

ECONOMIC REPORT

Doing Good and Doing Well: Making the Business Case for Regional Equity and Racial Inclusion

By Manuel Pastor

In recent years, analysts and activists have begun to focus on regional strategies as one way to address the issues of concentrated poverty and racial exclusion that have long concerned African American urban communities. The logic of the new proponents of “regional equity” has many nuances, but the general argument runs as follows: (1) the relative isolation of minority communities due to suburbanization and the exodus of employment has contributed to economic distress; (2) previous approaches focused on community development have made only modest progress against the headwinds of white flight and biased federal policy; and (3) any new strategy must seek to steer private investment back to urban areas, connect residents to employment wherever it might exist in the metropolitan region, and open up suburban communities to more minority and lower-income residents.

The regional equity perspective provides a new narrative and a new approach to our urban problems, linking community development with larger economic and policy dynamics. Partly because of this, it also allows for the creation of coalitions of unusual allies, such as labor unions, churches, and minority communities—groups that have often experienced historical divisions and tensions. And perhaps the most unexpected of the constituencies to recently engage in regional equity is one not often moved by pleas with regard to social and racial justice: business leaders.

Why Business?

To understand the business interest—and how to further fortify it—it is important to first understand that the U.S. economy has become more regional. This may be surprising in light of globalization: many believe that the ability of firms to move anywhere on the planet makes geography less and less a consideration. But if that were so, then technology companies would be evenly spread throughout the Midwest rather than crowding into the high-price

territory of Silicon Valley, and movies would be made in Kansas rather than Hollywood. In fact, regions are becoming increasingly characterized by specialized business and economic clusters.

This has made the metropolitan region more important. Recent analyses have suggested that heterogeneity in regional economic performance, measured by the degree of variation between regional growth rates, has risen in the last several decades. And business has clearly noticed: in the last half-decade, a variety of regional business collaboratives have emerged seeking to promote the health of their own region, including groups like Joint Venture: Silicon Valley Network, Chicago Metro 2020, and the St. Louis Regional Chamber and Growth Association.

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A significant number of these efforts have begun to pay attention not only to economic competitiveness issues *per se*, but also to quality of life and issues of distribution. The reason is not simply *noblesse oblige*; it is hard to attract or retain businesses or the most skilled talent if environmental conditions are poor or social tension is high. Indeed, it seems that regions with higher levels of inequality tend to underinvest in education, experience more conflict about growth strategies, and find it difficult to build the “social capital” that is

a fundamental part of a modern networked economy.

The numbers help make the case. Early efforts to link economic success with the relief of urban poverty or improvements in city-suburb income gaps tended to be plagued by simplistic statistical methods and questions of causality (does a fairer distribution of benefits pump up economic growth, or is it the other way around?). But a newer set of studies has tried to control for these issues and demonstrate the compatibility of growth and a more equal distribution of income. A recent study by Federal Reserve economists based in Cleveland examined 120 comparable metropolitan areas throughout the U.S. and found that high levels of racial inclusion and income equality correlate strongly and positively with economic growth, even after taking into account other factors (such as workforce skills and industrial base) that affect regional efficiency.

Is business getting the message? Numerous efforts suggest that some in the business community are. In 1999, for example, Joint Venture: Silicon Valley Network (JV: SVN), the paradigmatic regionalist business organization, spun off an organization, Silicon Valley Civic Action Network, that included representatives from community groups as well as business leaders, and has begun to track measures of poverty, inequality, and disparities in education and health insurance in its annual index of indicators. The nearby Bay Area Council sponsored a study identifying the most impoverished neighborhoods in the San Francisco region and then launched a Community Capital Investment Initiative that is self-described as “a regional effort to attract private investment into the poorest neighborhoods in the Bay Area to tackle poverty with market-based solutions and, simultaneously, to promote smart growth.”

