



Inclusive Urban Economic Development: A Framework For Action

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Cities are the world economy's innovation hubs; with their dense concentrations of people, firms, talent, and other resources, they are the engines of economic growth and prosperity. Unfortunately, cities are also the home to severe economic inequality. As cities get larger, they tend to become more unequal; in all countries except for Canada, all metros with more than 500,000 people had levels of inequality well above the national average¹. Left unchecked, these growth patterns will deepen the global economic divide and could threaten the stability and vitality of both cities and nations².

Can cities resolve these apparent (and seemingly fundamental) tensions between growth and inclusion?

Beyond the moral imperative to address deepening poverty and inequality, there is an economic imperative. Urban inequality imposes real costs on cities and societies. When cities fail to provide affordable and stable housing, employment opportunities, affordable and accessible transit to some of their residents, worklessness and poverty increase demand for costly social services. Public health can suffer, and violence imposes heavy costs on the public safety and health systems. Research shows that intergenerational mobility – the “American dream” shared by most countries – is stifled in places with high levels of inequality³. The flip side is that

¹ [“Making Cities Work for All: Data and Actions for Inclusive Growth.”](#) OECD, 2016.

² [“The Inclusive Growth and Development Report 2017.”](#) World Economic Forum, 2017.

³ [“Are Today’s Inequalities Limiting Tomorrow’s Opportunities?”](#) Washington Center for Equitable Growth, 2018; Corak, Miles. [“Income Inequality, Equality of Opportunity, and Intergenerational Mobility,”](#) *Journal of Economic Perspectives*, Volume 27, No. 3, 2013.

places with the least inequality also experience higher and more sustainable levels of growth⁴.

The great challenge and responsibility for city leaders is to find ways to use their economic power to 1) ensure that the conditions of their poorest residents continue to rise in real terms, and 2) narrow the gap in wealth and opportunity. We know that the most economically successful and competitive cities will find ways to mobilize and maximize all their assets and resources. Without intentional inclusive growth strategies, in most global cities, investments in the economy and gains from its growth have been unevenly distributed, both spatially and socioeconomically⁵.

Guidelines for Inclusive Growth

To maximize the full economic potential of cities, leaders need to pursue economic growth strategies that are broadly inclusive of the full range of their people and place assets. They also need to identify creative policies to capture and distribute the gains from growth in thriving areas within cities to those that most need public investment in services and amenities.

City leaders need a new playbook to disrupt the status quo and establish more inclusive growth trajectories. Given the heterogeneity of geopolitical, social, and environmental contexts shaping urban economies, it can feel daunting to distill common principles for action. Yet cities and their residents share so many critical concerns – economic relevance, housing affordability, access to transit and information and communications technology (ICT) and developing human capital – that there is great demand for efforts to design, deliver, share and scale effective solutions.

What can public, private, and civic actors in cities each contribute to inclusive growth strategies, and how can they better coordinate their investments? The following action framework draws core concepts from recent research on urban inequality and economic development and provides illustrative examples of proven (or promising) policies and practices.

- **Pursue complimentary strategies to create new growth while also achieving broad distribution of economic gains.** Inclusive urban economic development strategies in cities have two facets. First, strategies to grow local economies more inclusively from the outset, by finding ways to engage all their people and place assets. Second, strategies to distribute the gains from economic

⁴ [“In It Together: Why Less Inequality Benefits All.”](#) OECD, May 2015; Ostry, Jonathan D. Andrew Berg, and Charalambos G. Tsangarides. [“Redistribution, Inequality, and Growth.”](#) IMF Staff Discussion Note, April 2014

⁵ An established and growing body of research underscores the challenge of inequality and compounding effect of race and place on economic mobility, particularly in the U.S. See for example, Harvard University’s [Opportunity Insights](#) project, led by Raj Chetty. Other essential references include: Piketty, Thomas. [“The Economics of Inequality.”](#) Belknap Press, April 2015; Porter, Eduardo. [“America’s Real Inequality Problem: Real Income Gains are Brief and Hard to Find.”](#) New York Times, 2016; [“America’s Shrinking Middle Class.”](#) Pew Research Center, 2016

growth more evenly across the population. While these strategies can be complementary, they are also distinct. Growth is defined by an increase in aggregate economic activity, output, and wealth. Distribution is the share of growth as it is spread across segments of a city's population⁶. Efforts to *grow* urban economies in more inclusive ways can be designed and delivered independent of efforts to change the *distribution* of wealth, and vice versa.

- **Tackle inequality and improve opportunity through focused cross-sector mobilization.** Inclusive economic growth is not the responsibility of any one sector or segment of society. In our urban economic system, cities are networked, cross-sector enterprises. The public, private, and civic sectors each have roles to play on both the growth and distribution sides of the inclusive growth equation, but their levers are distinct.
- **Empower the public sector to set an enabling policy framework and correct for market failures.** The public sector also can help establish a leadership framework to encourage private sector leadership. The public sector deals with distribution of the gains from growth, primarily through tax policy, regulation, and development incentives. While mayors are the most visible public sector leader in most cities, many levels of public sector government are involved in shaping urban policy⁷.

