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U.S. Competitiveness Project

GROWTH & SHARED PROSPERITY

This report was authored primarily by **Karen G. Mills**.

It reflects the deliberations of senior leaders convened in **June 2015** and includes additional contributions by other Harvard Business School faculty, especially those associated with the U.S. Competitiveness Project.

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FROM THE CONVENERS

On June 3–4, 2015, Harvard Business School (HBS) convened 73 experienced leaders to discuss a topic of increasing concern in America: How can our nation continue to remain competitive while also providing a path to prosperity for more citizens of this country? Over a day and a half, chief executives, mayors, governors, university presidents, economists, and thought leaders from across the political spectrum worked together to explore some of the most difficult questions facing our communities:

- **Why does shared prosperity matter?**
- **What are potential paths to shared prosperity?**
- **How do we measure success?**

This report synthesizes the discussions at the convening as well as work on these questions that HBS faculty associated with the U.S. Competitiveness Project have completed recently.

Achieving growth and shared prosperity is a national challenge that requires our country's greatest energy and capacity for collaboration. The first step toward meeting the challenge is to begin a national conversation that is constructive, fact based, and solutions oriented. We hope that the Growth and Shared Prosperity Convening and this report contribute to such a discourse.

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Rosalind G. Brewer
President and CEO,
Sam's Club

Gerald Chertavian
Founder and CEO, Year Up

Scott Cook
Founder and Chairman of the Executive Committee, Intuit Inc.

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Chairman and CEO, Honeywell

Mitchell E. Daniels
President, Purdue University; Former Governor of Indiana

Gururaj "Desh" Deshpande
President and Chairman, Sparta Group LLC; Chairman, Tejas Networks

John Engler
President, Business Roundtable; Former Governor of Michigan

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Deval L. Patrick
Managing Partner, Bain Capital; Former Governor of Massachusetts

Damon A. Silvers
Director of Policy and Special Counsel, AFL-CIO

The co-conveners, HBS professors Jan W. Rivkin and Joseph B. Fuller, were instrumental to the success of this effort. Both helped lead the project from its inception, contributed significantly to the intellectual content of the convening, and supported the composition of this report.

We would also like to thank a number of the faculty of HBS who led sessions during the convening. We are particularly grateful to Professor Michael E. Porter, Bishop William Lawrence University Professor at HBS, for the support and leadership he provided as co-chair of the U.S. Competitiveness Project, his wise counsel leading up to the convening, and his contribution in co-leading the opening session. We would also like to say a special thanks to Professor Rosabeth Moss Kanter, Ernest L. Arbuckle Professor of Business Administration at HBS, whose session provided convening participants with the latest thinking on how local leadership could begin tackling the most pressing transportation and infrastructure challenges.

We prevailed on several other outstanding HBS faculty to lend their insights and lead a variety of sessions. For their valuable contributions, we are grateful to Allen S. Grossman, Paul M. Healy, Rebecca M. Henderson, William R. Kerr, David A. Moss, Willy C. Shih, and Mitchell B. Weiss.

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EXECUTIVE SUMMARY

In June 2015, 73 chief executives, mayors, governors, university presidents, economists, and thought leaders from across the political spectrum gathered at Harvard Business School to work on a question of deep and growing concern in the United States: How can our nation continue to grow while also providing a path to prosperity for more Americans? This briefing shares the highlights of the group's deliberations.

DEFINITION AND DATA

The group's discussions began with a definition that HBS faculty members adopted when the School launched its Project on U.S. Competitiveness four years ago: The United States is competitive to the extent that companies operating in the country can both win in global markets and lift the living standards of the average American.[1] The group reviewed data showing that by this definition, the U.S. economy is doing only half its job today. Large businesses and highly skilled workers are doing well, but small businesses and the average American are falling further behind.[3] The economy is growing, but few are sharing in the resulting prosperity. A rising number of citizens believe that the American Dream is at risk of becoming only a dream, and many U.S. parents believe that their children will not be better off than they are.[4]

ROOTS AND REMEDIES

The group then debated what has undermined shared prosperity in America. The ensuing discussion focused on three roots of the problem:

- **Inexorable forces of globalization and technological progress** have put pressure on most U.S. workers—even as they have created enormous economic opportunity for individuals with scarce skills.

AN ECONOMY DOING HALF ITS JOB

Key Data Points[2]

Income: If prosperity in America were being shared, we would expect the income of the median household to be rising in real terms. But inflation-adjusted median household income peaked in 1999 and, as of 2013, the latest year for which data are available, real median income was at a level first attained 24 years earlier.

Jobs: Shared prosperity in America requires strong job creation. Yet, the long-run growth rate in the number of private-sector jobs in America dropped sharply after the year 2000 and remains near historic lows.

Labor Force: Among working-age Americans, the labor force participation rate peaked in 1997 and has now fallen to levels not seen since the early 1980s. Much of the decline has occurred because discouraged would-be workers have dropped out of the workforce.

Prospects of Large vs. Small Firms: Both in terms of inflation-adjusted dollars and as a portion of GDP, U.S. corporate profits have been close to all-time highs in recent years. In the year between July 1, 2014, and July 1, 2015, the Dow Jones Industrial Average closed at record highs 33 times. But as large firms have prospered, the rate of new, small firms entering the economy continues to decline.

- **Institutional changes**—such as the creeping polarization of the U.S. Congress—have made it increasingly difficult to make the policy, programmatic, and resource allocation choices and changes necessary to respond to globalization and technological progress.
- **With hobbled institutions and globally mobile firms, America has systematically underinvested in "the commons"**—that is, the shared resources that countries and citizens rely on in order to be productive and competitive.[5] Underinvestment in the commons has left many Americans undereducated, inadequately skilled, unsupported by strong infrastructure, and with poor access to entrepreneurial opportunity.

These three roots help us pinpoint what can and cannot be done to address America's lack of shared prosperity. It is very unlikely, for instance, that we can reverse recent trends in globalization and technology. Similarly, the gridlock in Washington politics is unlikely to loosen in the immediate future, despite our highest hopes. Rebuilding the commons, however, is within reach. In fact, many of the convening's participants have personally led coalitions that strengthen elements of the commons, such as education, workforce skills, infrastructure, and ecosystems that support innovation and entrepreneurship.

REBUILDING THE COMMONS

Looking more closely at these efforts, three core aspects stand out. First, the efforts are **intensely local**, typically focused at the metro level. In essence, leaders in cities across the country have chosen to act to boost shared prosperity in their locales and not to wait for change in Washington, or even regionally.

