In recent years, analysts have pointed to rising inequality in the U.S. as an underlying factor in both our social fragmentation and economic underperformance. This book argues for the possibility of “just growth” – a framework in which the imperatives of equity have been coupled with strategies to shore up the economy – and suggests that much can be learned from efforts to couple prosperity and inclusion at a metropolitan or regional level in the United States.

The authors use a nested approach that combines quantitative analysis of the largest 192 metropolitan regions in the U.S. with a set of seven in-depth case studies to help uncover the subtle and detailed processes, policies, and institutional arrangements that might help explain more equitable growth (or its absence) in metropolitan settings. In both their regressions and their narrative, the authors point to the stabilizing effect of the public sector, the impact of deconcentrating poverty, the growth-enhancing but equity-reducing impacts of having a large immigrant population, the influential role of a minority middle class, and the importance of leadership efforts to develop a shared understanding of regional problems and futures amongst diverse constituencies.

Breaking new ground in its innovative blend of quantitative and qualitative methods, the book essentially argues that another sort of growth is indeed possible. While offering specific insights for regional leaders and analysts of metropolitan areas, the authors also draw a broader – and quite timely – set of conclusions about how to scale up these efforts to address a U.S. economy still seeking to recover from economic crisis and ameliorate distributional divisions.

Chris Benner is Associate Professor in Human and Community Development at the University of California Davis, USA.

Manuel Pastor is Professor of Geography and American Studies and Ethnicity at the University of Southern California and Director of the USC Program for Environmental and Regional Equity, as well as co-Director of the Center for the Study of Immigrant Integration.
Just Growth
Inclusion and prosperity in America’s metropolitan regions

Chris Benner and Manuel Pastor
Contents

List of figures x
List of tables xi
Acknowledgments xiii

1 Inequality and its discontents 1
2 Measuring what we mean 18
3 Getting it right 60
4 Slipping, reversing, stuck 111
5 What does it all mean? 148
6 Just growth 172

Appendix: interviewees with title at time of interview and organizations 187
Notes 192
References 205
Index 219
Figures

2.1 Equity and growth indices, by tercile ranking 33
2.2 Mapping growth with equity in the 192 largest Core Based Statistical Areas 34
2.3 Visual representation of the response variables 53
3.1 Kansas City metropolitan area 64
3.2 Metro Outlook 2.0 model 74
3.3 Nashville–Davidson–Murfreesboro metropolitan area 81
3.4 Jacksonville metropolitan area 89
3.5 Columbus metropolitan area 100
4.1 Sacramento–Arden-Arcade–Roseville metropolitan area 116
4.2 Denver–Aurora metropolitan area 126
4.3 Cleveland–Elyria–Mentor metropolitan area 133
## Tables

2.1 Indicators of growth and equity  
2.2 Classification of regions by just growth criteria  
2.3 Description of key measures  
2.4 Correlations of key measures with the growth and equity indices  
2.5 Key drivers of the growth and equity indices  
2.6 Basic logit model: probability of being a “growth with equity” region  
2.7 Multinomial logit model: probability of being a “growth with equity” region  
3.1 Select demographic and economic data for the Kansas City metropolitan area  
3.2 Select demographic and economic data for the Nashville–Davidson–Murfreesboro metropolitan area  
3.3 *Black Enterprise* ranking of top ten metros for African Americans, 2007  
3.4 Select demographic and economic data for the Jacksonville metropolitan area  
3.5 Select demographic and economic data for the Columbus metropolitan area  
4.1 Select demographic and economic data for the Sacramento–Arden-Arcade–Roseville metropolitan area  
4.2 Select demographic and economic data for the Denver-Aurora metropolitan area  
4.3 Select demographic and economic data for the Cleveland–Elyria–Mentor metropolitan area  
5.1 Commuting to work patterns, U.S. and selected metro regions
Acknowledgments

For more than a decade, we have been blessed to be working with a series of social movement organizations seeking to craft a new approach to economic development. Frustrated with economic models that cast fairness as either a secondary concern or one that actually hurts the economy, we and they have sought to see what econometric evidence, case studies, and policy experiments might suggest about the possibilities for a new sort of “just growth.”

For inspiring us in that long journey, we thank a whole series of key thinkers and doers, including Carl Anthony, Angela Glover Blackwell, Amy Dean, John Powell, David Rusk, and many others. For forcing us to think more critically about our own approach, we thank Peter Dreier, Ned Hill, Todd Swanstrom, Margaret Weir, Hal Wolman, and so many other friends in and out of the academy. And for funding our intellectual explorations in this field – and particularly the research we report on here – we thank Rick McGahey and Don Chen of the Ford Foundation; we acknowledge also the support of the Building Resilient Regions network by the John D. and Catherine T. MacArthur Foundation for the construction of the dataset used in this project.

Although two names are attached to this volume, this was like many other research projects – it took a village. Our particular village included both quantitative and qualitative residents. On the numbers side, we had Justin Scoggins and Jennifer Tran of the University of Southern California (USC), and Mateusz Filipski of the University of California-Davis, with Justin doing the heavy lifting of designing the underlying database and conducting regressions and Jennifer and Mateusz designing an innovative case selection process and just growth indices (as well as some pretty cool maps and charts). Hitting the field with us (and sometimes without us) were Rhonda Ortiz from USC and Rosa Ramirez from UC Davis; Jennifer Tran lifted her attention from the numbers long enough to conduct interviews in Denver and Nate Sessoms from USC helped out in both Cleveland (where he grew up) and Columbus. Bringing up the rear with able editing support on the final draft was Vanessa Carter of USC, while Mirabai Auer developed our final metro maps. And making sure we were moderately organized along the way – particularly as we criss-crossed the country in search of inclusive prosperity – was Jacqueline Agnello, office manager for USC’s Program for Environmental and Regional Equity.
Our village was actually bigger in another way: we were blessed by the willingness of so many people in the regions we visited to share their perspectives and experiences. We thank the interviewees for responding to our queries, providing us with their insights, and gently noting when we seemed to be heading in the wrong direction. We hope that some of their collective wisdom is captured in our conclusions and recommendations.