Standout Examples of Promoting Inclusive Growth

City governments are also responsible for investments in the physical infrastructure (transit, housing, telecommunications) and human capital (youth development, education, workforce development) that enable businesses need to grow. No single city has developed the definitive inclusive growth playbook, but there are standout examples of policies, planning frameworks, targeted place-based development initiatives, and creative governance arrangements.

In **Chicago** (USA), the recently enacted Neighborhood Opportunity Bonus is a set of zoning changes designed to capture value from investment and growth in Chicago's downtown real estate market; the associated Neighborhood Opportunity Fund reinvests this in neighborhoods through targeted redevelopment grants¹. As of August 2018, the program claims to have driven more than \$55M in investments in neighborhoods¹.

⁶ For an excellent explanation of the relationship between growth and distribution, or inclusion, see Bropy, Paul C, Robert Weissbourd, and Andy Beideman. "[Transformative Economies: Emerging Practices for Aligning Growth and Inclusion.](#)" Philadelphia Federal Reserve, October 2017.

⁷ Harkness, Alaina, Bruce Katz, Caroline Conroy, and Ross Tilchin. "[Mayoral Powers in the Age of New Localism.](#)" Brookings Institution, October 2017.

In **Crystal City, Virginia** (USA) – now National Landing – multiple municipalities worked with the state of Virginia to craft a winning bid for Amazon’s HQ2 that will test the idea that in the zero-sum game of business attraction, thoughtfully designed economic development incentives can deliver investments in human capital and infrastructure – not just public subsidy to corporations¹.

In **Birmingham** (UK), the West Midlands Combined Authority Inclusive Growth Unit resulted from a governance change that gave the Greater Birmingham Region a “metro mayor” and authority to coordinate regional economic planning with housing, social supports, and other components of a comprehensive inclusive growth strategy¹.

- **Engage the private sector in a collaborative, problem-solving approach.** The private sector can exercise leadership on inclusive growth in a number of ways, from raising the floor for worker wages, salaries, and benefits to providing opportunities for worker ownership. The role of companies in exercising socially responsible “corporate citizenship” varies considerably across country contexts, and the rise of multi-national global corporations with multiple home bases is changing the role of place-based corporate-civic leadership⁸. In Newark, New Jersey (USA), the Newark Anchor Collaborative is a one example of an effort to increase corporate engagement in local sourcing and procurement, hiring, and other economic development investments⁹.
- **Work with the civic sector, organized publics, and institutions of civil society, to advance inclusive growth agendas.** Civil society plays a role by advocating for public policies and improved private sector practices, coordinating action across sectors, and engaging residents in the co-design and development of common resources in their cities. International institutions and foundations are working to elevate inclusive growth strategies and set an agenda with cities around the world; globally, the OECD’s Inclusive Growth in Cities Campaign engages more than 45 mayors¹⁰. In the U.S., the Shared Prosperity Partnership is a multi-site initiative designed to advance promising inclusive growth practices¹¹. Led by civic sector initiatives, cities around the world are actively experimenting with Sharing City and Co-City frameworks, participatory budgeting, collaborative placemaking, open data and civic

⁸ Connolly, David, Hal Wolman, Katherine Pearson, and Royce Hanson. “[Corporate Citizenship and Urban Problem Solving: The Changing Role of Business Leaders in American Cities.](#)” Brookings Institution, 2006.

⁹ “[Anchor Collaboration.](#)” Newark Alliance, 2019.

¹⁰ “[Inclusive Growth in Cities Campaign: A Roadmap for Action.](#)” OECD, 2016.

¹¹ “[About the Partnership.](#)” The Shared Prosperity Partnership, 2019.

technology¹². All these efforts provide channels for meaningful resident engagement and participation in urban development agendas in different ways.

- **Align and activate networks across these sectors –and focus them with intention on inclusive economic development strategies.** As Bruce Katz notes, economically successful cities “think like a system, act like an entrepreneur...are structured enough to set a strong, stable institutional foundation for innovation and agile enough to move quickly to leverage market and demographic dynamics¹³.” But is not sufficient to have this stable-but-agile urban economic development apparatus if it is not also intentionally focused on inclusive growth outcomes. Many urban economic development plans propose parallel strategies for development and inclusion, when to be successful they must be fully integrated. For example, in 2012 World Business Chicago released the Plan for Economic Growth and Jobs, which stands as a strong example of a comprehensive and regionally grounded plan¹⁴.
- **Manage cross-sector coordination through specialized, purpose-built institutions that can balance long-range planning and system thinking.** For example, development authorities, land banks, and community land trusts are emerging as important players in long-range development planning and finance of land development, affordable housing, and other urban projects¹⁵. Specialized development intermediaries for site-specific projects like the Copenhagen Port and Harbor Corporation provide key functions that no single sector could provide; publicly owned and privately managed entities help to ensure that the development and disposition of public assets can be reinvested into infrastructure, resident services, and other benefits¹⁶.
- **Include place-based and people-based approaches in inclusive urban growth strategies.** Place-based strategies include building on and capturing the value of land and other fixed assets; revitalization of urban industrial land, affordable housing development, infrastructure development, and commercial and industrial development¹⁷. People-based strategies focus on supporting the

¹² Foster, Sheila, and Christian Iaione. “[The City as Commons](#).” Yale Law and Policy Review, Volume 34 Issue 2, 2016.

