CITY ECONOMIC EQUITY RANKINGS

Analysis of 21 U.S. Cities

Inclusive Economic Development
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Table of Contents

Summary

Inclusive economic development is an area of high priority for many cities. This focus is driven by numerous factors. As demographic shifts in the population transform America into a browner and older country, its cities are faced with both the promises and the challenges associated with those shifts. A key focus of inclusive economic development has been entrepreneurial development among historically underutilized populations, such as blacks, Hispanics, and women. Surface level data on US business ownership reported by the US Census Bureau suggests that as racial minorities increase their share of the overall population, that they are also increasing their share of business ownership. This would appear to be a positive trend. However, upon closer analysis, several important patterns counter what seem to be these positive trends.

The increase in business ownership has not seen a corresponding increase in community wealth for historically underrepresented populations. In fact, community wealth for both blacks and Hispanics is decreasing. If current trends continue, the median wealth of the black community is expected to reach zero by the year 2053.[1] Two decades later (2073), the median wealth for Latinos is expected to reach zero as well. These negative milestones will happen simultaneous to these minority groups becoming the majority population. In numerous cities, and states, minorities already comprise the majority population. This counterintuitive interplay of increasing population and business ownership share, coupled with decreasing wealth share – deemed as *poverteering*[2] – is not only a challenge for America as a whole, but also for racially diverse cities. If the majority of a community's residents have zero or negative wealth, those communities are vulnerable in numerous way – particularly fiscally.

This report analyzes 21 cities that participated in Harvard's Project on Municipal Innovation's recent convening in Cambridge, MA. This report offers a quick "economic equity scan" of these municipalities, both independently and collectively, across a group of economic equity measurements. Several organizations are focusing on this topic of economic inclusion and grappling with how to accurately measure it. Some analyses focus on a combination of a community's educational attainment, housing affordability, provision of social services, and other components. The analysis presented in this report takes a different viewpoint by focusing on share capture of America's five major racial groups (American Indians, Asian Americans, Blacks, Hispanics, and Whites) related to the fundamental basis of community wealth creation – entrepreneurial and economic activity.

The fundamental purpose of this report is to offer a snapshot of "community economic equity" at the municipal level, contrasting it against peer communities and nationally.

1 Collins, C., Asante-Muhammed, D., Nieves, E., and Hoxie, J. (2017, September 11). "The Road to Zero Wealth: How the Racial Wealth Divide is Hollowing Out America's Middle Class." A report from the Institute for Policy Studies. Washington, DC. Available at https://www.ips-dc.org/report-the-road-to-zero-wealth/.

2 McKoy, Jr., H.C. (2018). "Road to Serf-Durham: Examining the Decline of the African-American Entrepreneurship Ecosystem in the United States (Past, Present, and Future)." UNC-CH: Chapel Hill, NC.

Methodology

The centerpieces of the following municipal equity snapshots are indices and relative data aimed at better understanding where a city currently resides on an economic equity spectrum. In 2018, the Hygioeconomic Parity Index (HEPI)[3] was created to measure entrepreneurial equity at a geographic level. In recent years, many municipalities have presented strategies and plans, or at least intentions, to address economic equity gaps in their locales, especially between racial groups. However, these intentions (even the best of them) are not often grounded in the best knowledge of where the community currently resides along the spectrum. The ambiguity in current measurements make it difficult for city leadership to know the best place to start, the right efforts to present, or when progress is being made. In short, there is no quantitative standardization in capturing the relative equity of a community.

As part of the HEPI, a set of quantitative measurements are used to map a city's economic equity and parity across various groups, which can be subdivided by both race and gender. This report offers several of those measurements as part of the following analyses. Utilizing 6 factors related to population economic shares, an index is created for each locale, meant to better understand that community's corresponding economic strengths and weaknesses based on racial stratifications. Each of these municipal snapshots offer 3 parameters of relative analysis:

1. Economic Ecosystem Equity Index (with associated breakdown of Economic Indicators)
2. City Racial Economic Ecosystem Strength
3. Economic Ecosystem Equity Gap

The *Economic Ecosystem Equity Index* (and associated Economic Indicators) shows visually a relative comparison of a city's racial populations relative to equity/parity, relative to one another, and relative to the US average for those groups. The index is measured along a scale from -1 to 1 with 0 being equity. Populations that sit above 0 on the index have more than their equitable share of a city's entrepreneurial economy, whereas populations below 0 on the index have less than their equitable share. Since it is a relative index, when one population shifts up or down, it automatically must be offset by another population's simultaneous shift.

