




# Equitable Economic Development

## Advancing Opportunity Through Stronger Local Economies

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# Overview

- Why is equity important?
- Planning for equitable local economies
- Case study: Lancaster
- Case study: Bethlehem
- Reflections



# Why Is Equity Important?

Economists at the International Monetary Fund have found that **relative income equality is associated with stronger and more durable economic growth** in developing countries. (Berg and Ostry, 2011; Berg, Ostry, and Zetlemeyer, 2012)

In a recent analysis of the 184 largest U.S. metros, **income equality was found to be the strongest predictor of longer economic growth spells.** (Benner and Pastor, 2014)

*“Standard & Poor’s sees extreme income inequality as a drag on long-run economic growth. We’ve reduced our 10-year U.S. growth forecast to a 2.5% rate. We expected 2.8% five years ago.”*

*(Maguire, 2014)*

Sources: Berg, Andrew G., and Jonathan D. Ostry (2011), “Inequality and Unsustainable Growth: Two Sides of the Same Coin.” IMF Staff Discussion Note.; Berg, A., J.D. Ostry, and J. Zetlemeyer, 2012. “What Makes Growth Sustained?” *Journal of Development Economics*, Vol. 98(2), pp. 149–166; Benner, Chris, and Manuel Pastor (2014), “Brother, Can You Spare Some Time? Sustaining Prosperity and Social Inclusion in America’s Metro Regions.” *Urban Studies*, Vol. 52(7), pp. 1339–1356; Maguire, Joe (2014), “Economic Research: How Income Inequality Is Dampening U.S. Economic Growth, and Possible Ways to Change the Tide,” Standard & Poor’s Global Credit Portal.



# Why Is Equity Important?

*How excessive inequality weakens economic resilience:*

## **Consumer Demand**

- Extreme income inequality can reduce aggregate demand since the wealthy spend a smaller percentage of their income. (Dyner, Skinner, and Zeldes, 2004; Brown, 2004)
- Income inequality is associated with a greater reliance on household debt to maintain consumption, intensifying the risk of financial crisis. (Rajan, 2010; Cynamon and Fazzari, 2014; Brown, 2004)
- Furthermore, excessive inequality can be an impediment to recovery from economic downturns. (Cynamon and Fazzari, 2014)

Sources: Rajan, Raghuram G. (2010), *Fault Lines: How Hidden Fractures Still Threaten the World Economy*, Princeton University Press, Princeton NJ; Dyner, Karen E., Jonathan Skinner, and Stephen P. Zeldes (2004), "Do the Rich Save More?" *Journal of Political Economy*, Vol. 112(2), pp. 397–444.; Brown, Christopher (2004), "Does Income Distribution Matter for Effective Demand? Evidence from the United States.," *Review of Political Economy*, Vol. 16(3), pp. 291–307; Cynamon, Barry Z., and Steven M. Fazzari (2014), "Inequality, the Great Recession, and Slow Recovery," Social Science Research Network Working Paper.



# Why Is Equity Important?

*How excessive inequality weakens economic resilience:*

## **Human Capital and Entrepreneurship**

- Roughly 70 percent of high-scoring students from low-income backgrounds and 50 percent from middle-income backgrounds do not attain a college degree, compared to only a quarter of high-scoring high-income students. (Fox, Connolly, and Snyder 2005)
- Income polarization can negatively impact entrepreneurship — over 70 percent of entrepreneurs come from middle-class backgrounds. (Wadhwa et al., 2009)

*“If the gap between low-income students and the rest had been similarly narrowed, GDP in 2008 would have been \$400 billion to \$670 billion higher, or 3 to 5 percent of GDP.”*

*(McKinsey & Company, 2009)*

Sources: Wadhwa et al. (2009), “The Anatomy of an Entrepreneur – Family Background and Motivation,” Kauffman Foundation, p. 5; Fox, Mary Ann, Brooke A. Connolly, and Thomas D. Snyder (2005), “Youth Indicators Trends in the Well-Being of American Youth,” U.S. Department of Education, p. 50; McKinsey & Company, (2009), “The Economic Impact of the Achievement Gap in America’s Schools,” McKinsey & Company, Social Sector Office, p. 6.