We are finishing this manuscript as the U.S. economy is slowly emerging from the worst recession since the Great Depression. It is worth remembering that one of the factors that drove us into that ditch was rising inequality, a situation in which those becoming richer and richer found themselves increasingly drawn to speculation, while those whose incomes were stagnating were borrowing just to stay solvent. If unjust growth played a role in this crisis, it is critically important that the principles of just growth be part of our guide to the future. What is at stake right now is not just the design of metropolitan policies but more broadly what kind of economy we want and what kind of America we will be.

Chris Benner and Manuel Pastor, Davis and Los Angeles, California
1 Inequality and its discontents

Introduction

The financial crisis of 2008–2009 and the lingering Great Recession that resulted have raised some profound questions about the nature of our economic system. Some have suggested that the meltdown was an inevitable consequence of deregulation and have called for firmer control over the creation and implementation of new financial instruments (Crotty 2009). Others have pinned the blame on an unsustainable run-up in housing prices and argued that the Federal Reserve should slow future bubbles in asset prices (Demyanyk and Van Hemert 2009; Fligstein and Goldstein 2009). Still others have pointed to excess consumer demand, particularly in the United States, and argued that we need to lift our savings rate to a higher and healthier level (Dynan 2009).

We concur on the need for regulation, protection against asset run-ups, and even a more future-oriented approach to savings and investment. However, we would suggest that another element at play in the crisis also deserves attention: income inequality. After all, what emerged in the years before the crisis was a nearly unprecedented – well, except before that other Great Depression – rise in the gap between the rich and the poor (Atkinson et al. 2011). With some so wealthy that they shifted to increasingly speculative investments to place their excess funds and others so strapped that they borrowed to prop up their falling household incomes, the financial trap was set. It could have been better regulated, to be sure, but the fundamental problem was not the market but the distribution that the market confronted.1

If inequality was among the factors that got us into the crisis, dealing with inequality may be one of the steps to getting out of it. Yet this is not a simple matter of legislating fairness in taxes, social policy, or government spending; renewed economic growth is critical because the poor rarely do well in an economy that is stagnating. At the same time, recovery alone is not sufficient; the recent decades have been full of examples of national and metropolitan economies in which rapid expansion in employment and/or income has been accompanied by sharper social differentiation.

We need, in short, more than just growth (or growth alone); we need instead “just growth,” a framework in which the imperatives of equity have been coupled with strategies to shore up the macro-economy, spur new industrial development,
and re-regulate the financial system. Such a new framework will require a stretch on the part of business leaders, many of whom have long been concerned about economic expansion but not worried much about equity – and it will also require a commitment and an analytical stretch by those who have long fought for “economic justice” but have not always thought about how best to promote the economic part of that couplet.

This book seeks to help point the way to a new model by looking at the ways in which prosperity and inclusion have been occasionally coupled at a metropolitan or regional level. To some, the metro focus may seem odd, particularly given that we have been more recently confronting a national and international crisis. But long before the national meltdown helped to make this point, the notion that inequality might actually damage economic growth was gaining ground with key metropolitan actors – including collaboratives of business, labor, civic and community leaders – who were increasingly clear that a more inclusive economic approach could actually strengthen the social consensus and human capital needed to compete in a global economy. Backing up that perspective was a range of empirical studies, including from the Federal Reserve, showing that strategies that reduce social, geographic, and other disparities are actually correlated with broad economic success.

Is there really a possibility of “just growth”? What are the circumstances under which the imperatives of fairness and the need for economic drivers really do come together at the metropolitan level? What are the social and political arrangements, particularly given the lack of specifically regional government institutions, that allow this to happen in some regions? And what are the potential lessons for a U.S. economy seeking to stop the economic bleeding and the distributional divisions?

### Prosperity, inclusion and the new economics

Linking regional prosperity and regional equity has great appeal – after all, who would not like it if all good things came together? But the interesting thing is that this is not simply a question of wishing for the best: statistical research is suggesting that doing good and doing well can go hand in hand.²

We acknowledge that this is a somewhat controversial conclusion – after all, one of the first things taught in undergraduate economics is that there is a trade-off between equity and efficiency, between fairness and robust economic growth. Kaldor (1977), for example, argued that a high level of savings among the rich, in order to invest in industries with large sunk costs, was a prerequisite for rapid growth, and so the imperative of growth implied that income must be concentrated amongst the wealthy. More benignly but no less forcefully, Kuznets (1955) argued that, as labor shifts from sectors with low productivity to those with high productivity, inequality must increase initially with the new growth, and will decrease only later as the economy matures. The Kuznets curve, which justified initial inequality as part of the growth process, quickly “acquired the force of economic law” (Robinson 1976: 437).
However, a rush of new research in the 1990s and early 2000s challenged conventional views on the relationship between inequality and growth at the national level, particularly for developing countries. Alesina and Perotti (1996), for example, argued that inequality leads to social tension and political instability, higher uncertainty and lower investment, and thus lower economic growth. Dani Rodrik (1999) noted that the ability of countries to handle external shocks in large part depends on the strength of conflict-management institutions, such as the quality of governmental institutions, rule of law, and social safety nets. Both Alesina and Rodrik (1994) and Persson and Tabellini (1994) suggested that, the more inequitable a society’s access to productive resources, the more likely that society will seek redistributive policies that can reduce growth by introducing economic distortions, partly because the median voter may see less interest in protecting property rights.