Second, the efforts involve **participants from multiple sectors**—government, business, education, nonprofit, labor, philanthropy, and others—working together in innovative collaborations. We see, for instance, community colleges working with companies to train the graduates that employers want to hire; universities spurring innovations that entrepreneurs turn into new businesses; and elected officials leading coalitions that restore critical transportation infrastructure. Yet, spanning the diverse cultures of different sectors is hard work, and the leaders at our convening universally reported that such efforts are difficult to start, build, and sustain.

Third, the convening discussions emphasized **the important role of business** in efforts to rebuild the commons. In a number of American cities, business leaders have quietly but persistently assembled civic alliances that pursue growth and shared prosperity. After all, business is deeply affected by the erosion of many of the commons' elements, particularly the lack of skilled workers and the deterioration of key elements in both our country's physical infrastructure and the infrastructure that underpins innovation.

Furthermore, business leaders often have the skills and the ability to assemble the resources needed to take on large, complex problems with multiple constituencies and sustain them well beyond election cycles and political terms in office. In Minneapolis-St. Paul, for example, business and civic leaders have coalesced under the Itasca Project to confront crumbling infrastructure, gaps in skills training, and economic disparities. In Columbus, Ohio, the CEO-led Columbus Partnership has channeled the resources and expertise of the local business community to promote economic development and, increasingly, to help city agencies tackle thorny issues such as education reform.

SOLVING THE PROBLEM: CROSS-SECTOR COLLABORATION

Throughout America, we are seeing some promising activities. In a number of cities and states, new local coalitions are forming to help restore shared prosperity. These cross-sector collaborations come together to address a particular set of seemingly intractable problems in their communities. Many of these efforts are innovative, pushing beyond the traditional definition of public-private partnerships. Some look for new ways to finance social innovation, such as "pay-for-success" contracts (also known as "social-impact bonds"). Others reflect the principles of "Collective Impact,"[6] an approach to cross-sector collaboration that requires a common agenda, explicit goals and metrics to measure success, and a funded "backbone" organization to ensure continuity.

At the convening, we discussed a new framework for describing these cross-sector collaborations. This discussion confirmed one crucial fact: These collaborations are hard. They require real leadership and a sustained commitment over a long period of time. However, when the right ingredients are in place, progress is possible.

AREAS FOR ACTION

At the HBS convening, we focused much of the time on solutions. In particular, we looked at ways to move forward in four areas of the commons: PK–12 education, middle skills, entrepreneurship, and infrastructure.

In each arena, HBS faculty members shared recent research, and participants shared their experiences building and working on local initiatives.

- **Recent research by Harvard Business School faculty highlights the important role that business plays in supporting and participating in cross-sector initiatives that aim to improve PK–12 education.**[7] These entities, deemed "Collective Impact" initiatives, effectively create and carry a shared agenda among disparate stakeholders by establishing clear goals, using a shared measurement system, and encouraging constant communication.
- **Business is also key to solving the middle-skills gap.** Recent HBS research shows that there is a critical communications gap in the market for middle-skills labor. Employers need to recognize that they cannot rely on the "spot market" for skilled workers—posting job openings with the expectation that qualified workers will simply appear on demand. Educators need to cultivate ongoing relationships with local employers. Today, a handful of business-led collaborations with community colleges are achieving better outcomes for students and workers, greater clarity for educators, and lower costs in turnover and retraining for businesses themselves.
- **The third area of discussion was entrepreneurship,** which has been widely viewed as a path to the middle class[8], but is now under stress as the country continues to experience a decline in startups as a portion of all businesses.[9] A "Playbook" reviewed at the convening provides a roadmap for bolstering the three areas essential to encouraging growth in entrepreneurship: access to capital, investment in skills, and development of strong entrepreneurial ecosystems that include clusters, accelerators, and other supportive elements for small-company growth.
- **Finally, local collaborations are playing an important role in improving infrastructure.** As Rosabeth Moss Kanter described both at the convening and in her recent book, *MOVE: Putting America's Infrastructure Back in the Lead*, these collaborations are a key element to improving critical transportation infrastructure. Projects like the Miami-Dade Tunnel have demonstrated that business involvement and leadership are often critical factors in everything from concept development to the financing of these critical investments.[10]

GROWTH AND SHARED PROSPERITY

While the lack of shared prosperity in our country is worrisome, the example set by those leaders who participated in the convening leaves us optimistic. As the experiences of those leaders can attest, the difficult work of restoring the commons has begun in cities and regions across the country. However, we still face a set of tremendous hurdles. Good ideas aren't being improved upon, nor are they being shared fast enough. Agreement on how to measure shared prosperity has been elusive, and partisan politics continues to hold back progress on many of the issues that underpin greater shared prosperity.

America's future requires *both* growth *and* shared prosperity, and the awareness and urgency of this ambition are growing. As we discussed at the convening, we believe the first step is to begin a discourse that is fact based, solutions oriented, and collaborative. The next step is to accelerate the actions that work and encourage leadership—particularly from business—to take on the challenge of rebuilding the parts of America that will lead to greater growth and shared prosperity.

U.S. COMPETITIVENESS, GROWTH, AND SHARED PROSPERITY

To open the conversation about growth and shared prosperity, professors Michael E. Porter and Jan W. Rivkin drew on their work as co-leaders of Harvard Business School's U.S. Competitiveness Project.[11] This work provides an important foundation for understanding some of the key questions addressed at the convening: Why is shared prosperity important? What is the current state of shared prosperity? What are the root causes of the decline?

WHAT IS COMPETITIVENESS?

To generate growth and shared prosperity, the American economy must be competitive. Many people misunderstand the relationship among growth, shared prosperity, and competitiveness, especially because they often use the term "competitiveness" without being clear about what they mean. We find great power in this definition:

A location such as the United States is competitive to the extent that firms operating in the United States are able to compete successfully in the global economy while supporting high and rising wages and living standards for the average American.

The definition has two important parts: In a competitive economy, firms win and citizens thrive. If firms in America succeed but the average American struggles, the country is not competitive. Likewise (though this is hard to imagine today), if U.S. citizens were to prosper while American firms languished, the country would not be competitive. To put it differently, competitiveness requires not just prosperity, but also shared prosperity.

Too often, pundits argue that the United States would be more competitive if only wages here were lower. That is simply incorrect by our definition. While lower wages would make it easier for firms in the United States to win in global markets, they would not lift the living standards of the average American. Prosperity would not be shared. If we have to take a national pay cut in order to sell our goods and services abroad, that is not a sign that our nation is competitive. In fact, it's a sign that we aren't competitive.