# Planning for Equitable Local Economies

**Background** A team of graduate students from PennPlanning takes a closer look at the economic rebounds of three mid-sized cities.

Lancaster



Creative  
Placemaking

Bethlehem



Casino and  
Entertainment

Wilmington



Riverfront  
Development



Photo credits, from left: Ellie Devyatkin, Ryan Debold, and Kevin Hunter  
Source: Small Legacy Cities, Equity, and a Changing Economy Studio Work, self-published, February 2014

# Planning for Equitable Local Economies

**EQUITABLE DEVELOPMENT** refers to a set of *processes and outcomes* that advances opportunities, choices, and access for all citizens with a particular regard for disadvantaged groups and individuals.

## *Economic components*



High-quality, culturally appropriate **education**



Safe, living wage **employment**



Diverse and practical **transportation** options





# Planning for Equitable Local Economies

## Framework



# Case Study: Lancaster



Adapted from "Small Legacy Cities, Equity, and a Changing Economy," presented at the Reinventing Older Communities Conference in Philadelphia, PA, on May 12, 2014

# Case Study: Lancaster

## Analysis of Creative Placemaking



### Successes

- Decrease in downtown vacancies
- Increase in tourism and visitor spending
- Improved image in region
- Potential to attract additional private investment

### Challenges

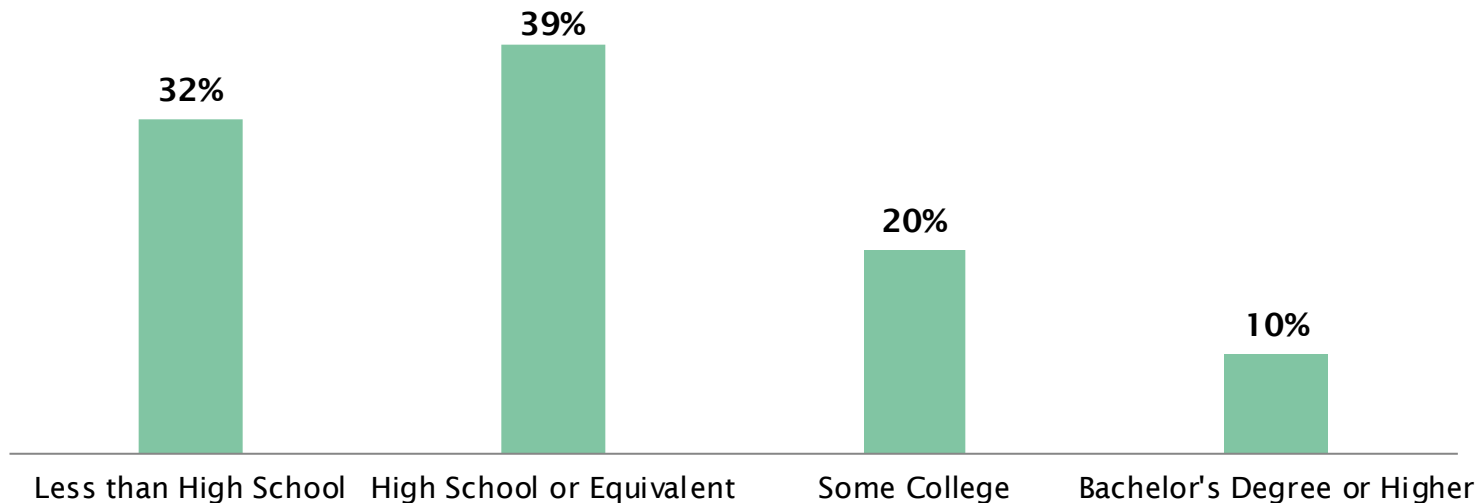
- Limited opportunities for midskill/midwage job creation
- Benefits largely disconnected from communities south of King Street