The *City Racial Economic Ecosystem Strength* calculates the relative strength of a city's population based on how over- or under-represented they are in economic indicators based on their overall population share in that community. Having an overrepresentation in areas such as firm ownership and firm revenue shares are positive for populations that have such, whereas having an overrepresentation in poverty share is a negative.   The strength score is calculated based on each measurement associated with a racial group's population share, and then

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summed. Again, 0 is equity, which means that if a population's relative strength is above 0, then another group or groups' strength must be below 0.

The final individual community snapshot focuses on a city's overall *Economic Ecosystem Equity Gap*. This calculation is reached by using the white population, the overwhelming strongest economic population in America, as a reference group in comparison to other populations. The equity gap (which would be zero for each comparison at equity) is summed and then averaged to arrive at an overall city score. The lower the average overall gap score, the more economically equitable the city is. This score is used to rank the most equitable municipality based on the relative average gaps.

An aggregate score for the most equitable overall city of the cohort was calculated looking at 10 specific factors of community economic strength and gaps. A composite score was calculated across those areas with a ranking of 1 being the best and a ranking of 21 being the worst (since there were 21 cities in the analysis). Thus, the best a city could score was a 10, and the worst a 210. The cities were ranked based on the lowest composite score and then ascending order from that starting point.

The challenge with any quantitative measurement is the accuracy and timeliness of the data. The snapshots offered in this report present data for a moment in time. It utilizes data from two datasets gathered by the US Census Bureau – the American Community Survey (which offers 5-year data estimates of population changes as associated information) and the Survey of Business Owners (which measures business ownership in 5-year increments). For this analysis, this report uses the most recent datasets available for both the ACS (2016) and the SBO (2012) and extrapolates the data to get a relatively accurate snapshot of each community presently. Though the figures change dynamically, because of the consistency of the methodology, the relative snapshot is deemed to be accurate in its depiction of the local economy.[4]

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[4] A fuller analysis allows more quantitative measurements of the racial populations in each city, a mapping of historical changes over time, and trend analysis for future development. It can also explore these measurements across gender, and within industry sectors. However, this report does not include the full scope of these measurements.

Results Overview

In the analysis of the associated cities, San Francisco, CA (65) had the best score for racial economic equity, while Providence, RI (160) had the worse. Indianapolis, IN and Oklahoma City, OK tied for second place with a score of 80, respectively. In all communities, the white population had a commanding lead in economic strength compared to all other racial populations. In most cities, African-Americans ranked the lowest. In some cities, this negative distinction of lowest economic strength was held by Hispanics. In nearly all cases, blacks or Hispanics ranked as the bottom two communities. In many instances, all communities of color had a negative economic strength, with Asian Americans occasionally showing up in the positive.

Relative to other cities, the whites in Newark, NJ had the greatest economic strength relative to other populations at 243.65, followed by Providence (217.29) and Memphis, TN (211.83). The whites in Pittsburgh, PA (151.99) were closest in equity compared to all other populations in its city. Zero equals equity, so the higher the number from zero, the stronger that population. The Black population in El Paso, TX though not at equity and in the negative (-19.57), was the closest to parity of all the cities. The California cities of San Francisco (-37.17) and Los Angeles (-40.79) were second and third, respectively.   The black population in Memphis (-155.62) had the worse economic strength of the cohort, followed by New Orleans, LA (-151.42) and Newark (-143.15). It is notable that Memphis, New Orleans, and Newark all have populations where the majority is black – at 64.40%, 58.80%, and 48.70% respectively. The higher economic inequity for higher black populations is consistent with previous research[5].