Similarly, some commentators suggest that a cheap dollar would make America more competitive. Again, not as we define the term. A cheap dollar makes U.S. goods and services relatively inexpensive to foreign buyers and therefore boosts U.S.-based firms. But, a cheap dollar makes foreign goods expensive for American citizens and thereby lowers living standards.

The definition of competitiveness focuses attention on a particular national economic goal: high and rising productivity. Only by being highly productive—that is, superior at turning inputs into valuable outputs—can U.S.-based companies simultaneously satisfy customers around the world, pay employees well, and earn a profit.

This perspective runs contrary to the view of the many politicians who identify "jobs for jobs' sake" as the nation's top economic goal. We agree that America desperately needs more good jobs. But, we argue that good jobs are the results, not the roots, of a competitive economy. If we mistakenly focus on generating jobs for their own sake, we are likely to produce positions that support low living standards or jobs that won't withstand the pressure of global competition.

In sum, we seek a competitive America in which productive companies enjoy growth and the resulting prosperity is shared widely.

WHAT WORRIES US?

Unfortunately, today we are far from such an America. On the first half of the definition of competitiveness—the ability of U.S.-based firms to succeed in global markets—there is plenty of good news. Large companies in the United States recovered from the Great Recession faster and stronger than did their counterparts in other advanced economies. Both in terms of inflation-adjusted dollars and as a portion of GDP, U.S. corporate profits have been close to all-time highs in recent years. The Dow Jones Industrial Average closed at record highs 33 times in the year between July 1, 2014 and July 1, 2015. In 2014, U.S. exports hit a record high for the fifth consecutive year. But on the second half of the definition—the wages and living standards of the average American—the news is much grimmer. **Figures 1–6** paint the picture.

Though jobs are not the roots of a competitive economy, they are an essential result; it is hard to imagine shared prosperity in America without strong job creation. **Figure 1** shows the rolling 10-year compound annual growth rate (CAGR) in the number of private-sector jobs in America. The 2.7% figure in 1985, for instance, indicates that in the 10 years prior to 1985, the U.S. private sector added jobs at a 2.7% annual rate. For a long period, the U.S. economy could be counted upon in any given decade to produce new jobs at about a 2% annual clip. But around the year 2000, well before the Great Recession, something happened and the Great American job machine began to sputter.

Troubles in job creation are echoed in **Figure 2**, which tracks labor force participation among working-age Americans. For the United States to be a competitive economy, we not only need each worker to be highly productive, but also need many people to be in the workforce, producing. However, as **Figure 2** shows, U.S. labor force participation peaked in 1997 and has now fallen to levels not seen since the early 1980s. Some of the decline represents students staying in school longer, a good sign for the long term. However, much of the decline reflects discouraged would-be workers dropping out of the workforce.

If prosperity in America were being shared, we would expect median household income to be rising in real terms. **Figure 3** shows, however, that inflation-adjusted median household income peaked in 1999. As of 2013, the latest year for which data are available, median income was at levels first attained 24 years earlier, in 1989.

The stagnation of the median is echoed in other parts of the income distribution. **Figure 4** shows real household income over 45 years at different cuts in the income distribution. Households at the 20th and 40th percentiles of the distribution have languished with virtually flat incomes for decades. Even at the 95th percentile, gains stopped more than a decade ago.

Though most Americans have seen economic stagnation in recent years, the nation does have pockets of strong prosperity. **Figure 5** shows, in blue and on the left-hand scale, the average income among Americans in the bottom 99% of the income distribution. In red and on the right-hand scale is the average income among citizens in the top 1% of distribution. The steady rise of the blue line from the end of the Great Depression until the 1970s reflects the golden age of the American middle class. In contrast, the red line rises steadily from the 1980s onward—the golden age of the "One Percent."

The disturbing trends we observe are reflected not only in a lack of shared prosperity, but also in slow overall growth. **Figure 6** reports the compound annual growth rate of real U.S. GDP for each of the last six decades. The most recent decade was notably lackluster in comparison to the five decades that preceded it.

In sum, we see an American economy doing only half its job. Large corporations and the people who run and invest in them are prospering in the United States today, but working-class and middle-class Americans are struggling.

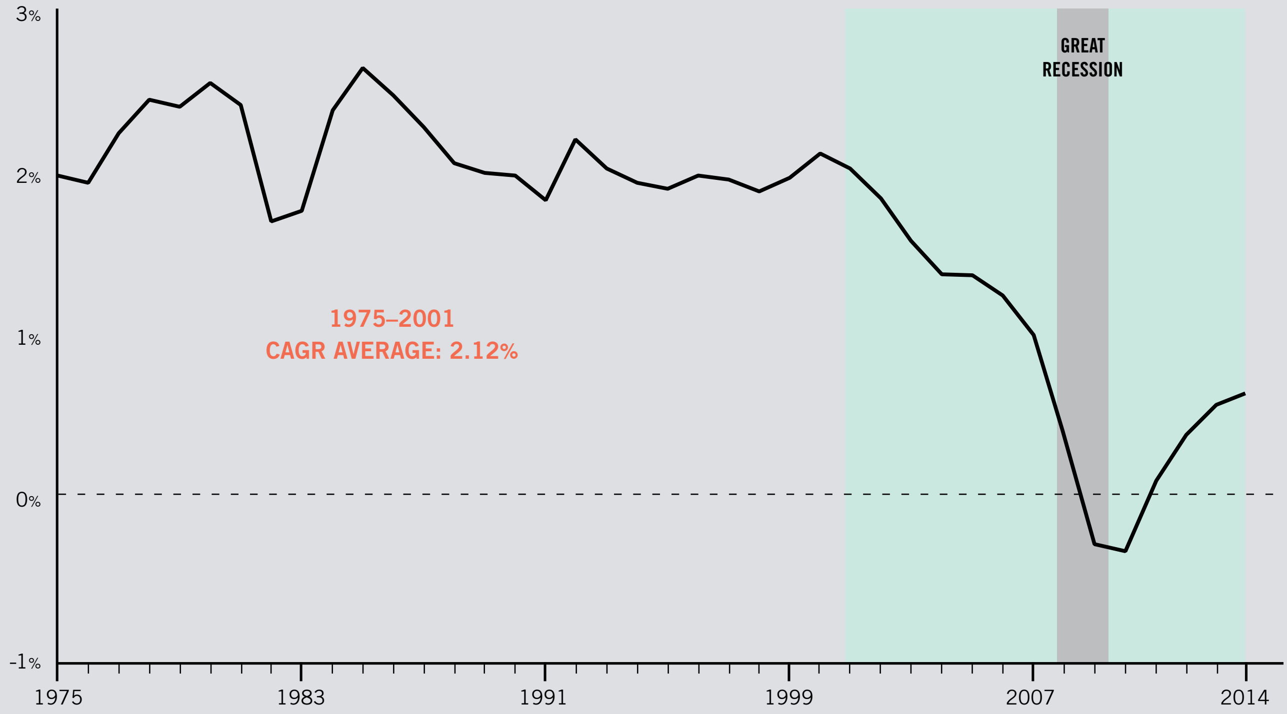
HOW DID AMERICA GET HERE?