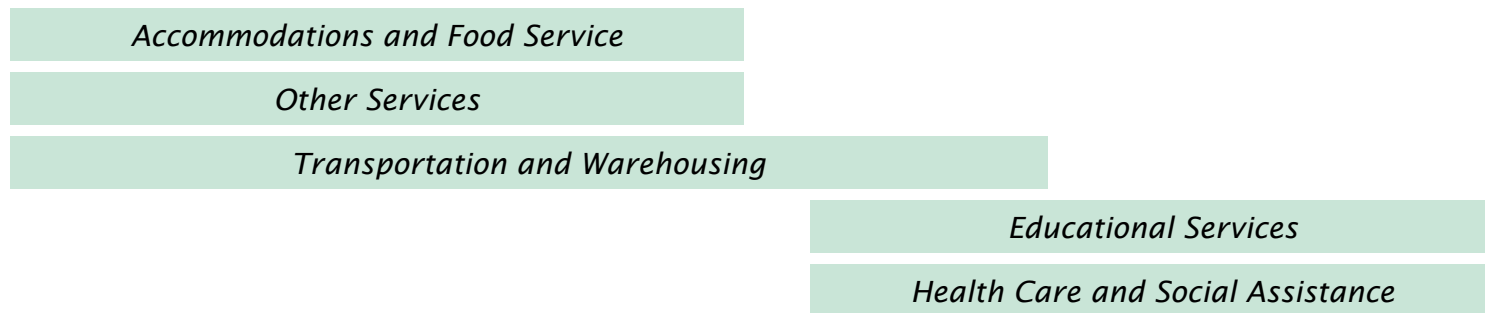
# Case Study: Lancaster



Educational attainment of adults 25+ in **high-poverty\*** tracts



**High-growth industries\*\*** accessible at this level





\* "High poverty" areas are tracts in which >25 percent of the population 18–64 is classified as living in poverty; \*\* "high-growth" industries are those in which net job growth >1,000 between 2000 and 2011.

Sources: U.S. Census Bureau, 2008–2012 American Community Survey 5-Year Estimates, Table S1501 "Educational Attainment"; County Business Patterns ZIP Code Business Patterns 2000 and 2011