Birdsall et al. (1995) and Deninger and Squire (1996) build on these insights to argue that policies that target poverty and increase the productive nature of the poor, such as investments in education, can increase growth. In one of the most recent (and most convincing efforts), Lopez and Serven (2009) argue that poverty deters investment, which in turn lowers growth – and show that this relationship holds across broad samples of countries (depending on data availability) that range from the developing to the developed world, that it holds across numerous time periods, and that it holds across a wide range of econometric specifications, including attempts to control for the impacts of inequality on growth. They conclude that “the biggest growth pay-off is likely to result from policies that not only promote growth, but also exert an independent, direct impact on poverty – hence reducing the drag of poverty on growth” (Lopez and Serven 2009: 21). More recently, Berg and Ostry (2011) provide econometric evidence linking equality to longer spells of growth and hence a more sustainable development path.

**Drilling down to the region**

Little of this emerging view of a positive relationship between equity and long-term growth has made its way to the American political and policy context. The argument for redistribution remains largely confined to issues of fairness or perhaps a Keynesian-style notion that placing money in the hands of less well-off consumers will yield a bigger economic bang for any stimulus dollar (Reich 2010; Stiglitz 2010). But this is surely not the same thing as the argument now being made in the developing country context that the old narrative that economic inclusion hurts economic output is fundamentally wrong – and that we need to adjust strategies for long-term growth accordingly.

One strand of work that sought to investigate whether positive equity–growth relationships held in the U.S. context looked at growth and equity at the state level (Partridge 1997). In that research, more initial income equality, as measured by a Gini coefficient, was negatively correlated with growth; on the other hand, a larger share of income held by the middle quintile (another sort of measure of distribution and one perhaps more consistent with the median voter notion
Inequality and its discontents

of Persson and Tabellini (1994) was positively correlated with economic performance. This mixed finding may be an anomaly: using slightly different data, a longer time period, and more sophisticated econometric techniques, Panizza finds that there is not a positive relationship between inequality and growth at a state level and does find some evidence, as in the developing country literature, of the expected negative relationship (depending on specification) between inequality and growth (Panizza 2002).

Economists and others are accustomed to looking at economic performance for states, a geographic level where there are actual jurisdictions and policy tools. But we think that the reason why the connection between growth and equity at a state level is not as robust as it might be is partly because it is the wrong unit of analysis—there is a gap between political jurisdiction and economic activity. Recent research suggests that metropolitan regions are an increasingly important economic unit in a globalized world, partly because this is the level where the intangibles of industrial clusters and innovation occur (Storper 1997; Scott 1998; Maskell and Malmberg 1999; Morgan 2007). Our own econometric work suggests increasing heterogeneity in the long-term performance of America’s metro areas, including growing differences in the ways in which poverty and growth interact at the regional level (Pastor et al. 2009a). And it is at the metropolitan level where the argument for coupling equity and growth has gained substantial analytic and policy ground in the U.S.

The emergence of the region is striking because, unlike states, there are generally no government structures that can seemingly make a policy difference. In terms of making the connection between growth and equity at the metro level, some of the initial impetus may have been political; after all, one of the first studies came from National League of Cities researchers Larry Ledebur and Bill Barnes and showed, in a sample of seventy-eight metropolitan areas in the United States, that those regions with the widest gap between central city and suburban income in 1980 had the most sluggish job growth during the following decade (Ledebur and Barnes 1993). While this was a finding conveniently amenable to those promoting more attention to cities, it was not just policy proponents beginning to make a new set of linkages; a study by Savitch and colleagues in the same era examined fifty-nine different metropolitan areas and found that those with wider city–suburb disparities—one measure of the lack of social cohesion across metropolitan geography—were associated with a higher likelihood of regional stagnation (Savitch, Collins et al. 1993).

Of course, early research can sometimes be too enthusiastic and Paul Gottlieb (2000) rightly argued in a review of the early work that the results were too optimistic: testing for the correlation of two variables is not the same as a multivariate analysis that considers other factors, and growth itself can impact equity, raising questions of simultaneity. Both Voith (1998) and Pastor et al. (2000) did address these issues, incorporating other explanatory factors and considering the feedback effects. The findings remained supportive: even in a simultaneous setting, Voith found a positive association of suburban growth with city growth while Pastor et al. found that various measures of inequality (i.e. the city–suburb
poverty ratio, the geographic concentration of the poor, the change in central city poverty, and more direct measures of income disparity) had a negative impact on per capita income growth over the 1980s in seventy-four regions.

Do these basic results hold in the more recent past? Utilizing data from the 1990 and 2000 census on 341 metropolitan statistical regions in the United States, Pastor (2006) found that real per capita income growth was negatively affected, controlling for other variables that should promote growth, by such distributional measures as the ratio of city to suburban poverty, the percent of poor residents in high poverty neighborhoods, the ratio of income at the sixtieth percentile to household income at the twentieth percentile, and the index of dissimilarity between Blacks and whites at the metro level. In more recent work, Pastor and Benner (2008) found that such a dragging effect of inequality on growth held even in what might be termed “weak market” metros – places where some would say that anemic growth is an excuse for making attention to equity a sort of luxury concern.