What happened to shared prosperity in America? We offer a basic narrative that, though simplified, captures the essence of an explanation.

The narrative begins with an idea—that of "the commons."[12] The commons are a set of communal resources that companies rely on to be productive. Every company needs an educated populace, pools of skilled labor, vibrant networks of suppliers, strong infrastructure, basic research that can be commercialized, and so on. Historically in post-war America, government and business collaborated to build a highly productive commons, and Americans across the economic spectrum thrived.

FIGURE 1

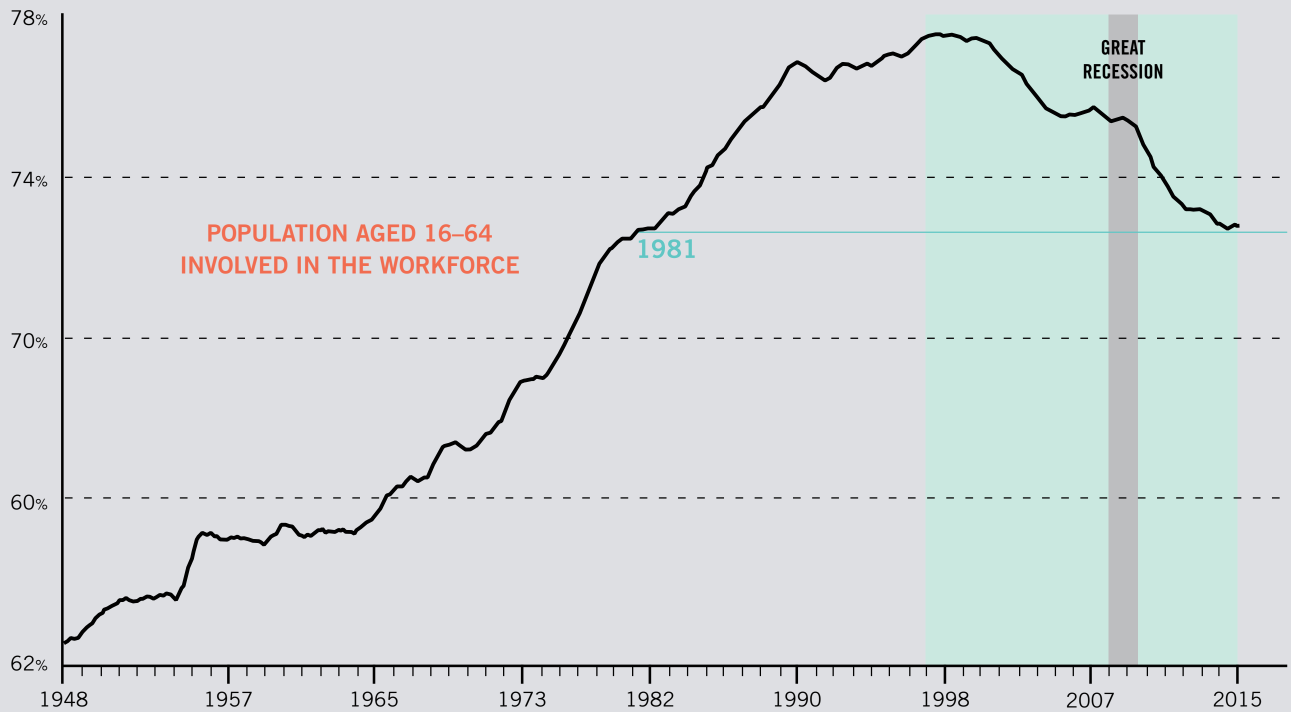
ROLLING 10-YEAR COMPOUND ANNUAL GROWTH RATE IN TOTAL NUMBER OF U.S. PRIVATE NONFARM EMPLOYEES, 1975–2014



Note: Shaded area indicates the recession of December 2007 to June 2009 as defined by the National Bureau of Economic Research.
Source: Bureau of Labor Statistics, Current Employment Statistics survey; author's calculations.