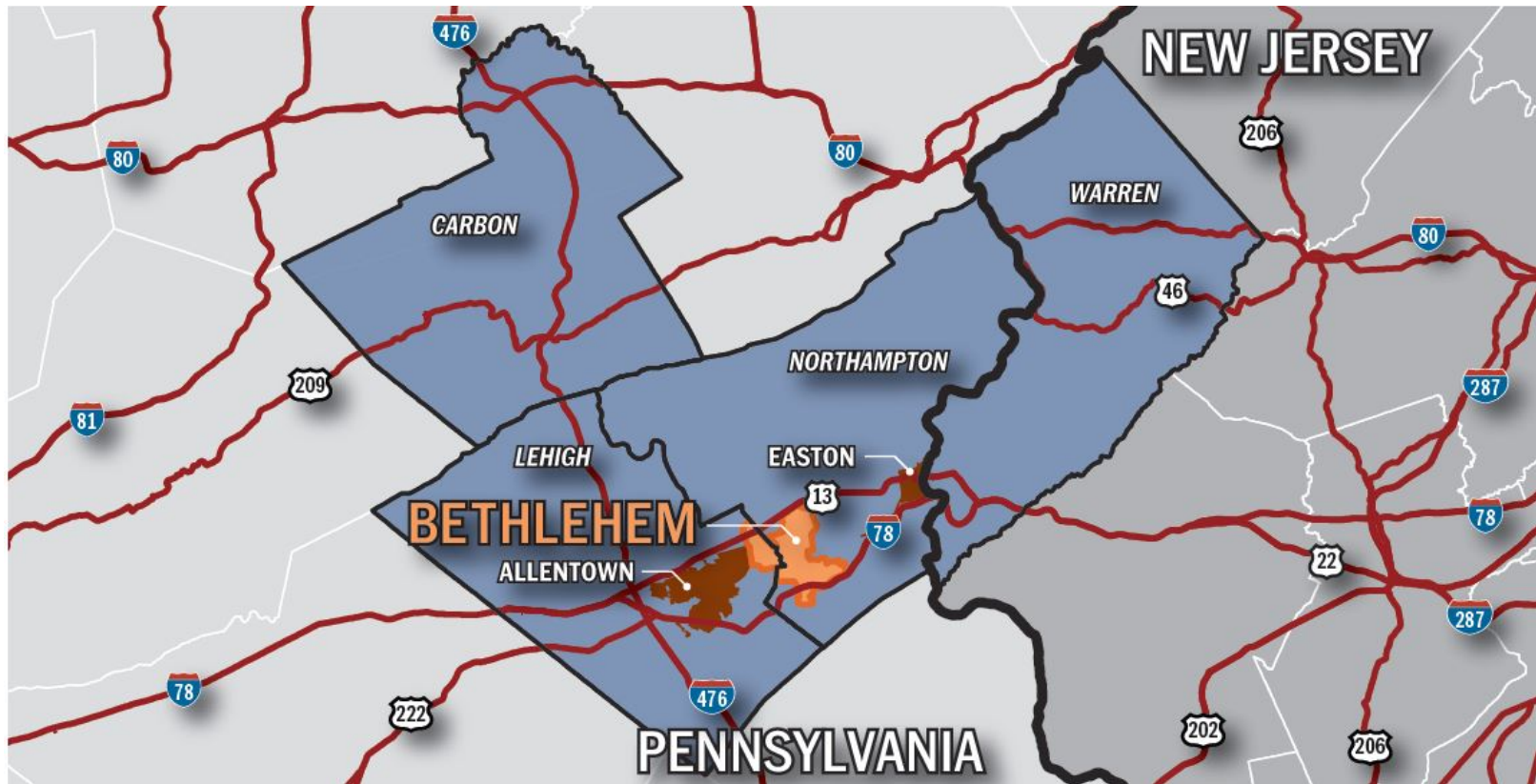
# Case Study: Lancaster

## *Selected Interventions Recommended by Students*

Interventions	Conditions	Outcome
<ul style="list-style-type: none"><li>Living wage requirements</li></ul>	Ensure job quality in growing sectors	<b>Economic security and opportunity</b>  
<ul style="list-style-type: none"><li>Integrated job training and placement</li><li>Local contracting</li><li>Engage local anchor institutions</li></ul>	Connect low- and moderate-income residents to high-quality Jobs	
<ul style="list-style-type: none"><li>Technical assistance for cooperative/ESOP conversions</li></ul>	Expand wealth-building opportunities	



# Case Study: Bethlehem



Adapted from "Small Legacy Cities, Equity, and a Changing Economy," presented at the Reinventing Older Communities Conference in Philadelphia, PA, on May 12, 2014

# Case Study: Bethlehem

## Analysis of Casino Development



### Successes

- New jobs accessible to residents
- Increased tax revenue
- Site remediation
- Potential to attract additional private investment

### Challenges

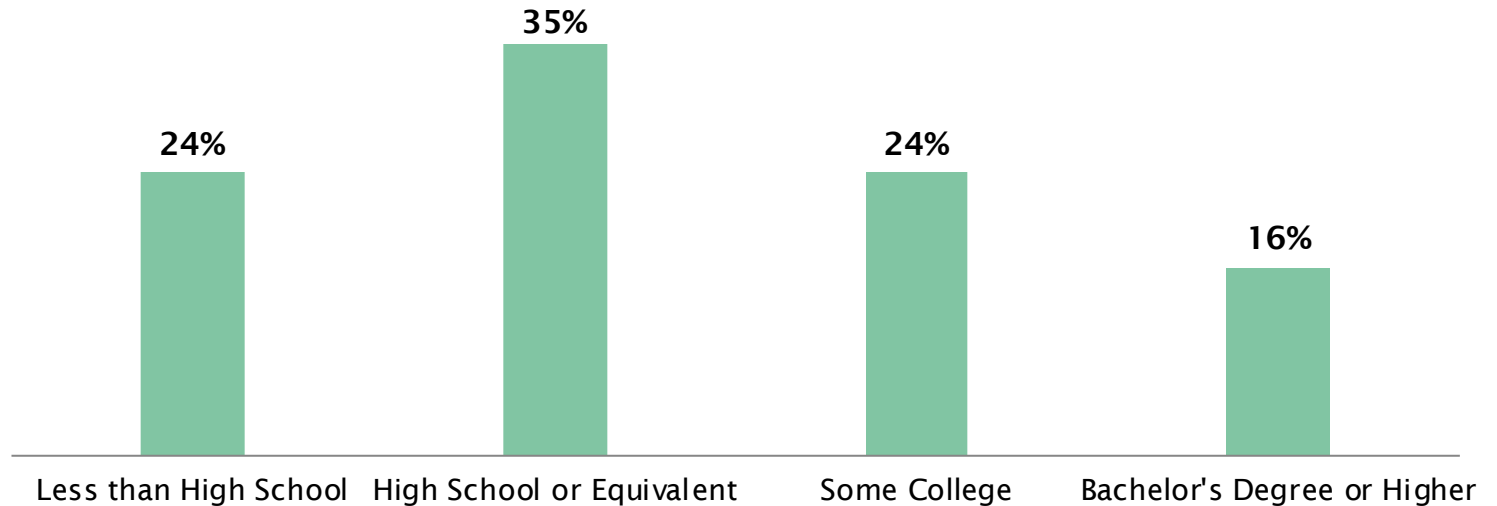
- Low career advancement potential
- Difficulty connecting to local businesses