The American Indian population is the racial group with the most consistent economic strength across the various cities with the strongest being in Memphis (-12.86) and the weakest being in Providence (-50.43). The Asian American population is the only other American racial group that showed a positive (above 0) economic strength among the cohort, which is consistent with national trends. Six of the 21 cities had Asian populations with positive strength (Long Beach, Los Angeles, Newark, Houston, New York and El Paso) ranging from a high of 23.00 and a low of 0.48. Atlanta, GA had the lowest economic strength of Asians at -93.25, almost triple of the second lowest score of -31.39 for San Francisco. Finally, the Hispanics in New Orleans (-22.01), Pittsburgh (-27.64), and Louisville, KY (-30.77) had the strongest economic strengths among the cohort cites, while Providence (-123.73), Los Angeles (-125.74), and El Paso (-131.60) had the weakest. Similar to the black strength indicators, Providence (44.80%), Los Angeles (48.90%) and El Paso (80.70%) all have majority Hispanic populations, indicating that a majority population does not equate to higher levels of economic equity - and in fact, equates to higher levels of economic inequity.

Utilizing whites as the reference population for economic equity, a gap analysis was done across the other populations for each city, to determine where gaps are the smallest (best) and

5 McKoy, 2018

largest (worst). Equity would mean a gap of zero between racial groups. The widest economic equity gaps between whites and blacks were found in Newark (386.80), Memphis (367.45) and New Orleans (358.77) while the narrowest gaps were in Indianapolis (218.81), El Paso (216.98), and San Francisco (200.60). In short, blacks had the best economic outcomes relative to whites in San Francisco and the worst in Newark. The relative economic equity gap between whites and American Indians are best in Indianapolis (178.78) and worst in Newark (270.04). The relative economic equity gap between whites and Asian Americans are best in Long Beach, CA (155.51) and worst in Atlanta (279.33). The relative economic equity gap between whites and Hispanics are best in Pittsburgh (179.64) and worst in Newark (346.92).

Overall, across all populations on average, San Francisco (194.54), Indianapolis (197.14) and Pittsburgh (198.35) had the narrowest gaps between the white reference population and other races, while Newark (309.47), Providence (280.91), and Memphis (266.47) had the widest gaps.

Takeaways

This report offers a brief snapshot of economic equity through the entrepreneurial lens of the 21 cities in Harvard's Project for Municipal Innovation cohort that convened from September 19-21, 2019. There are much deeper analyses that could be examined for these communities. However, several takeaways can be gleaned from this summary work.

- Blacks and Hispanics are consistently (almost exclusively) the most inequitable populations in a city. In order to close the economic equity gap, special attention will have to be directed towards those populations.
- Though efforts focused on wealth creation in communities often focus on homeownership, educational attainment, and workforce development as the foundation of improvement, addressing economic equity through entrepreneurial equity is likely a more potent way to address these other gaps.
- Without a change in the economic equity trends, and corresponding population trends, many cities have the potential to face serious fiscal, community and social challenges in the years and decades ahead. A community where the majority of its population is heading towards zero or negative wealth will have a city facing perilous outcomes. Cities must find ways to close these economic gaps if there is a hope of closing other gaps such as health, education, and mobility.

Goals of this Work

By measuring cities through the lens of racial economic equity and entrepreneurship, the goal is to use data to identify both patterns of success and failure. An economic equity scan and snapshot of communities along a standard measurement allows a better understanding of what policies, practices and strategies might be working better than others. The goal is to create a network of cities and leaders that can learn from one another to create more economically equitable municipalities.

City Rankings

Overall Rank	City	Equity Score (lower the better)[6] Range: 10=Low /210=High
1	San Francisco	65
2	Indianapolis	80
2	Oklahoma City	80
4	Los Angeles	86
5	Long Beach	88
6	Kansas City	90
7	Sacramento	92
8	New York	94
9	Pittsburgh	102
10	Louisville	103
11	Denver	104
12	Fort Worth	107
13	El Paso	108
14	Memphis	125
15	Houston	127
16	New Orleans	128
17	Columbus	130
18	Atlanta	139
19	Cleveland	147
20	Newark	155
21	Providence	160

[6] This score is calculated by summing the accumulated rankings of the city across 10 measurement factors. In these cases, a rank of 1 would be the best, and a rank of 21 would be the worst. Consequently, the lowest point total that a city could receive would be a 10 (based on 10 first place rankings) and a 210 (based on 10 last place rankings). Thus, the lower the score, the more equitable a community is.

