

America's Tomorrow: Equity Is the Superior Growth Model

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America's economic landscape is rapidly changing. Innovation and technology have become dominant economic drivers, offering new opportunities for growth in tech hubs. At the same time, these opportunities remain out of reach for many — especially people of color, who are rapidly becoming the majority of the population. To address this challenge, Johnathan Holifield, co-founder of consulting firm ScaleUp Partners LLC, developed Inclusive Competitiveness®, a roadmap for embedding principles of inclusion into the practice of economic development.

America's Tomorrow recently spoke with Holifield to discuss his vision for a more inclusive economy [as outlined in his recent book](#), *The Future Economy and Inclusive Competitiveness®: How Demographic Trends and Innovation Can Create Economic Prosperity for All Americans*.

Your major premise is that intentional, long-term investments to improve opportunity in disconnected communities will make the entire economy stronger, more competitive, and more prosperous. Can you explain how focusing on these struggling communities would build prosperity for the nation as a whole?

The nation's long-term, global economic competitiveness and leadership requires many more contributors, many more creators. The staggeringly low numbers of job-creating entrepreneurs — particularly among Black, Latino, women, and rural populations — signal an economic imperative. At the end of the day, the nation's job-creating responsibility cannot continue to be borne by so few Americans.

In the aftermath of World War II, with much of the world in post-war shambles, there was just one global economic power: the United States. We achieved that lofty status with one hand tied behind our back because Blacks, Latinos, and women weren't able to access the nation's best opportunities and become optimal contributors. Today, billions

of people around the world are freer to express their genius and compete with Americans in a global marketplace. So, there's no question that sustaining the nation's economic prosperity compels us to get all our talented players into the game to help the U.S. compete with the world.

How would an inclusive approach to U.S. Competitiveness® differ from traditional economic development?

Since the early 1980s, the notion of U.S. competitiveness has been a federal, academic, business, and economic development priority, focusing only on measuring productivity. While we've seen American productivity increase dramatically over the decades, there has not been a corresponding and commensurate increase in standard of living. Harvard Business School's U.S. Competitiveness Project has proposed a new definition of competitiveness: the ability of U.S. firms to succeed in the global marketplace *while* raising the living standards of the average American. Let's apply this definition of competitiveness to disconnected communities, where we want to see entrepreneurs and new businesses that can successfully compete in a variety of markets *and* improve living standards. By and large, however, businesses in disconnected communities don't produce enough revenue and jobs to be considered competitive under this definition. For example, of the 2.6 million Black-owned businesses in the U.S., 2.5 million have no employees and revenues only averaging about \$20,000.

This isn't about reinventing the wheel, it's about bringing what works to disconnected communities. Over the last 25 years, every region in the United States made plans for how their economy would grow in the 21st century, with most investing in technology, innovation, and entrepreneurship. They created regional competitiveness strategies. They built new infrastructure: public and private capital, strong business accelerators and venture development corporations, and intermediary organizations that foster innovation and entrepreneurship ecosystems. These ecosystems, which are now maturing, grew up literally next door to struggling communities, and yet are totally detached from them. These communities are often rife with direct social, human, educational, and small business services, which are very very important, but they lack the resources, mission focus, and operating models for strong economic competition. I've reviewed numerous comprehensive economic development strategies over the past few years and other than identifying underserved communities for demographic purposes, these plans rarely, if ever, deal with how to connect their strategies to lower-income communities. I can point to some good individual programs — the Ohio Third Frontier Program, for example, is a statewide effort which has made inclusion an explicit requirement for its innovation and entrepreneurship grants and is holding grantees accountable for inclusion metrics. However, I'm hard pressed to find a single local or regional plan or strategy that embeds economic inclusion and competitiveness as the guiding principle. That's what we will change.

You talk about the innovation economy having expanded opportunity, but technology and automation are making many jobs obsolete, while creating higher educational demands for the new jobs that are coming online. How do you reconcile the challenges and the opportunities of the 21st century innovation economy?

Creative destruction has always been a part of our economy. Innovation in manufacturing has allowed us to achieve the same productivity with 170 workers as it would have taken 1,000 workers 50 years ago. The destruction side of innovation is an inescapable reality of U.S. economic dynamism. One way to deal with that reality is to create more businesses that create more jobs, and to give those at risk of being left behind a chance to become those job creators. Historically, disconnected communities have been almost exclusively victims of the *destruction* side of innovation. But unlike past economic eras, in which fully participating in the economy required owning land or the means of production, being a contributor in the innovation economy starts with an asset everyone has — a brain. While it takes the right educational and training opportunities to develop that asset in today's world, it's a lower barrier to entry that can enable those traditionally disconnected from opportunity to succeed on the *creative* side of innovation. To me, this focus on knowledge and creativity makes this economic frontier more democratic, egalitarian, and meritocratic than past eras.

What are some of the main challenges you've encountered in working with stakeholders in business, community, government, and philanthropy around the shared goal of inclusive growth?

A continual struggle is acquiring operational support, instead of just restricted grants, for organizations that would establish mechanisms for business development and growth in underserved communities. In the innovation and Competitiveness® space, organizations often receive operational support, which allows an organization's leadership to figure out the best way to deploy those resources to advance their mission. In underserved communities, organizations are almost exclusively funded with restricted program grants that essentially earmark each dollar ahead of time. I think philanthropy and government simply do not trust leaders in disinvested communities to develop and execute their own vision. The rigid investment and funding culture in disconnected communities is completely different than the more flexible models we see in economic development and innovation spaces, which makes it difficult for underserved communities to be responsive and innovative in accordance with the unique circumstances of their regions.

A related challenge is the demand for immediate action and results in underserved community development. In economic competitiveness and innovation, we do almost nothing without process. We take time to diagnose problems, aggregate and organize resources, evaluate proposed solutions, and develop comprehensive strategies. In underresourced communities, community leaders are expected to deliver results yesterday. If they don't transform something in 24 months, they risk not getting another chance at bat. This results in everyone scrambling to double down on what has always been done. I think philanthropy can help these challenges by holding existing 501(c)(3) economic development charities accountable for delivering on their charitable purpose. This includes investing in long-term resources and being patient with results.

Your book makes the case that local and regional leaders must take up Inclusive Competitiveness® as a guiding principle in their economic development. What will it take to get the right stakeholders to make this philosophical and strategic shift in their planning and resource allocation?

To paraphrase Frederick Douglass, power concedes nothing without demand. It never has, and it never will. Much like other movements in our history, disconnected communities must begin to demand to be included in the best opportunities that our nation has to offer. Part of my role is to continue to raise awareness and inculcate this narrative across the nation, so that these communities will begin to make different demands, and not allow those in power — who steward local and regional economies — to relegate us to the economic minor leagues.

At the same time, this demand should and must be met by the policymaking stewards of our economy. Since the 1980s, we've accepted a "trickle-down" approach to growth, which essentially tells disconnected people and people of color to wait for others to create economic opportunity for them. That is the antithesis of what it means to be American. I'm a big proponent of evolving to an accelerated push-down and pull-down economy, where policymaking entities, broadly defined — government, philanthropy, business — respect and embrace the responsibility to push down economic opportunity by empowering those who are disconnected from the nation's best opportunities with tools, capacities, and capabilities that allow them to reach up and pull down value for themselves, their families, and their communities.

To learn more about Inclusive Competitiveness®, check out Johnathan Holifield's new book [The Future Economy and Inclusive Competitiveness®: How Demographic Trends and Innovation Can Create Economic Prosperity for All Americans](#).