And it is not just us. Federal Reserve economists conducted a similar analysis for nearly 120 metropolitan areas throughout the United States as part of a report for the Fund for Our Economic Future based in Northeast Ohio (Eberts et al. 2006). Using factor analysis, the researchers identified eight key clusters of variables that influence economic growth at the regional level: a region’s skilled workforce, active small businesses, ethnic diversity and minority business ownership, level of racial inclusion, costs associated with a declining industrial base, income inequality (measured by income disparity and number of children living in poverty), quality of life variables (including universities, recreation, and transportation), and concentrated poverty in core cities. The results: a skilled workforce, high levels of racial inclusion and progress on income equality correlate strongly and positively with economic growth.

Understanding the connection

Why is there a positive correlation between equity and growth, particularly given the long-standing views that these two goals stand in conflict?

First, it is quite possible that this is a relationship that may have changed over time. In an earlier Fordist era of simple mass production, reducing wages and costs – as long as one could also find a way to make up for the aggregate demand gaps triggered by wage drops and under-consumption – may have been both profitable and growth-inducing. This was, in fact, when the economic world was truly flat à la Thomas Friedman (2007) – lowering costs could attract investment across an otherwise identical economic landscape. The challenge is that such a “low road” strategy may make less sense in a world of regionally rooted clustered industries – in this world of “spiked” industrial activity, skills matter, the quality of life is key to retaining talent, and the social tensions that are either exacerbated or ameliorated by economic inclusion are an important part of such quality of life (Persky and Wiewel 1994; Storper 1997; Christopherson et al. 2008). In other words, the new regionalization prompted by globalization
may be what is calling for a new attention to equity and inclusion as part of the prosperity agenda.\textsuperscript{5}

Second, it could also be that too much inequality violates a sense of social norms and social cohesion – and that this might be more sharply felt on a geographic level where relationships are often face to face. Again, this may seem against the usual grain of economics in which my welfare is not affected by yours – and so inequality is both benign and none of my business unless I choose to work it into my utility function. But this is a pretty thin version of human nature and new work by Akerlof and Kranton (2010) suggests that individuals also seek to construct identities and adhere to norms consistent with those identities. Akerlof and Kranton specifically suggest that organizations in which identity counts can utilize a flatter wage structure because some of the motivation is internal rather than extrinsic; we suggest below that metropolitan regions with leadership efforts that create a sense of a shared regional destiny may be creating new norms and new identities that facilitate the search for strategies that can generate more prosperity and more inclusion.

But as often happens in the real world, the reasons for the relationship remain a bit murky in both theory and practice. In our view, the impact of equity on growth may have something to do with the ways in which less equal areas underinvest in basic education, the impact of social tensions on economic decision making, the erosion of the “social capital” that can tie a region together, and perhaps the effects on health problems and hence worker efficiency (Bernasek 2006).\textsuperscript{6} We argue specifically in our most recent effort on this topic that inequality tends to:

\begin{itemize}
  \item erode social capital that ties regions together, leading to underinvestment in basic capital (think families fleeing the public school system and then rebelling against taxes to support public education), significant conflict over the direction of economic development (think battles over subsidies and the location of new investments), and a general desire to jump the regional ship in favor of less problematic circumstances (think younger workers flocking to more diverse settings).
\end{itemize}

(Pastor and Benner 2008: 93)

But the reality is that the studies we cite (and have conducted) have suggested the pattern but have not firmly established causality.

There is, of course, a similar problem in the comparative national literature. Researchers in that arena have made some progress offering econometric evidence of causality (particularly regarding the feedback of poverty on investment and the role of income distribution in creating a sense of fairness that leads to a higher level of property rights protection – and, in turn, innovation and investment). Still, for the most part, the comparative work has tried to fill in the “black box” of explanation through political economy comparisons of various countries – looking at the land reform policies of Asia versus Latin America, comparing the adjustment strategies of Turkey and Korea, and so on.
In our view, a similar political economy approach could be useful in the domestic context; to explain why we see growth and equity coming together, we may need more statistical work but we definitely also need the sort of qualitative case study approach that can uncover the political and economic dynamics that produce the circumstances for generating shared prosperity. Such an explanatory exercise should be accompanied by few prior convictions, particularly those associated with our own ideological beliefs – we should seek to determine what the cases tell us and not what we would like them to tell us. And it should have an eye on what factors are structural – not quite the luck of the draw but at least predetermined – and which are amenable to human agency – that is, the capacity to make our own luck.

**Achieving growth with equity**

This book represents an attempt to get at these issues with a combination of quantitative and qualitative analysis. Utilizing a sample of the largest 192 metropolitan regions in the country, we first use a quantitative approach to identify those regions with above median performance in terms of both economic growth and social equity indicators, and conduct regression-style analysis to explore the demographic, political, and economic determinants behind these growth and equity patterns. We then identify a set of seven regions for more in-depth case study research in order to help identify the more subtle and detailed processes, policies, and institutional arrangements that might help explain more equitable growth (or its absence) in our metropolitan settings.