City Economic *Strength* by Race

This table shows the cities economic strength ranked by race, with 1 being the best and 21 being the worst.

	White 91.77	RANK	Black -47.68	RANK	American Indian -1.99	RANK	Asian 7.70	RANK	Hispanic -54.22	RANK
USA										
Atlanta	186.08	9	-143.02	18	-23.11	6	-93.25	21	-52.60	8
Cleveland	194.89	7	-139.39	17	-39.94	19	-18.97	15	-54.99	9
Columbus	177.34	13	-97.46	15	-38.01	18	-24.04	17	-43.53	5
Denver	176.36	14	-44.11	5	-28.65	14	-13.13	11	-83.87	14
El Paso	197.41	6	-19.57	1	-26.11	11	0.48	6	-131.60	21
Fort Worth	194.26	8	-60.01	8	-17.83	4	-2.19	7	-95.53	15
Houston	202.65	5	-68.65	13	-25.36	10	5.27	4	-112.61	17
Indianapolis	154.88	20	-63.93	10	-23.90	8	-23.92	16	-57.32	10
Kansas City	158.29	19	-67.23	12	-30.13	15	-17.08	14	-48.46	7
Long Beach	178.51	12	-43.05	4	-26.15	12	23.00	1	-116.21	18
Los Angeles	182.53	10	-40.79	3	-21.77	5	13.17	2	-125.74	20
Louisville	167.37	17	-121.92	16	-30.92	16	-16.15	13	-30.77	3
Memphis	211.83	3	-155.62	21	-12.86	1	-3.68	9	-46.41	6
Newark	243.65	1	-143.15	19	-26.38	13	9.54	3	-103.27	16
New Orleans	207.36	4	-151.42	20	-32.95	17	-3.43	8	-22.01	1
New York	178.85	11	-66.65	11	-23.83	7	2.76	5	-83.83	13
Oklahoma City	172.58	16	-61.53	9	-14.75	2	-7.71	10	-65.09	11
Pittsburgh	151.99	21	-79.12	14	-47.44	20	-31.24	19	-27.64	2
Providence	217.29	2	-53.99	7	-50.43	21	-26.34	18	-123.73	19
Sacramento	174.39	15	-48.62	6	-25.18	9	-14.78	12	-72.70	12
San Francisco	163.44	18	-37.17	2	-17.24	3	-31.39	20	-38.64	4

The below figure displays the economic *strength* by race of each city in a line chart.


Figure 1: City Economic Strength by Race
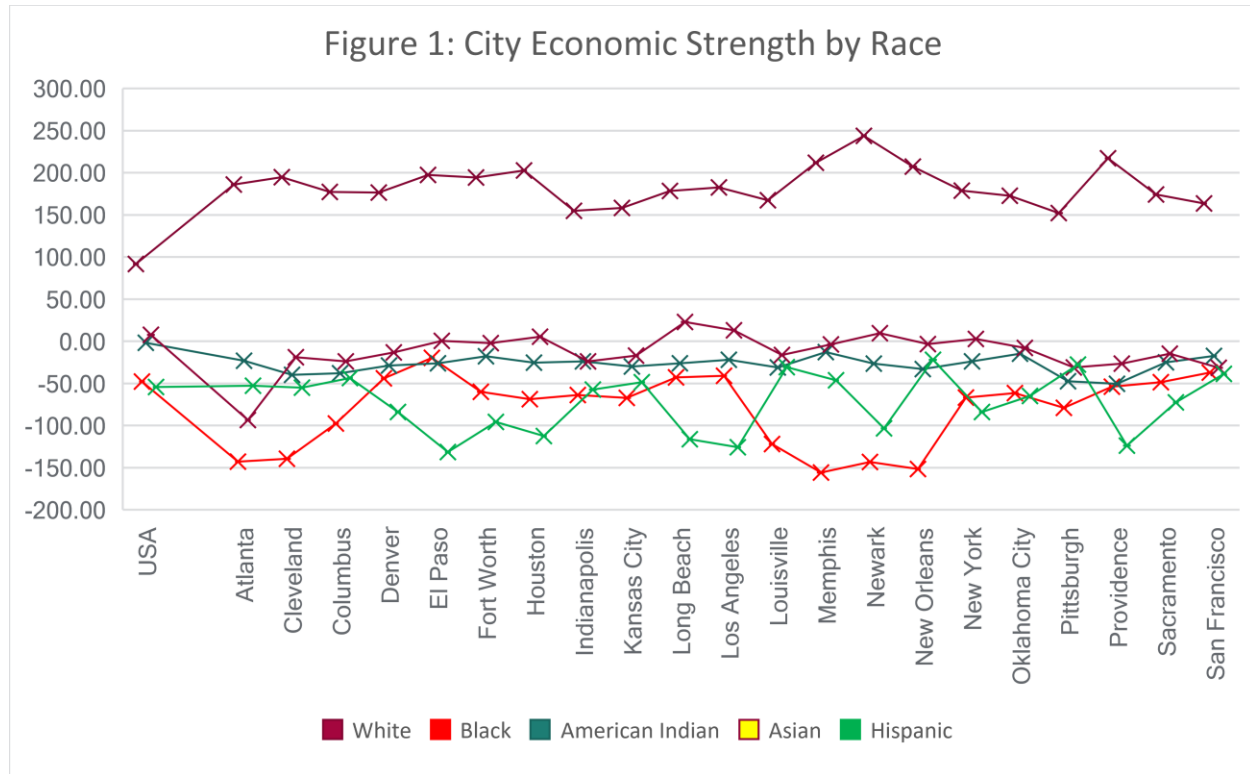
City Economic *Gap* by Race