¹³ Katz, Bruce. “[The New Localism: Think Like a System, Act Like an Entrepreneur](#).” Royal Society for the encouragement of Arts, Manufactures and Commerce (RSA), March 2018.

¹⁴ “[A Plan for Economic Growth and Jobs](#).” World Business Chicago, March 2012.

¹⁵ “[New Institutions for a New Economy: Development Authority Design and Practice for the 21st Century](#).” RW Ventures, April 2018; Thaden, Emily, Kim Graziani, and Annie Stup. “[Land Banks and Community Land Trusts: Not Synonyms or Antonyms. Complements](#).” Shelterforce, November 2016.

¹⁶ Katz, Bruce, and Luise Noring. “[The Copenhagen City and Port Development Corporation: A Model for Regenerating Cities](#).” Brookings Institution, 2017.

¹⁷ Place-based economic development strategies in cities vary widely by country. For a review of place-based inclusive development strategies in the U.S. see: Puentes, Robert, and Peter McFerrin. “[The Intersection of Place and the Economy](#).” Brookings Institution, May 2012;

economic stability and mobility of city residents, include education, workforce development, financial readiness, savings, and asset building, and housing mobility programs. People- and place-based strategies are related and complementary, but they are also distinct. Success measures for a place-based strategy could include rising housing prices that benefit low-income homeowners but cause renters to move to lower-cost neighborhoods; success measures for people-based strategies could include mobility to neighborhoods and cities with greater opportunity¹⁸.

- **Consciously stimulate practice and product innovation to adapt to changing economic realities.** The playbook for inclusive urban economic development is a work in progress; specialized nonprofits and NGOs, foundations and universities, private companies and consultancies, and public sector leaders all have roles to play in advancing the everyday discipline and practice of economic development. In the US, the National League of Cities is working to catalyze a range of creative economic development partnerships in cities through a new innovation ecosystem initiative¹⁹. The New Growth Innovation Network (NGIN) is a national network of practitioners working to invent, prove out, and scale up a next generation of economic development practices²⁰. The Brookings Institution's Inclusive Growth Development Lab offers an inclusive growth framework for economic development organizations (EDOs)²¹. Globally, the World Economic Forum issued a call for inclusive growth practice case studies and has committed to tracking their development over time within the context of a shared learning platform²².

A Collective Challenge. Our future depends on our collective ability to identify the policies and practices that will turn cities and their economies into engines of shared prosperity and opportunity instead of growth machines that concentrate wealth and deepen inequality.²³ This will depend on sound research that quantifies the benefits of inclusive growth for cities and helps sharpen the case that growth and inclusion are not incompatible, but fundamentally linked. It will depend on leaders across

Liu, Amy, and Alan Berube. "[Matching Place-Based Strategies to the Scale of the Market.](#)" Brookings Institution, January 2015. For international sub-national examples, including Alicedale, South Africa, the Austrian Land of Styria, and Krakow, Poland, see: Rodriguez-Pose, Andres, and Callum Wilkie. "[Revamping Local and Regional Development through Place-based Strategies.](#)" Penn Institute for Urban Research, September 2016.

¹⁸ Galster, George. "[People Versus Place, People and Place, or More? New Directions for Housing Policy.](#)" Housing Policy Debate, 27:2, 2017.

¹⁹ "[New 'Innovation Ecosystem' Program at the National League of Cities Supports Local Entrepreneurs, Innovation, and STEM Pathways.](#)" National League of Cities, June 2018.

²⁰ "[About.](#)" New Growth Innovation Network, 2019.

²¹ Donahue, Ryan, Brad McDearman, and Rachel Barker. "[Committing to inclusive growth: Lessons for metro areas from the Inclusive Economic Development Lab.](#)" Brookings Institution, September 2017.

²² "[Grow Inclusive Case Studies: Call for Submissions.](#)" World Economic Forum.

²³ Mollotch, Harvey. "[The City as a Growth Machine: Toward a Political Economy of Place.](#)" American Journal of Sociology, Vol 82, No. 2, 1976.

sectors that can capture and communicate this case to build broad public support for proven (and promising) policies and programs. It will depend on innovative practitioners that continue to push the boundaries of what is known and possible to build a better playbook to enable and resource inclusive growth strategies, designing new institutions, financial tools, planning frameworks, and practices across the wide spectrum of fields that matter for this agenda. This is our collective challenge, and this framework has room for everyone to contribute, regardless of profession, sector, or geography.

This is a framework for action. What will you do next?

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