The research provides insight into both the why and the how of achieving growth with equity. On the why side – what factors explain superior performance on both growth and equity – some of our findings square with previous work in the field while others represent both a challenge to current thinking and a reason for further research. For example, the case study work suggests that jurisdictional fragmentation is bad for a region's economic and social health, a point previously made by David Rusk (1993). But there are a series of other factors that emerge in both our statistical and qualitative work: the dragging effect of unionization on growth and the uneven impact of unions on equity (to our surprise), the stabilizing effect of the public sector (less to our surprise), the generally positive impact of deconcentrating poverty, the growth-enhancing but equity-reducing impacts of having a large immigrant population, and the important role of an influential minority middle class (which we argue contributes to both a political economy interest in prosperity and a continuing attention to fairness).

But the case studies also suggest a factor that is a bit harder to quantify precisely (although our quantitative analysis did suggest this indirectly as well): the importance of efforts to create a diverse *epistemic community*. It is hardly a bumper sticker slogan – “no justice, no peace” has a more fighting ring and romantic tone than “let’s share the same facts” – but conscious efforts to develop a shared understanding of the region amongst diverse constituencies seems to make a difference for blending the imperatives of equity and growth. Formally,
epistemic communities are defined as like-minded networks of professionals whose authoritative claim to consensual knowledge provides them with a unique source of power in decision-making processes (Haas 1992, 1997). The members of an epistemic community have similar normative values, and draw similar interpretations and make similar policy conclusions when presented with given situations (Thomas 1997).

In full academic garb, the words sound fancy but the concept is clear: epistemic refers to what you know (what facts, figures, and perspectives) and community refers to who you know it with (whether alone or in collaboration with others). When such collective knowledge includes not just the “usual suspects” of urban growth coalitions (Logan and Molotch 1987) but a broader constellation of community interests and perspectives, it seems to make a difference in regional trajectories. In the various cases studies, we find that creating a regional consciousness about the problems of poverty and their impacts on growth potential tends to focus attention; jurisdictional ties can help (because suburbs that are annexed, for example, realize more quickly that they cannot escape the drag on regional growth from high levels of poverty) but this can be pushed along by intentional leadership programs and other strategies for collaborative governance. In short, inclusion in knowledge generation and related decision-making processes is important for inclusive sharing of a growing economic pie.

The second level we consider in the work is just how regions are achieving growth with equity. Regions may find themselves with exactly the right structural elements to generate fairer growth, including stabilizing public employment, limited jurisdictional fragmentation; and, as the case studies suggest, industrial or sectoral diversity. But one can easily imagine a region blessed with all the right attributes but unable to fully exploit them to capture the potential for prosperity and inclusion. This requires not just the diverse epistemic community – the shared values and vision across diverse constituencies – but also policy practices that link distressed neighborhoods to economic development opportunities, that insure that workforce development includes everyone, and that join up the driving sectors of the economic with previously disadvantaged employees.

In each of the cases we consider, we try to lift up what sort of policy strategies make a difference. We complement this toward the end of the book with a consideration of some of the policies that have become the standard litany for those promoting regional equity, including community benefits agreements, workforce development, and community college promotion. We argue, however, that the usual tools of progressives have focused primarily on ensuring that poor people are getting more of their fair share of the “economic pie.” Equity advocates have had little success, and in many cases little interest, in contributing to job creation or economic growth per se, or even to paying attention to selecting among equity strategies those that have the highest pay-off in terms of increased economic performance.

But this is the other half of just growth – you need a compelling economic growth agenda as well as a commitment to fairness. You cannot assume that the proper balance of policy is struck in the balance of politics – that the business
sector will worry about economic growth, that community advocates will worry about “the people,” and that politicians will sort out the differences. You cannot press for equality in a stagnant economy – as we have seen in dramatic fashion recently, when the economy does not work, people do not work. Moreover, poor people are most dependent on economic growth and most in need of the jobs created by a region’s economic drivers. Equity proponents, we would suggest, need a clear economic growth model and agenda and this is often missing in (in) action.

As we complete this book, it is clear that the national opening that may have existed for progressive economy policy has been closing. Although the election of Barack Obama as president in 2008 led some to think that a new New Deal was coming, the constraints of domestic policies and the power of Wall Street insured that we had a stimulus too small to make a real dent, an approach to regulating the financial system that was insufficient to the task, and a brief burst of attention to equity that was quickly eclipsed by efforts to resuscitate the macro-economy. Meanwhile, the rise of a right-wing response in the form of the so-called Tea Party is partly (and maybe largely) due to monied interests but also to its coherent and consistent message: that the best government is limited government, that the best economy is a market economy, and that the best anti-poverty strategy is no strategy at all. Left on its own, conservatives contend, growth will eventually lift all boats.

Counting just on growth is not likely to lead to “just growth” – a set of outcomes that include economic expansion and social equity but also an inclusive conversation about how best to achieve economic inclusion. This book seeks to contribute to that conversation – for unless there is an alternative that makes sense at both regional and national levels and a way to get all residents into a shared understanding of their common fate, the unique opportunities for policy change in this era will continue to be squandered. Thus, we hope this work informs the regionalist debate for which it was originally intended – but that the lessons will also inform national strategy, particularly the ways in which federal policy could encourage the expansion of equitable development in America’s metropolitan regions.

**A roadmap to the book**

These are grand ambitions – and we try to get there one analytical step at a time. We begin the analysis in the next chapter with a discussion of data and case selection. We note that simply asking our colleagues which regions best exemplified “just growth” could lead to a range of answers based more on feelings than on data; the Bay Area, for example, is the site of numerous exciting and high-profile initiatives to be more inclusive (and it is also a very fun place to do field visits), but the income gap there has been widening steadily in past decades (Pastor et al. 2009b). As in a related effort (Pastor et al. 2000), we chose instead to focus on what the numbers would tell us – and devised a method to determine which metropolitan areas were doing better on generating new employment, improving
earnings per worker, reducing poverty, and reducing income inequality (benchmarking their performance against their respective census regions of the country to control for factors such as an unlucky presence in the older and battered industrial areas of the American Midwest).