This table shows each city's economic gap ranked by race, with 1 being the best and 21 being the worst. Whites serve as the reference population when measuring equity gaps (i.e. "W-B" measures the "White-Black" economic gap).

USA	W-B 139.45	RANK	W-I 93.76	RANK	W-A 84.07	RANK	W-H 145.99	RANK	GAP AVG 115.82	RANK
Atlanta	329.10	5	209.19	10	279.33	1	238.68	13	264.08	4
Cleveland	334.28	4	234.83	4	213.86	5	249.88	11	258.21	6
Columbus	274.79	7	215.35	8	201.38	7	220.86	16	228.10	10
Denver	220.48	18	205.02	11	189.50	12	260.23	9	218.80	14
El Paso	216.98	20	223.52	7	196.93	9	329.01	3	241.61	8
Fort Worth	254.26	10	212.09	9	196.45	10	289.78	7	238.14	9
Houston	271.29	8	228.01	5	197.38	8	315.25	4	252.98	7
Indianapolis	218.81	19	178.78	21	178.80	17	212.19	17	197.14	20
Kansas City	225.52	14	188.42	18	175.37	19	206.75	18	199.02	18
Long Beach	221.55	17	204.65	12	155.51	21	294.71	6	219.11	13
Los Angeles	223.32	15	204.30	13	169.37	20	308.28	5	226.32	11
Louisville	289.28	6	198.29	17	183.52	14	198.14	20	217.31	15
Memphis	367.45	2	224.68	6	215.51	4	258.23	10	266.47	3
Newark	386.80	1	270.04	1	234.11	3	346.92	1	309.47	1
New Orleans	358.77	3	240.31	3	210.78	6	229.37	15	259.81	5
New York	245.51	11	202.68	14	176.09	18	262.68	8	221.74	12
Oklahoma City	234.11	12	187.33	19	180.29	16	237.67	14	209.85	17
Pittsburgh	231.12	13	199.43	16	183.23	15	179.64	21	198.35	19
Providence	271.27	9	267.72	2	243.63	2	341.02	2	280.91	2
Sacramento	223.01	16	199.57	15	189.17	13	247.09	12	214.71	16
San Francisco	200.60	21	180.68	20	194.82	11	202.07	19	194.54	21

The below figure displays the economic *gap* by race of each city in a line chart.


