



2018 NGIN Inaugural Convening

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Good Afternoon and Welcome! Thanks to Lyneir, John and Amy – and to all of you for being here. It's a pleasure – and humbling -- to be with such an amazing group of economic development leaders. I'm really looking forward to learning and inventing with you over the next day and a half.

This gathering marks the public launch of NGIN – and it couldn't be happening at a more appropriate and necessary time.

We are living through a particularly dramatic moment in American history. A technological and economic revolution is underway, and our social and political institutions have not kept pace. Startling income inequality and concentrated wealth and power are provoking resentment and racism, and eroding our sense of shared values, as well as our faith in government.

But this is also an exciting moment of enormous opportunity. That same revolution is creating the capacity for inventing new practices and enterprises which drive broadly shared economic growth, and rebuild for the 21st century a shared sense of the common and public good.

NGIN is focused on one key leverage point in this complex dynamic: creating that new economic growth practice.

I have three basic messages:

1. First, we need new economic growth practices for a new economy.
2. Second, these practices have to implement a new model for growth – what we are calling quality growth.
3. Third, NGIN is in the right place at the right time: leading practitioners and other stakeholders are eager to engage in systematic, sophisticated innovation to develop this new practice. Together, we can and must figure out how to seize opportunities to create broadly shared long-term value and ownership of the new economy.

I not only want to welcome you: I ask you to join other NGIN leaders in this ambitious and vital journey.

I. Why do we need new practices?

NGIN arose because a group of practitioners – somewhat anecdotally and across a lot of different projects -- were observing new dynamics and drivers in the economy, and that a lot of old approaches just were no longer on point. Working with Brookings in the MetroBusiness Planning project across 10



regions, we created one-off inventions such as PRISM in Cleveland to help legacy firms migrate into new industries. Milwaukee, Chicago and CenterState New York were witnessing new types of clusters emerging that called for different types of interventions to drive growth – from venture funds to invest in new supply chains to Chicago Anchors for a Strong Economy. Working with Casey Foundation on a 31 acre site in Atlanta surrounded by distressed communities forced new thinking about how to do market-making inclusive development of newly valuable abandoned industrial real estate in inner cities – and a whole new practice area of “economic place making” is emerging. 34 of Cook County’s South Suburbs are joining together to create a new kind of cross-sector institution – a Development Authority – to manage and finance the more deliberate, large scale, integrated and transformative investment needed to transition to the next economy. The Greater Chatham Initiative represents a new understanding of the economic dynamics driving neighborhood change — and new approaches to linked neighborhood and regional development.

These examples just scratch the surface. A shared experience was emerging of a need to fundamentally re-examine the *economics* that should inform economic development, and to develop a new practice tailored to the new economy. These changes are profound, and we need a more disciplined, professional capacity to systematically innovate together.

And make no mistake. The Fourth Industrial Revolution is underway. The first was the steam engine. The second, electricity. The third, information technologies. The fourth is defined by the fusion of digital, physical and biological spheres – think artificial intelligence and big data expressed particularly in the internet of things. Google Translate’s AI has invented its own language. In Sweden, you can have a microchip implanted in your hand to pay for train travel. And check out the Saturday Night Live skit about an Alexa for old people. We are just at the front end of a period of fundamental and dramatic change in the drivers of economic growth. We cannot go on with business as usual.

This economic revolution is bad news and good news.

On the one hand, it is destroying industries, disrupting labor markets and undermining communities.

Less talked about, but as fundamentally challenging -- the current economic path has also heavily rewarded financialization of the economy – manifested in the Great Recession of 2008. It has enabled excessive rent-seeking behavior. Monopoly rents – which do not create any new value, but just extract extra profit from market control -- increased from 4% of total output in the U.S. in the mid-1980s to 23% in 2015. In addition, an economically and legally questionable shareholder primacy model of corporate governance has arisen -- often at the expense of workers and the long-term viability of business. Corporations from 2015-2017 used 60% of net profits for record-shattering buybacks. We currently have an economic model which rewards short term profit extraction over long term value creation, and which highly concentrates wealth.

Wealth concentration in the US now threatens to surpass that even of the gilded age. Just 3 individuals each now own as much wealth as half the population. The great paradox of this moment is that the current dynamics of growth produce increasing inequity, while evidence overwhelmingly now suggests that the places with the least inequity prosper most. In short, we do not have a sustainable next economic growth model.

