Metro Prosperity Index

Prospective framing and indicators

Six years into the nation’s economic recovery growth has returned but remains uneven, among people and places. Yet leaders in many metropolitan areas continue to use old economic development tactics that give too-little consideration to who benefits. This has tended to lead policymakers and influencers to pursue development strategies that fail to generate better outcomes for most people. To better highlight these issues and drive interest in better solutions, the Metro [Prosperity] Index will track key indicators of metro economic growth, wealth, and inclusion for the nation’s largest metropolitan areas.

# Framing

Economic development is a crucial driver of social progress. Yet, too often it is thought of narrowly as a field of practice and system of transactions rather than a dynamic, long-term process. In recent decades, this misunderstanding has led policymakers to propagate inefficient and ineffective economic development tactics at great cost to the public. At a time of slow and uneven growth, this must change.

At its best, economic development puts an economy on a higher trajectory of long-run growth that raises the standard of living for *all people*. Economic growth creates opportunity by granting individuals greater freedom to fulfill their potential. When more people can access the opportunity created by growth, everyone benefits: the market for goods and services grows as overall productivity increases.

Economic development facilitates such inclusive growth by making investments that increase the capacity of individuals and firms to become more productive overtime. Though markets fundamentally drive growth, they rely on these investments to produce goods like reliable infrastructure or skilled workers. Smart investments help ensure that more people can contribute to and benefit from growth.

Cities and regions have an increasingly important role to play in economic development. Place matters. Regions concentrate the firms and market assets that drive growth. The quality and nature of these assets vary among regions, making each distinct. People ultimately live, work, create, and consume in communities, which means that place often also determines access to opportunity.

Today, communities throughout the nation face the challenge of fostering a more prosperous economy that provides better opportunities for more of their residents. Despite the growing urgency of this challenge, too many cities and regions continue to pursue ineffective economic development strategies, chasing growth by using inefficient subsidies rather than making smart investments in local assets.

To change this behavior, local leaders must set new goals aimed at fostering greater prosperity for all. Economic growth is one of three important outcomes of development. It is neither sustainable nor worth pursuing if it does not increase the wealth or income of all residents. An index that highlights progress toward these three goals of growth, wealth, and inclusion could help leaders make smarter investments in local economic development.

# Indicators

The Prosperity Index will track progress toward the three outcomes of economic development: growth, wealth, and inclusion. Existing economic progress indices implicitly measure these outcomes through their sheer comprehensiveness. However, they often conflate inputs with outputs or frame indicators as being nominally about equity and fairness. The Brookings Metropolitan Policy Program has a clear framework and narrative about how economic growth works and why equity and inclusion are less normative concerns than they are practical inputs and outputs of growth.

## Growth

Economic growth creates opportunity. The rate of growth determines how soon current and future generations will enjoy increased opportunity. Therefore, the rate of change in the size of the regional economy can indicate the pace of its progress toward expanding opportunity.

There are various means by which one can measure growth. Individually and collectively, these indicators provide different insights into the extent, nature, and sources of local growth:

* Change in the number of jobs
* Change in aggregate wages paid to workers
* Change in aggregate economic output (gross metropolitan product)

## Wealth

To create opportunity, economic growth must keep pace with population and labor force growth so that each individual can continue to see his or her standard of living rise. This standard of living can be thought of as wealth. Measured annually, wealth captures the average output and income in the local economy, which depends in part on productivity.

Comparing change in per capita and per-job output with indicators of the rate of change in average income reveals gains in wealth are being generated and distributed.

* Change in aggregate economic output per person (wealth)
* Change in aggregate economic output per job (productivity)
* Change in average annual wages (income)

## Inclusion

Finally, in order to sustain growth, its benefits must be broadly shared. Economic growth can be considered inclusive when it benefits the likelihood of employment and incomes of all people and households relatively equally, regardless of race or place.

[I’d say that if we’re setting questions of “access” aside this becomes about distribution of income growth and employment outcomes, per below. These may still not be the right indicators, however.]

* Share of wage growth received by bottom 90 percent of earners
* Change in median household income, by race
* Change in employment-to-population ratio, by race

# Indexing

The Prosperity Index will aim to reflect metro economies’ progress, measuring only change in these indicators. Though the levels of each indicator will be provided in the online interactive features (because people will be curious what they are) they will not be included in the ranking indices so as not to hold metros or their leaders accountable for the historical factors that determine levels.

The Prosperity Index will provide composite index rankings for each group of indicators: growth, wealth, and inclusion. For each indicator, values will be converted into standard scores. Standard scores for each indicator in a group will be aggregated together appropriately into a summary score. A metro’s rank on this summary score will be reported for each category, but no overall statistic will be provided.

[We should discuss over what period we measure change. I think there should be multiple: 10 years, 5 years, and 1 year. Alec suggested maybe ranking the acceleration over those periods?]

# Context

The number of indices tracking economic performance, equity, and demographics for American communities has boomed in recent years. Policy Link, Opportunity Nation, Milken Institute, Urban Institute, U.S. Conference of Mayors and many others already produce detailed indices or other types of interactive data tools. There is a growing number of local efforts as well. For example, Philadelphia, Minneapolis-St. Paul, and Pittsburg each have their own set of indicators and benchmarks to track their economic performance and inclusion over time. In New York, CUNY has assembled a comprehensive set of indicators tracking human and economic health outcomes in different parts of the city.

The proliferation of indices raises the question of what kind of value Brookings Metro can add to the conversation. The bar is quite high. Cross-metro indices, like Policy Link’s Equity Atlas, are impressively comprehensive and contain descriptions of each indicator and set of indicators. These tend to make it the reader’s job to infer a narrative and do not tend to suggest a strong point of view. Others, like Milken Institute’s Best Performing Cities index, try to fill a particular niche, like regional “technology output,” making them rather narrow. Local indices have become a way for communities to signifying their own values and downplay the importance of external efforts to define their economic progress.

Brookings Metro can still add a lot of value to national and local conversations about the economy through an index. However, we have to provide more than data. The trick maybe to market this project as an annual study of high-level outcomes across metropolitan America rather than an index.

The Program has already positioned the project in this way. Both as a program and in the context of this study, we have a narrative about the unevenness of growth and distinctiveness of market assets. This narrative bridges national and local conversations about growth an inclusion to an extent that other index project do not attempt. We have an implicit but strongly held view of how economic development (as a process) should work and what it should achieve. Thus, we can or even hope to suggest solutions rather than simply help our audience catalog challenges or deficiencies. The program is also already a trusted source of information on metros’ economic progress, providing us with credibility.

# Deliverables

[To be further discussed with Alan, Alec, and team]

* Written summary
* Methodology explanation
* Overview
* Indicator descriptions
* Interactive website (too include all of the above)

# Work Plan

(Rough; Note that the 2014 ACS 1-year microdata necessary for inclusion indicators will be released October 27)

* September 15 – circulate detailed prospectus for internal and external review
* September 22 – receive feedback on detailed prospectus
* September 22 thru November 3 – produce draft index (6 weeks)
* November 3 – circulate index for review
* November 17 – begin final revisions of index
* December 8 – handoff to COMMs (5 weeks including holidays)
* January 12 – PUBLISH