FIGURE 2

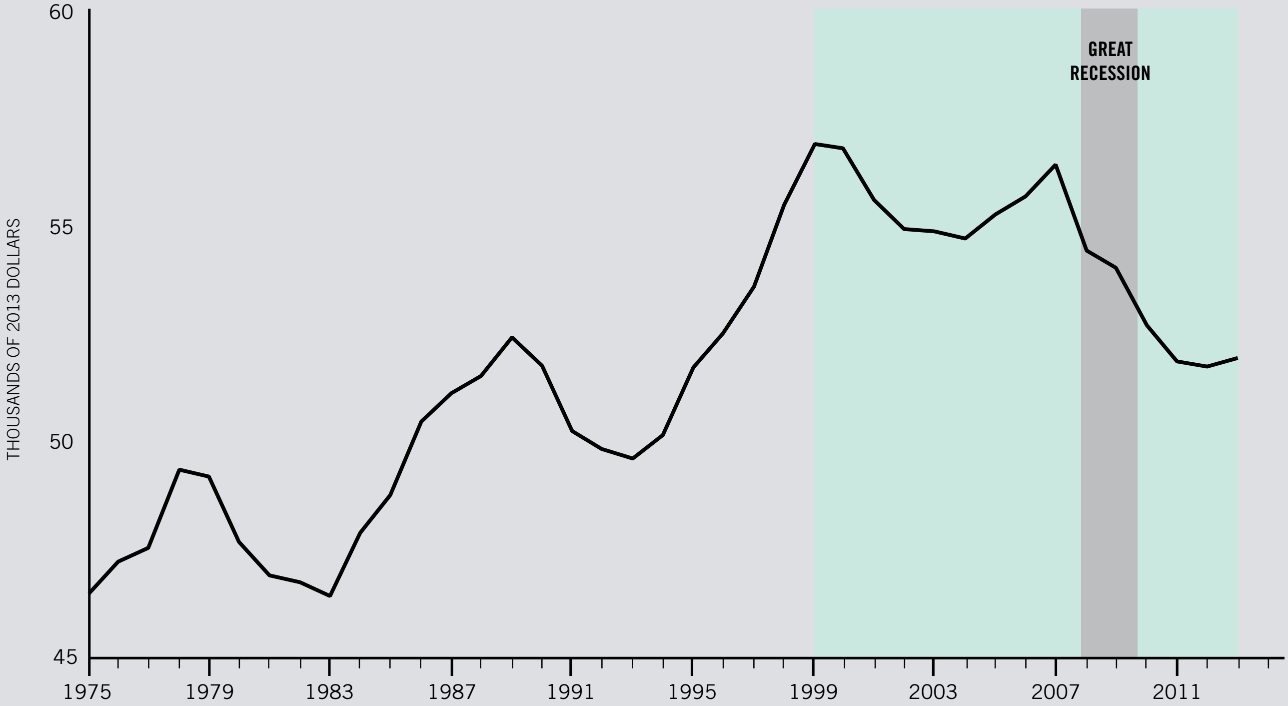
U.S. LABOR FORCE PARTICIPATION RATE



Notes: Rolling 12-month average in civilian labor force (not seasonally adjusted) over civilian noninstitutional population. Shaded area indicates the recession of December 2007 to June 2009 as defined by the National Bureau of Economic Research.
Source: Bureau of Labor Statistics, author's calculations.

FIGURE 3

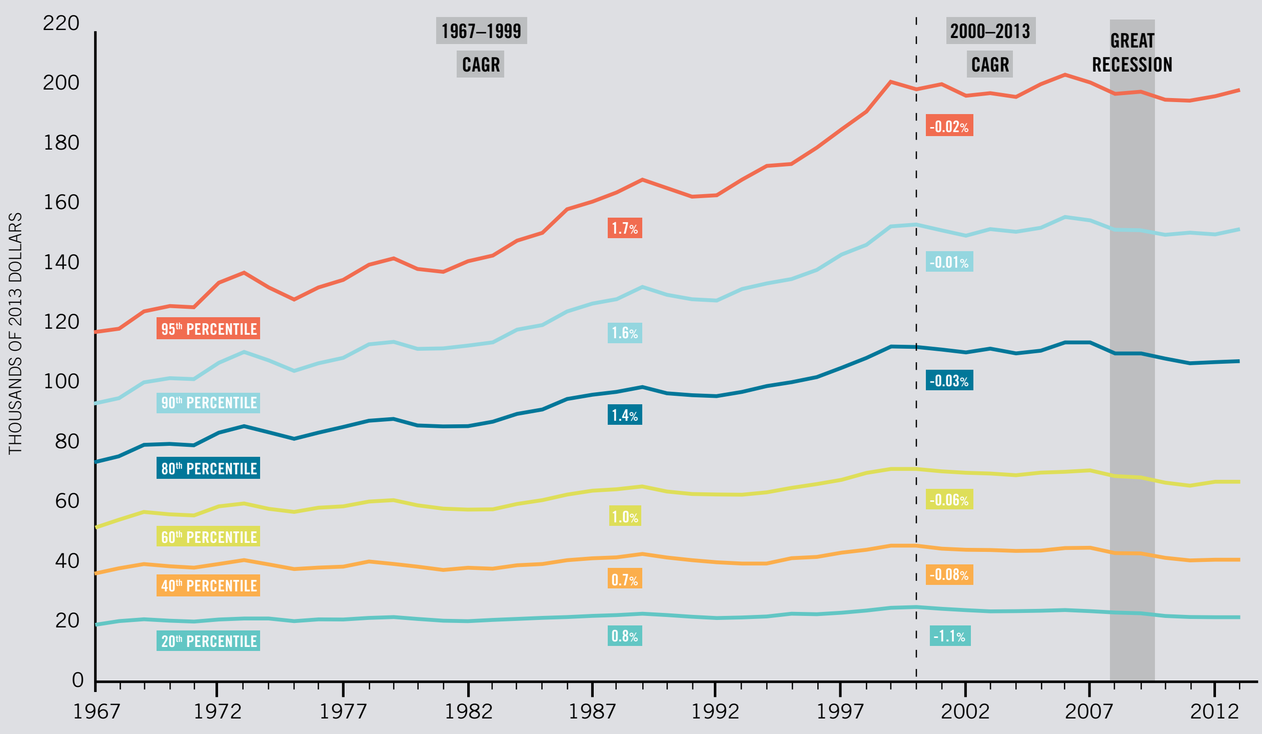
MEDIAN HOUSEHOLD INCOME, ADJUSTED FOR INFLATION



Source: U.S. Census Bureau, Current Population Survey, Annual Social and Economic Supplements. Shaded area indicates the recession of December 2007 to June 2009 as defined by the National Bureau of Economic Research.

FIGURE 4

REAL HOUSEHOLD INCOME ACROSS THE INCOME DISTRIBUTION



Notes: Household income includes wages, self-employment, retirement, interest, dividends, other investment, unemployment, disability, alimony or child support, and other periodic income. Shaded area indicates the recession of December 2007 to June 2009 as defined by the National Bureau of Economic Research.
Source: U.S. Census Bureau, Current Population Survey, Annual Social and Economic Supplements.

Starting around 1980, however, shifts in technology, geopolitics, and governance changed the game. It became possible to do business from anywhere to anywhere, and large firms became globally mobile. With new forms of automation, companies could do more with fewer, more-skilled workers. The ensuing waves of globalization and technological progress brought great benefits to American firms and consumers. But longer term, they had three other consequences.

1. **First,** they weakened the connections between companies and their communities. Less dependent on a local workforce, for instance, companies felt less compelled to invest deeply in nearby schools and skills. The commons suffered.

2. **Second,** workers—especially those in the middle of the skills spectrum—suddenly found themselves competing for jobs against hundreds of millions of ambitious workers around the world and against technology improving at the rate of Moore's Law. Workers lost bargaining power, as reflected in the decline of private-sector unions. America's middle class languished.

3. **Third,** individuals with unique skills—from celebrities and sports stars to entrepreneurs, investors, and consultants—now sell their services on a global scale, leveraged with new technology they access individually. Inequality has soared, as the One Percent has flourished.

As waves of change crashed over our middle class, American society responded in an understandable but dangerous way. Rather than redouble our investment in the commons and equip our middle class to compete in a new economy, we collectively made a series of unsustainable promises to maintain the illusion of shared prosperity: We extended credit to the middle class beyond its means, encouraged consumption, pledged to cover health care costs in retirement, expanded public-sector employment, and cut taxes across all brackets.