The movement is not limited to the supposedly liberal environs of northern California. The national-level Alliance for Regional Stewardship, formed in 2000 with a membership largely drawn from business and civic leadership groups,

adopted a framework that stressed social inclusion as well as economic innovation and collaborative governance, and promoted this framework among members covering twenty-seven states and the District of Columbia. In a study of business-civic organizations, including many in the Alliance for Regional Stewardship, authors from the consulting firm FutureWorks suggested that: “A new agenda has emerged for metropolitan regions ... where business leaders see clearly the link between how well their firms compete in global markets and how well their region promotes sustainable growth and economic opportunity for its citizens.”

Uncertain Allies, Uncertain Promise?

Of course, realizing that equity is important is one thing; making it a part of one's agenda is another. Looking at 45 regional business-civic organizations in 29 different regions, the FutureWorks authors found that forty percent had strategies for reducing socioeconomic disparities at a regional level, including efforts to improve economic conditions in poorer neighborhoods and reduce differences between urban and suburban school districts. Yet only one-third of the organizations ranked social equity as a “very important” concern, and only six percent ranked their organizations as “very effective” on moving social equity strategies, while another twenty-nine percent ranked their organization as “effective.”

While some portion of the ineffectiveness on equity issues may be due to the intractability of many social problems—concentrated poverty, for example, represents the intersections of industrial change, residential segregation, and myriad other factors—experience shows that businesses still tend to resist higher wage requirements, first source hiring strategies (to ensure that less advantaged residents get a crack at employment), and affordable housing mandates. Business reluctance partly reflects the perception that these policies would make their operations less efficient and partly reflects the interference that the policies represent with the ideology of the “free market.”

Hitching a community's star to the regionalist wagon also carries numerous

risks, including the possible dilution of political voice. In Louisville, Kentucky, for example, the African American community was largely opposed to a city-county merger supported by business leaders partly because the incorporation of mostly white suburbs was likely to reduce the proportion of African Americans from nearly a third of the population—sizeable enough to ally with others to form a legislative majority—to a 15 percent figure that has subsequently allowed for more conservative policies from the new metropolitan government. The dilution of voice possible at a regional scale can be worrisome, requiring new skills and capacities, both in land use planning and coalition building.

times and work with the growing business collaboratives in metropolitan areas. And it would continually make the case that equity and inclusion are consistent with our economic health, that doing good and doing well can go hand in hand.

It is not an easy road. Debates over the degree of market intervention needed to achieve equity are likely to strain business-community alliances. Just as important is the need to have an honest discussion about race. While racial exclusion and segregation have been central to metropolitan dynamics, there is often a tendency to downplay race in the spirit of building a rather shallow “common ground.” But if we really were “all in it together,” the current patterns of

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Still, the regional opening is not to be eschewed. At least some parts of the regional equity agenda are consistent with the competitiveness thrust of regional business leaders. A recent Brookings Institution study shows that redirecting infrastructure investments from America's suburbs to its central cities could reduce national road-building costs by nearly 12 percent and water and sewer spending by six percent over a twenty-five year period, and save four percent on annual spending for infrastructure operations and service. Such an approach would not only save money; it could create numerous opportunities both for community development and minority-owned business enterprises that are disproportionately located in central cities.

Looking Forward

There is, then, an opportunity to blend the goals of business and community leaders in ways that will elevate regional equity and promote growth in African American, Latino, and other disenfranchised communities. Such an approach would both build on the emerging realization that regions are the central economic unit of our

disparity would not have emerged—and if the worrisome dilution of community voice is to be avoided, regional equity must be a way to lift up, not submerge, issues of race.

This gives African American, Latino, and other minority leaders a special role in the struggle for regional equity—keeping the conversation and action focused on equity, not just regions. But it is also imperative for such leaders to pick up the regional mantle itself. The risks are several and the road is uncertain, but the geography of the economy has changed. We must change our struggle for racial inclusion and social justice—and be prepared to work with surprising new allies along the way. □

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