Figure 2: City Economic Gap by Race
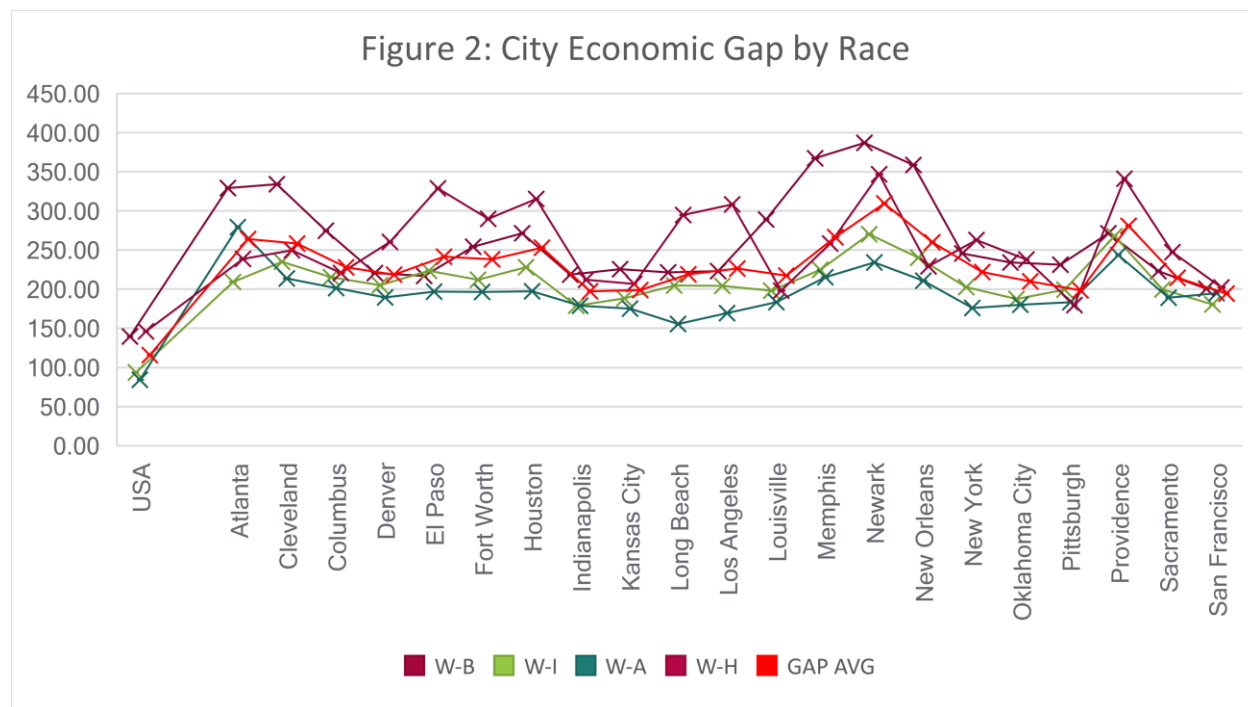
City Rank by Economic Equity Gap

The below chart shows each city ranked by their economic equity gap. Economic equity would mean an Average Gap of Zero. Thus, the smaller the average economic equity gap number, the more economically equitable the city is.

USA	115.82
Mean	234.13
Median	226.32

1. San Francisco……………………………………194.54
2. Indianapolis……………………………………..197.14
3. Pittsburgh………………………………………..198.35
4. Kansas City………………………………………199.02
5. Oklahoma City…………………………………..209.85
6. Sacramento………………………………………214.71
7. Louisville…………………………………………217.31
8. Denver…………………………………………….218.80
9. Long Beach………………………………………219.11
10.   New York………………………………………221.74
11.   Los Angeles…………………………………..226.32
12.   Columbus……………………………………..228.10
13.   Fort Worth……………………………………238.14
14.   El Paso………………………………………..241.61
15.   Houston……………………………………….252.98
16.   Cleveland……………………………………..258.21
17.   New Orleans………………………………….259.81
18.   Atlanta…………………………………………264.08
19.   Memphis……………………………………….266.47
20.   Providence……………………………………280.91
21.   Newark………………………………………..309.47

Below are two figures representing the economic equity gap visually displayed in a bar and line graph.