These promises, coupled with the Great Recession and two wars, left America's federal government fiscally overextended, politically polarized, and inadequately prepared to invest in the commons. Public funding shifted from investing for the future toward paying for the past, with infrastructure, basic research, and education suffering as a result.

In sum, with footloose firms and a hobbled government, America systematically underinvested in the common resources that underpin shared prosperity.

WHERE MIGHT ANSWERS LIE?

By this narrative, prosperity in America is no longer shared because of three intertwined types of change:

1. **The forces of globalization and technological change** are putting pressure on U.S. workers and are inexorable. We cannot hold back these forces—and even if we could, it would be unwise for America to do so.

2. **Institutional changes,** such as the creeping polarization of Congress and the weakening of labor's bargaining position, also play an important role. In theory, such changes might be reversed or altered over time, and it is surely important to consider how we can improve America's economic and political institutions. In practice, however, many years will pass, and many divisive political battles will be fought at the national level, before we reshape our institutions. Finding common ground on this front might be impossible.

3. **Systematic underinvestment in the commons** has left many American workers unprepared for global competition—undereducated, inadequately skilled, and unsupported by strong infrastructure. We see this as an unnecessary, self-inflicted wound. Moreover, it is a wound that can be healed. The commons can be restored at the local metro level, where action is much faster than at the federal level. And leaders with very different political stances—Democrats and Republicans, management and labor—can agree that shared resources, such as education, workforce skills, infrastructure, and entrepreneurial supports, deserve reinvestment.

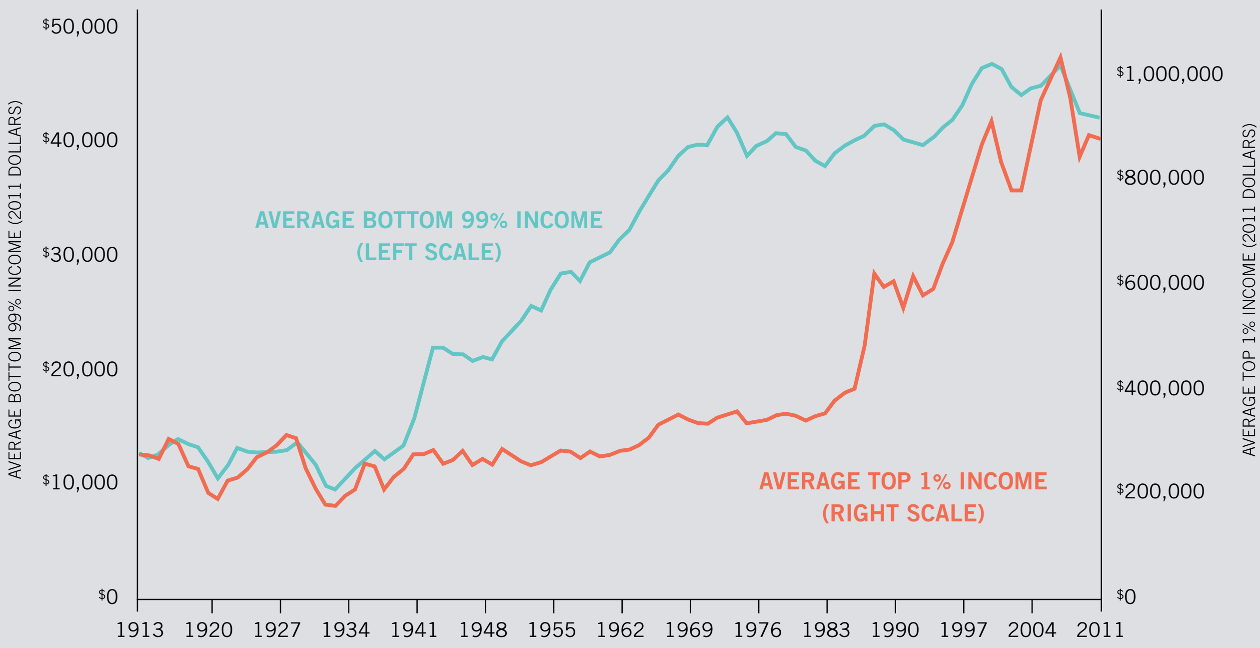
Interestingly, a closer look reveals that the work of reinvesting in the commons is already underway in many parts of America in ways that aren't readily apparent. Local leaders from all sectors and political camps are coming together in new ways to rebuild the commons. These early efforts leave us optimistic about our country's ability to reverse the disturbing trends mentioned above, and also point to what we believe is actually a critical path toward addressing issues around shared prosperity—collaboration.

THE MOMENT FOR ACTION

Why should we care about growth and shared prosperity at this particular moment? Our research to date suggests that the country stands not so much on the edge of a great precipice, but on uneven ground. The beneficiaries of the strongest aspects of our commons continue