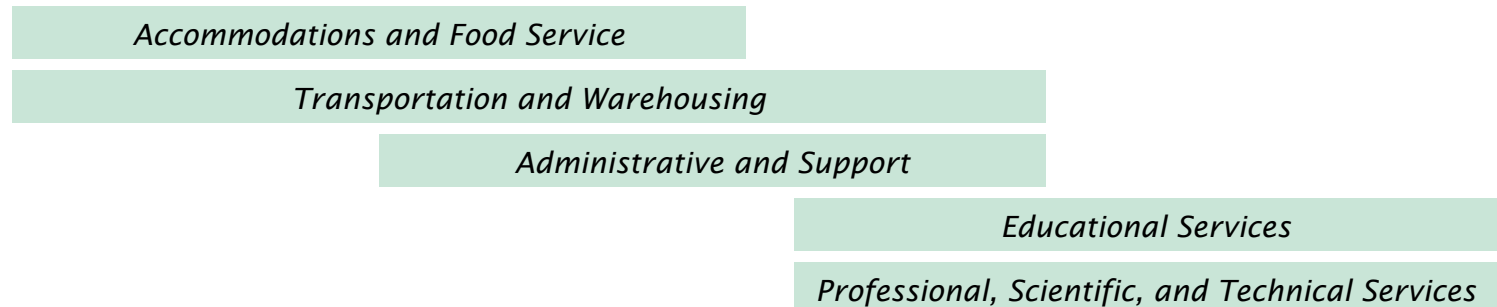
# Case Study: Bethlehem



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# Case Study: Bethlehem

## *Selected Interventions Recommended by Students*

Interventions	Conditions	Outcome
<ul style="list-style-type: none"><li>• Develop local MBE/WBE registry</li><li>• Technical assistance and training</li></ul>	Bolster MBE/WBE business capacity	<b>Economic security and opportunity</b>  
<ul style="list-style-type: none"><li>• Provide below-market rent commercial space</li><li>• Leverage CRIZ investments</li></ul>	Support employer-led efforts	
<ul style="list-style-type: none"><li>• Co-operative and vocational education programs</li></ul>	Expand workforce training and education programs	



# Reflections

## Supporting Human Capital Development

- **Opportunity** Education and job training are critical for connecting low- and moderate-income residents with high-quality employment opportunities.
- **Challenge** Since low-wage employment will continue to exist (and, in many areas, grow), how can we improve economic security for these workers?



# Reflections

## Diversifying the Economic Base

- **Opportunity** Supporting business development in a variety of sectors can help create a broader range of employment opportunities and retain more spending in the local economy.
- **Challenge** How can we support small business development in communities where the local economic infrastructure has been diminished by decades of disinvestment?



# Reflections

## Leveraging Public Investment

- **Opportunity** Through its investments in local economic development, the public sector can encourage more equitable outcomes.
- **Challenge** How can economic development incentives be used to encourage cooperation, rather than competition, with regional neighbors?



# Thank You



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