We use data from the 1980s and 1990s in this process, because these were the best data available when we started our research and because we were interested in long-term trends; at the end of the book, we discuss what the most recent data from 2009 and 2010 suggest and find it comforting that our general characterization of our case study regions remains broadly consistent. In order to identify regions of interest, we specifically start with a simple quadrant analysis in which we try to see which regions showed up as high growth and high equity (or rather high improvements in equity) in the periods under consideration, again taking care to benchmark the metros against their broader census region (e.g. West, Northeast, etc.). We note that cases can vary over the two decades and so develop a more sophisticated approach based on whether patterns of growth and equity were consistent (or not) over the two decades.

This offers a broad range of regions of which we selected twenty-five cases for further investigation, including mostly metropolitan regions that were strong performers but also a few that either bounced back from mediocre performance or slipped back from strong to less strong patterns. Even if we had been eager to collect all the frequent flyer miles available from site visits, twenty-five cases were too much for a research team to manage so we first conducted a series of short regional profiles based on written materials, web resources, and some interviews. Blending all this quantitative and qualitative material, we then selected a balance of cases that might stretch across geography and, based upon our pre-existing knowledge and the brief profiles, across some potential lessons. We also placed some weight on demographic diversity; because we are convinced that one of the impediments to building regional alliances for growth and equity is racial tension, we wanted to be sure to explore cases in which minorities were present in significant numbers and hence crossing racial boundaries was likely to be an important dimension of the regional work.

Our final case study regions included four that were consistently above median performers on both growth and equity (at least for the time period considered): Kansas City, Jacksonville, Nashville, and Columbus. We also identify three other cases – Sacramento, Denver, and Cleveland – that we explore because they slipped back, bounced back, or were stuck back over the twenty-year period, and we wanted to investigate these trajectories by way of comparison. We say more about the listing below but it is probably clear to those in this area of research that few of these regions would have surfaced in a less quantitatively driven process. It is also clear that these are not the usual suspects – indeed, we were explicit about avoiding regionalist favorites, such as Portland and Minneapolis–St. Paul, because we wanted to explore cases that were surprising, not the ones about which volumes had already been written. As it turns out, some of the lessons from the usual cases apply – especially the desirability of linking jurisdictions together through formal and informal mechanisms – but the beauty is that we found them in unexpected places.
Before departing to the field – and before leaving Chapter 2 for the next – we then decided to use the data to create more continuous measures of growth and equity, rather than just a bifurcated classification scheme. To do this, we created a set of z-scores – in which the values are judged against the mean and expressed in terms of standard deviations of the sample, all normed or “de-trended” by the census region of which the metro is a part. This allows us to do several sorts of analysis. The first is a set of correlational and regression analyses in which we looked for those factors associated with either growth or equity, including employment composition, union membership, the presence of a state capital, spatial residential patterns by poverty and race, educational characteristics of the population, the size of the minority middle class, and the percent immigrant; we even included participation in PolicyLink’s Regional Equity summits and national conferences of the more business-oriented Alliance for Regional Stewardship (on the grounds that this signaled some degree of leadership intentionality on either equity or prosperity – or possibly both).

The results are somewhat complex – and readers who find z-scores, odds ratios, and multinomial specifications a bit off-putting may want to leapfrog from the close of the case selection discussion in the middle of that chapter directly to the start of the cases themselves in Chapter 3. But for those willing to slog through the data, analytical treats are waiting: it turns out that having construction employment is associated with both growth and equity while high-tech seems more tied to growth than equity; that economic diversity (at least as we were able to measure it) is not helpful to growth or equity; that small firms tend to contribute to growth but not to equity; that hosting a state capital makes a difference for both growth and equity; that unionization hurts growth and does not facilitate equity; that a high share of immigrants helps growth but hurts equity; that a less educated population hurts both; and that a minority middle class may help with making a region be truly high performing in terms of both equity and growth.

We realize that some of these results are controversial and we nuance them in the discussion. First, industrial diversity may be poorly measured – although we are using a standard specification, it only measures how evenly employment is spread across broad categories of employment, and does not capture more complex dimensions such as whether manufacturing employment itself is diversified or highly concentrated in a few subsectors or among a few firms. Unionization is also complex – it may well be that what we are picking up is the age of the industrial sector (with older sectors being more unionized) and it is also the case that many of the exciting innovations in the labor movement, including new organizing of immigrants and service sector workers and the development of labor-affiliated think-and-do tanks working with community partners, emerged in the period after 2000. Still, we found a remarkable resonance between many of the basic results from this quantitative work and what we found in the field.

Chapter 3 begins that exploration in the field. As noted there we visited seven regions, four of which are reviewed in Chapter 3 and three in Chapter 4. In each region we conducted interviews with key actors in four broad constituencies: the private sector, including chambers of commerce and other major
business associations; the public sector, especially regional planning bodies and public–private partnerships; labor unions, especially the regional Central Labor Councils and Building Trades Councils; and community-based and non-profit organizations, particularly social movement and base-building organizations.

These are not complete histories of these places – nor are they meant to be. In each case study we were instead focused on uncovering what might have made for more equitable growth in that particular context. For each case we therefore developed and used a detailed interview protocol, asking questions about perspectives on factors shaping economic growth and engagement with economic growth policies in the region, as well as thoughts on factors shaping shared prosperity in the region, and engagement with efforts designed to promote equity.