FIGURE 5

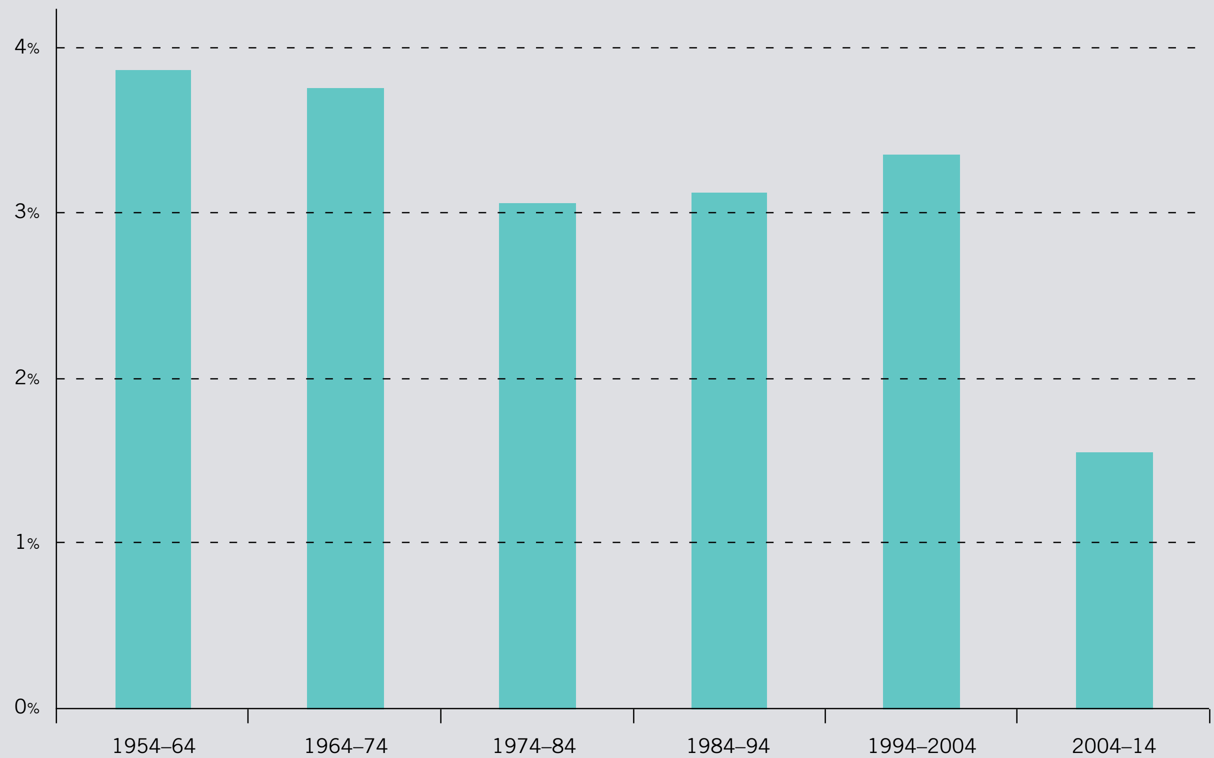
INCOMES OF THE BOTTOM 99% AND TOP 1%



Note: Excludes capital gains.
Source: T. Piketty and E. Saez, 2007, "Income and Wage Inequality in the United States 1913–2002" in A.B. Atkinson and T. Piketty, *Top Incomes over the Twentieth Century. A Contrast Between Continental European and English-Speaking Countries*, Oxford University Press, chapter 5; series updated by the same authors.

FIGURE 6

COMPOUND ANNUAL GROWTH RATE OF REAL U.S. GDP BY DECADE



Source: Bureau of Economic Analysis, author's calculations.

to thrive, while the average American worker, beholden to many of the weakest elements of those commons, languishes (see Figure 7).

We now know that the promises we once used to maintain the illusion of shared prosperity are no longer viable. Governments at all levels in our country have started to feel the pressure created by decades' worth of unfunded liabilities that have piled up on public balance sheets. Our cash-strapped governments increasingly struggle to make the investments in the commons needed to both maintain economic momentum and secure a future of shared prosperity.

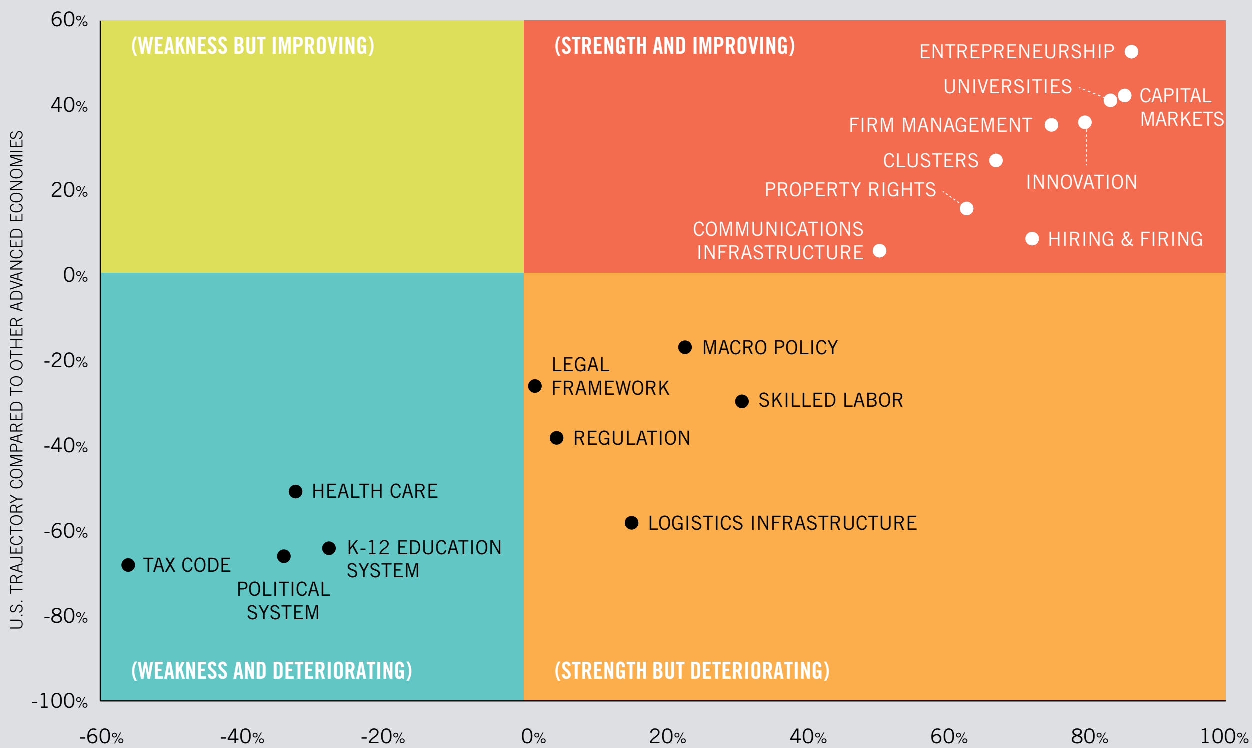
We see this as an opportunity for collective ownership, characterized by new, unlikely sets of players joining forces to rebuild the commons, one problem at a time. The first task is to find leaders who can get all the relevant parties needed to the table. Business, government, philanthropy, education, labor, and many others all have a role to play in these cross-sector collaborations. The second challenge is to pick areas of the commons where progress can be made. Later in this report, we explore four "Areas for Action" that were discussed at the convening, though more areas can certainly be added.

This is not so much an argument for greater altruism, as it is an argument for a new perspective. It's about embracing new ways of calculating the risks and costs associated with addressing intractable problems, as well as embracing new ways of working to address them. It's about realizing that narrow short-term thinking can ultimately undermine the long-run competitiveness of the entire economy.

If we can embrace this moment and summon the courage to improve the foundations of our country's incredible prosperity, we not only will be better able to share that prosperity, but we also will have more of it to share in the decades to come.

FIGURE 7

ASSESSMENTS OF ELEMENTS OF THE U.S. BUSINESS ENVIRONMENT IN 2015



Source: Harvard Business School 2015 Survey on U.S. Competitiveness.