Let’s remember, though, the “other hand” – there is also good news. Whole new industries and occupations are emerging; technologies are enabling expanded participation and collaboration, fueling



innovation and entrepreneurship. Place increasingly matters, and value-adding regions and neighborhoods are producing opportunity for their workers and businesses. The fourth industrial revolution is a good thing – no luddites here – but it does demand that our economic, political and social models catch up.

II. What is the alternative practice: what do we mean by “quality growth?”

I want to emphasize that – while there are moral and political reasons to seek a new practice – our focus is on the economic reasons. This is a business imperative: it’s the best way to grow the economy.

Without pretending to yet know the answers – that’s what we need NGIN for! – two over-arching principles are emerging.

First, Quality growth focuses on long term value creation rather than rent-seeking and asset stripping; it rejects the shareholder primacy model in favor of managers as fiduciaries responsible for creating real value and long term wealth; it promotes a “whole lifecycle” approach to investing in supply chain, human capital and other assets; it invests in innovation, particularly to enhance productivity; and it emphasizes greater business and cross-sector collaboration – that businesses prosper when their industries, local economies and markets prosper. The U.S. Chamber’s Talent Initiative promotes this new approach to investing in workforce. BlackRock’s Larry Fink’s annual letter to CEOs this year – titled “A Sense of Purpose” – fundamentally calls for a new way of doing business focused on long term value creation.

Second, flowing from the first point, a fundamental tenet of quality growth is that it increases the productivity and participation of ALL of our assets. Real-world markets – especially in dramatic transition - do not lead to optimal resource allocation. Instead, factors ranging from racism to information asymmetries, transaction costs, and distorting externalities all lead to valuable assets – human capital, businesses, real estate, other market opportunities -- going unrecognized and underutilized. Quality growth identifies and develops these underutilized assets, and addresses market imperfections preventing their deployment.

This is the inclusion principle – but it is not a separate practice, or a new way of doing equity. It’s a new way of doing growth. In economics 101 many years ago, we were taught that equity and growth conflict. Whether or not that was true in the old industrial economy, overwhelming evidence suggests that it is fundamentally wrong for this economy. In fact, we do not have to choose between equity and growth: we have to do growth differently. We can and must move from a grow now, redistribute later approach to an economic system that is inclusive by design.

I wanted to title this convening; “Who will own the next economy?” and was convinced by wiser colleagues – thanks, Paul – that the title was too subject to misinterpretation. I do, though, think that we are dealing with a question that is that fundamental. A successful and sustainable economic growth model for the next economy must enable broader ownership of the enormous wealth creation opportunities. It must position currently excluded people, places and businesses to be the drivers and owners of the new growth.

III. Why NGIN?

I am excited about the possibilities, and about the difference we can all make. NGIN arose because practitioners saw the need and opportunity to create a sophisticated center of gravity for collaboratively



inventing and testing new tools, products and enterprises in order to create a new economic development field of practice for the 21st century. We are at a moment when we have to learn by doing – by testing new approaches in the market place. A key lever for change will be implementing a new practice that in fact works to drive quality growth.

At its core, NGIN is an innovation center. It will engage and support leading practitioners, experts and investors in the field – hopefully all of you! -- through all of the stages of innovation – from identification of new practice ideas, to product development, piloting, commercialization and dissemination. NGIN is distinguished by its focus on sophisticated analysis of economic growth drivers and opportunities, and by its practitioner-driven, business-like pursuit of innovations to seize them.

NGIN is also distinguished by being highly networked. Innovation will come through multiple pathways, to be determined by our members. We are launching a founding portfolio of five major quality growth practice innovations, each of which involves multiple cities, local and national organizations and experts. These are big, ambitious, game-changing ideas – and I encourage you to engage with, improve and replicate them. We will be launching communities of practice to help identify the next big ideas to work on together, and share and disseminate learnings and leading-edge products. Again, I hope you will join these CoPs to invent with your colleagues. NGIN will also assemble SWAT teams of experts on request to work on particular local practice innovation opportunities – you could have a challenge or opportunity and request SWAT team assistance, or participate in a SWAT team helping others.

NGIN does not aspire to be a broad-based organization. Rather, we seek to be a network of committed practitioners, experts, investors and other stakeholders who believe in and want to work together to invent this new field of practice. We are doers, and this convening is meant to expand the network and invent together. It is designed to be highly interactive, generative, productive and fun. Thank you so much for being here. Get to know each other. Let's go have great ideas together and, through NGIN, work together to realize them.

Times of great disruption are also times of great opportunity. As the next economy unfolds, NGIN has an opportunity to help shift from an unsustainable growth model that ultimately leads to stagnation, social and political disintegration, to a quality growth model that creates long-term value and wealth for all. Please join us. Thank you.