In Chapter 3, we look at the regions that were getting it (more or less) right – they all tended to have above median performance on growth and equity over the period we examined. The basic lessons from each:

- **Kansas City** boasts a diversified economy and strongly locally rooted business leadership as well as a strong influence of local philanthropy. A resilient African-American community has a deep community development tradition and the region hosts a comprehensive and effective metropolitan planning organization (MPO) that integrates many social and economic issues along with typical transportation planning. There are also elements of municipal annexation and consolidation in this metro although the story is a bit complex as the region is split over two states.

- **Nashville** had an early history of city–county consolidation and regional collaboration as well as a strong Black middle class rooted in regional educational and health institutions. The metro has a comprehensive private sector leadership with demonstrated interest in issues of social equity and there are efforts to develop cross-constituency civic leadership. Nashville is also a state capital, giving it a base of public sector employment that can help with equitable growth.

- **Jacksonville** also has an early history of city–county consolidation and hence some degree of regional governance. The region has a long history of private/public collaboration and significant public sector (military) employment that provides an economic buffer to hard times. What is most impressive about Jacksonville is a highly effective and long-lasting community council that has built a shared sense of regional destiny and created collaborative processes to determine public policy responses to the region’s social and economic challenges.

- **Columbus** is a state capital and has a high level of public sector employment that provides a buffer in economic downturns. There does seem to be an element of luck in the story: Columbus was less dependent on manufacturing, and apparently de-industrialized earlier than other areas in Ohio and so went through restructuring and diversification early as well. It is also one of the cases in which municipal annexation and an effective Council of Governments has helped reduce regional fragmentation. Finally, we note
that Columbus is reported to be a good place for members of the Black middle class; although it is by no means a nirvana for race relations, it lacks the profound history of racial segregation that characterizes, say, Cleveland and this may lead to more collaboration as well.

Chapter 4 turns to those cases that fared less well – and also tries to uncover the reasons why. Those cases run as follows:

• **Sacramento** is what we call a “slip-back” case. The region experienced above median growth and improvements in equity in the 1980s, but then slipped below median in the 1990s. The slowdown seems to have been driven by several processes in the latter decade – military base closures that led to lower overall growth and disproportionately hurt African Americans in the region, and the migration of high-tech employment from the Bay Area to Sacramento, which drove up inequality in the region, as more highly educated professionals saw their incomes soar at the same time as the declining employment opportunities for less skilled workers as a result of the base closures. Interestingly, Sacramento has seen the rise of some very creative regional planning efforts – including land use and transportation planning that became part of the template for California’s effort to reduce greenhouse gas emissions – but it has remained an underperformer in the recession and recovery in terms of both growth and equity.

• **Denver** is labeled a “bounce-back” case. The region experienced tepid performance in the 1980s, and then turned around to show outcomes on both growth and equity (compared with the Western census region) in the 1990s. This “comeback” may seem typical of boom–bust Western economies that are dependent on natural resources but the turnaround can also be explained by major infrastructure investments in the 1990s in an airport, a convention center, and other regional attractions and a growing sense of collaboration amongst business and private sector leadership in the region as well as between the central city and the suburbs (including suburban support for a new light rail system). Unfortunately, this did not eliminate the boom–bust cycle: between 2000 and 2007, Denver’s employment growth was slightly worse than the census region median and its performance on poverty reduction and income inequality was among the worst in its census region. As for the Great Recession, it actually weathered the economic storm much better than other metros in the Western United States. Apparently, it continues to just bounce back and forth, not finding a sustainable path.

• **Cleveland** was what we called “stuck back.” The story here is quite similar to that of other parts of the industrial Midwest: a heavy reliance on manufacturing led to vulnerability in the 1980s and 1990s; suburban sprawl and jurisdictional fragmentation fueled a lack of regional collaboration to recover; and all this was sprinkled with a big dose of racial segregation and political conflict. Cleveland itself was actually host to a new wave of equity and advocacy planning in this period but there was little spill-over to the
region and the central city continued to decline. The 2000s brought a new regional approach, most prominently in the form of a philanthropic effort, the Fund for Our Economic Future, but also through an effort of inner-ring suburban mayors. This is a region making a conscious effort to reverse its past trajectory and strive for higher ground; it has recently picked itself up (albeit just barely) from the bottom but it still has a long way to go to overcome a deep history of regional division.

In Chapter 5, we step back from both the statistical work and the cases themselves to examine the broader lessons for efforts to promote growth with equity. We argue that there are a series of structural characteristics that seem to create more favorable conditions for equitable growth and a series of deliberate strategic interventions that might be helpful. The structural factors include:

- **Political consolidation**: Whether through specific city–county mergers as in the case of Nashville and Jacksonville and annexation in the case of Columbus, or through effective regional political and planning bodies, as in the case of Kansas City and in more recent years in Denver and Sacramento, having some degree of strategic interdependence seems to facilitate growth and equity.

- **Economic diversity**: Although industrial diversity does not show up as a factor in our statistical analysis, regional leaders argue that this helps make them less vulnerable to boom–bust cycles as well as to longer-term pressures from de-industrialization. As noted earlier, we think that the diversity measure in our statistical work is imperfect and this “on the ground” sense of what makes for resilience should be taken seriously.9

- **The public sector**: Public sector employment can be a valuable stabilizing factor for both growth and equity. State capitals are important in this regard, given the higher percentage of public employment they bring, but military employment can also be important, evident in the case of Jacksonville and also in Sacramento, where the decline in military employment undermined previous patterns of more equitable growth. Universities and community colleges are an important component of the public sector story in terms of both immediate employment and the spill-over impacts on innovation and workforce development.