Figure 1: Avg. Economic Equity Gap - Bar

Figure 2: Avg. Economic Equity Gap - Line
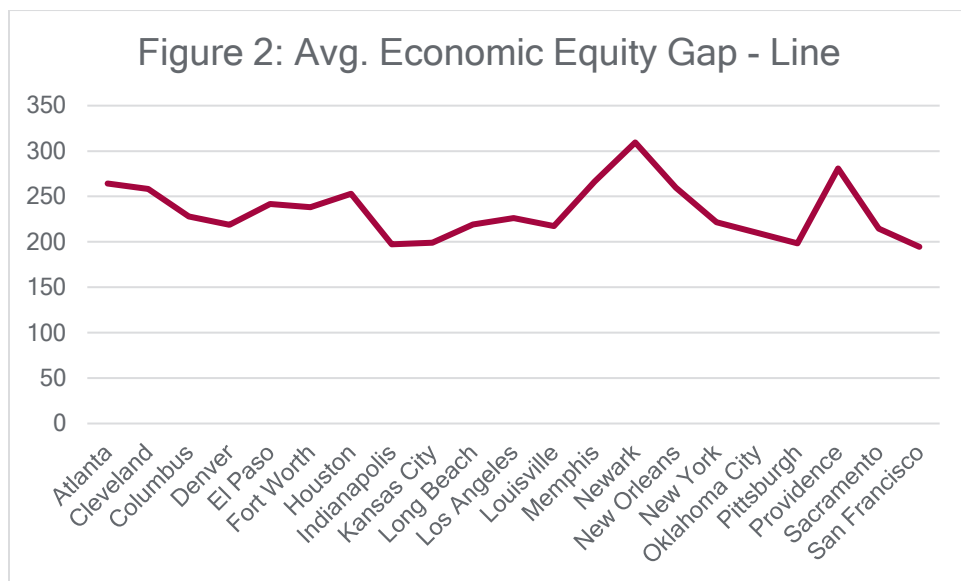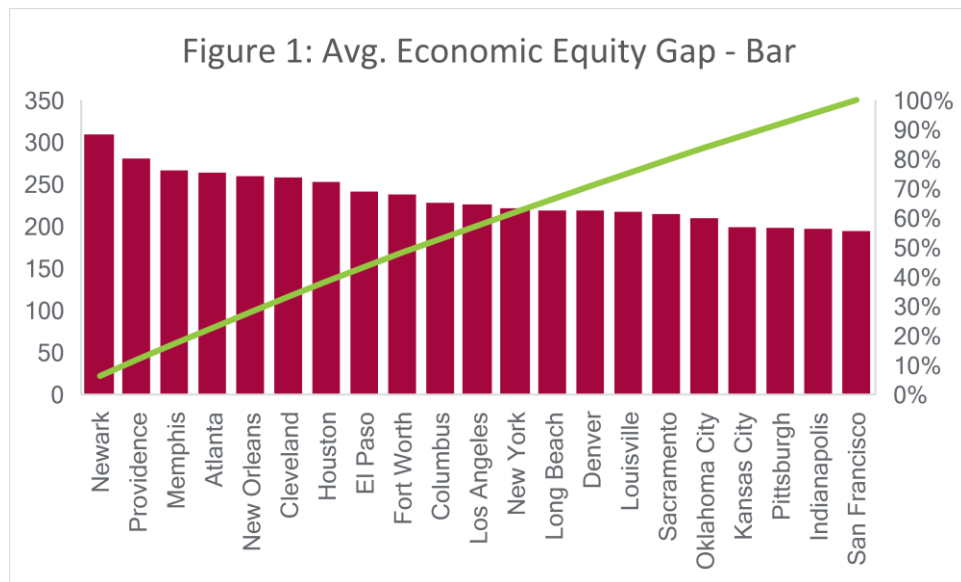
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LaChaun J. Banks is the Associate Director for Practitioner Communities with the Ash Center's Innovations in Government Program. She has over a decade of experience in human resources, customer relations and business operations. She earned a BA in International Studies from the University of North Carolina-Chapel Hill, with a concentration in global economics, trade, and development. Having studied at the Chinese University of Hong Kong, she gained knowledge in Asian business and management, and Chinese government and politics. While earning her Executive MBA from Kenan-Flagler Business School, Banks consulted for a high-growth tech start-up in Copenhagen, Denmark. In a previous role as commercialization manager, Banks created business plans for advanced technologies with a local aerospace company.