of regional economic growth cooperation, see Xavier de Sousa Briggs, *Democracy as Problem Solving: Civic Capacity in Communities Across the Globe*, MIT Press, July 2008; and Chris Benner and Manuel Pastor, “Brother Can You Spare Some Time? Sustaining Prosperity and Social Inclusion in America’s Metropolitan Regions,” 52 *Urban Studies*, 7 (2015).

²⁶ For more information, see www.alleghenyconference.org.

²⁷ See <http://detroitfuturecity.com> for more information.

²⁸ See organization section of the plan, available at www.greaterchathaminitiative.org.

²⁹ Robin Hacke, David Wood, and Marian Urquilla, “Community Investment: Focusing on the System: A Working Paper,” March 2015, available at <http://kresge.org/sites/default/files/Kresge-Community-Investment-Focusing-on-the%20System-March%202015.pdf>.

³⁰ Brad McDearman and Ryan Donahue, “The 10 Lessons from Global Trade and Investment Planning in U.S. Metro Areas,” Brookings Institution, 2015, available at <http://kresge.org/sites/default/files/Kresge-Community-Investment-Focusing-on-the%20System-March%202015.pdf>.

³¹ We believe that, in many respects, the economic analysis is ahead of the product development and practice, and a practitioner-driven network needs to emerge to build a sophisticated capacity for and field of inclusive growth practice. Work is currently underway, led by a score of leading practitioner organizations and the Ford Foundation, to conceive such an organization: the Regional Growth Innovation Network. Contact the authors for further information.



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