- **A Black and Latino middle class**: The presence of a minority middle class was mentioned by respondents as a direct measure of increased opportunity. But something else seems to be at play: a strong minority middle class can elect more minority political leaders throughout the region, with these candidates likely to be concerned about equity as well as growth, partly because of the history legacy of Black politics in particular and partly because of current concerns about community members “left behind.”

Of course, structural factors change slowly over time – if they change at all. Regional leaders can try to promote industrial diversity, support anchor
universities and community colleges, and encourage the creation and attraction of a minority middle class; they will find it much harder to simply declare their central city the state capital, and the jurisdictional consolidations of the type we study have become increasingly rare. So what is a concerned regional leadership to do?

Perhaps the most significant element we found in the case studies was the role of some process or organization that helped bring together people from widely different constituencies in a way that helped overcome widely differing perspectives and knowledge bases. This does not necessarily mean resolving conflict – our case study regions still exhibited many examples of conflicting priorities, viewpoints, and strategies. But regional leaders in the higher-performing areas seemed to have an appreciation for, and acceptance of, a wide range of diverse perspectives, and a sense that, although they may not necessarily agree with those other viewpoints, those viewpoints are based on valid knowledge, and the future of the region in some way involves accommodating the diversity of priorities and perspectives. We call this a diverse “epistemic community” and argue that leadership development efforts to promote this “soft” factor – hinted at somewhat imperfectly in our econometric work albeit less clearly than the public sector, and middle-class factors – can be very important.

We take up other issues in this chapter, including the role of labor, the impacts of transportation systems, and some emerging new approaches that were out of the time period of our initial research concerns. We specifically suggest that the failure to find unions behind the growth with equity patterns in our case studies does not mean that they do not have a role for the future; there has been a big shift in the labor movement in the 2000s, including the emergence of regional think-and-do tanks that promote community collaborations and regional equity (Dean and Reynolds 2009). We suggest, however, that some of the current fascination with how transit-oriented development could promote equitable growth does not really show up with any degree of evidence in our case studies. We then highlight a few emerging efforts, including community benefits agreements, workforce development collaboratives, and community college investments, that do offer promise at blending equity and growth.

The last chapter turns to “just growth” itself. We first draw a very simple set of three conclusions:

• First, to achieve equity, you need ties that bind – through inclusive political boundaries, solidarity across the lines of class and race, or a constructed sense of regional destiny.
• Second, to achieve sustained growth, you need a responsive and stable employment base – one that has the capacity to adjust to broader market change but which may be cushioned by a public sector that can act as an automatic stabilizer.
• Third, to achieve both, you need leadership – and although it can come from virtually any sector, it must be sustained through efforts to develop a shared understanding of a region’s problems and possibilities.
This, in turn, suggests that “just growth” means more than a set of outcomes, more than simply getting above the median on employment expansion and poverty reduction. Just growth is also a process – a sustained conversation about the future of the region in which the twin objectives of growth and equity become embedded in the region’s norms and practices.

What is happening in America’s regions should not just stay in America’s regions and so this final chapter takes on the issue of scaling up as well. We consider how all this learning at a regional level can be transferred to other regions, especially by sharing best practices in terms of both policy and process. We stress the need for civic infrastructure, because ultimately investments in “just growth” development strategies will be sustainable only if there is a broad enough and strong enough political constituency advocating for such an approach – that is, if numerous actors are both thinking regionally and thinking equitably.

But we also discuss a different sort of scaling: how the lessons learned at a regional level could translate into supportive federal policy. Our central message here is simple: if we are learning that equity can help support growth at a regional level, we need to make sure that federal policy stops promoting sprawl and inequality and instead makes equity and opportunity a key feature of both regional and national economic policy making.

This is most definitely not a one-way message. It is not just that those who have traditionally focused on growth should also pay attention to equity – it is also that those who have made equity their central concern need to have an economic strategy that goes beyond redistribution. We thus criticize some of the favorite strategies of progressives that pay too little attention to expansion, take too little time to heed the concerns of business, and offer too few reasons why supporting their efforts would generate rather than throttle recovery.

After all, the central task of the current era is not reallocating the fruits of growth but rather figuring out how to reboot the entire economic model. Equally in need of a reboot: economic theory itself. The financial crash has ripped asunder not just retirement savings but also the basic assumption that an unregulated market would always deliver equilibrium. And the role of inequality in triggering the crisis should equally strip away any notion that equity should be an afterthought, an altruistic luxury made available only when times are good.

Such transformative moments are rare; in the twentieth century we perhaps had two: the dramatic changes of the Roosevelt presidency and the less dramatic but equally long-lasting changes of the Reagan presidency. In each case, the entire structure governing investment and growth was overturned: the relationship between the market and the state was altered, the balance of power between corporations, workers, and communities was reconfigured, and our very ideology – the story we tell ourselves about who we are and how the economy operates – was refashioned.

We are in just such a moment once again. What is at stake is not just a recovery but the very rules of the game for years to come and, just as important, the story about what works and what should be valued in our economic thinking.
An emerging body of evidence has suggested that “growth with equity” is not a contradiction but a necessity; this volume seeks to explain why some regions get that mix exactly right, what others can do to follow their path, and why this can and should be a model for the national economy as a whole.