NEW DIRECTIONS FOR CROSS-SECTOR COLLABORATION

We have argued that the United States has systematically underinvested in the common resources that underpin shared prosperity. This underinvestment has left many American workers undereducated, inadequately skilled, and unsupported by strong infrastructure in the face of global competition.

Rebuilding the commons is possible and crucial, but it requires new ways of working together. It requires innovative cross-sector collaborations that push the traditional boundaries of the types of public-private partnerships that have been successful in the past. It requires a diverse set of players acknowledging that no one sector or enterprise can address these issues alone.

In cities and towns across the country, local policymakers, businesspeople, educators, nonprofit leaders, union leaders, clergy, and others have come together across sectors to strengthen workforce skills, improve schools, restore infrastructure, and foster entrepreneurship. The diversity of this work is exhilarating, for example:

- **In North Carolina,** Siemens Corporation is collaborating with Central Piedmont Community College to provide students with the training necessary to thrive at the company upon graduation.
- **In Salt Lake County, Utah,** the local government is expanding high-quality preschool programs in the area through a pay-for-success contract with local nonprofits, educators, and private investors.
- **In Columbus, Ohio,** the Columbus Partnership is channeling the expertise of the city's business community to tackle a wide variety of issues related to the economic development of the region.

At first glance, these seem to be promising local initiatives relevant mostly to the specific communities or problems they were formed to address. However, we see something more. The common factor across these and other successful local initiatives is that they are effective cross-sector collaborations seeking to address specific problems in the local commons. Whether addressing issues related to infrastructure, education, or entrepreneurship, leaders from business, government, philanthropy, education, and broader civil society are at the table with a common agenda, a long-term time horizon, and the funding needed to make real progress.

A FRAMEWORK FOR CROSS-SECTOR COLLABORATION

Every city or region has a unique set of challenges that plague its commons—gaps that need filling so the local economy can run on all cylinders. Some of these challenges can be found in every part of the country, while others are specific to a given place.

Our research has focused mostly on the subset of challenges that the business community can and should play a major role in addressing. We see business as an important force—as validator, sustainer, and investor—in addressing parts of the commons that drive the economy, particularly in areas such as workforce skills, infrastructure, supplier networks, and ecosystems of entrepreneurship and innovation. Figure 8 describes six areas of the commons that our research has shown to be promising for new collaborations.

Many new types of cross-sector collaborations push the boundaries of traditional public-private partnerships. Our

TALENT IN MINNESOTA

For years, a gap existed between higher education programs in Minnesota and the region's largest employers. Realizing the status quo affected both the bottom lines of businesses and the career success of graduating students, the Itasca Project set out to foster a robust dialogue between higher education administrators and HR executives from the major employers of the region. The focus: ensuring students are better prepared for their first day on the job.

LIFE SCIENCES IN MASSACHUSETTS

Starting in 2003, a broad coalition of public officials, academics, leaders of local universities, investors, and entrepreneurs coalesced around the ambition of energizing the Massachusetts life sciences sector.[14] Many in this effort felt that while the sector had incredible assets, it had been underperforming its potential for years.

With the help of funding from the state government through an initiative that eventually became known as the Massachusetts Life Sciences Center, this coalition set out to systematically fill gaps in funding and collaboration throughout the sector. The state government's up-front investment provided seed capital, which in turn spurred further private investment within the region. Researchers, academics, and experts from private industry helped steer those funds to the most deserving projects. Finally, a dedicated nonprofit backbone organization focused on both coordination among the various players and disseminating knowledge about the life sciences cluster.

work has identified four types of collaborations that have been forming across the country (see **Figure 9**).

The first is **direct partnerships.** This traditional approach entails a business, or perhaps even a private foundation, targeting a specific area for investment and for working with other organizations to deliver improved outcomes in that area. This approach includes partnerships between businesses and community colleges aimed at improving skills training programs, such as the collaboration between Siemens and Central Piedmont Community College mentioned previously. Another example is Goldman Sachs' 10,000 Small Businesses initiative, which provides training and access to capital to small business owners through a partnership with a network of community development financial institutions. When business does participate in these partnerships, it does so strategically—with a careful understanding of how the collaboration will benefit both itself and its cross-sector partners.

A second approach uses innovative **funding models** and new sources of capital to solve some of society's most difficult problems. Examples include pay-for-success contracts that use debt provided by the private sector to help governments expand social programs, as well as program-related investments (PRI) from philanthropies. Many of these innovative models fall under the larger "impact investing" movement.

A **committee** approach gathers a diverse set of influential leaders, often from business, government, education, and philanthropy, to focus on cross-sector issues and collaborate on possible solutions. These collaborations might include city or statewide councils on competitiveness and economic growth, task forces, and local CEO membership organizations. Minnesota's Itasca Project is an excellent example of this approach. Committees like the Itasca Project provide credibility to efforts seeking to address issues related to the commons and focus valuable resources and attention on those issues. While the idea of locally or regionally focused councils or committees is not new, many of these entities have stepped beyond their traditional roles and have become essential to meaningful change and growth in their communities.

One last approach has gained steam over the past few years. **Networks with a "backbone" organization** consist of a group of committed and influential actors and organizations making a long-term commitment to a common agenda. The consortium provides funding and other resources to maintain a staff and dedicated backbone support that focuses exclusively on the goals of the group. Some examples include "Collective Impact"[13] initiatives and industry cluster organizations, such as the Massachusetts Life Sciences Center.[14] The power of these efforts is derived from their ability to coordinate a variety of organizations and sectors to attack an issue from different angles, resulting in a higher likelihood of success, especially for those issues that don't fit nicely into a single sector.

Figure 10 combines these two elements, the areas of the commons in need of attention and the types of partnerships and new collaborations, into a single framework that charts the possible ways that local leaders can engage in cross-sector partnerships. A few of the examples discussed previously are plotted in this framework as illustrations.

WHY IS COLLABORATING SO HARD?

Unfortunately, understanding challenges across the commons and forming a coalition of dedicated leaders to tackle them are often just the first steps on a difficult journey. This work is innately complicated for many reasons, which include:

Participants bring diverse perspectives to the table

All of these collaborations—whether they are a partnership between a single business and a single community college or a broad coalition of representatives that spans sectors—require coordinating stakeholders with different perspectives, strengths, and working styles. Even when the right players come to the table, aligning them around shared priorities usually means hashing out differences, compromising, and gradually building up trust. While in the best scenarios the diversity of actors becomes the lynchpin factor of an effort, it often represents one of the largest initial hurdles as well.

Not all leaders are fully committed

Despite the promising potential of rebuilding the commons through cross-sector collaboration, all too often we observe individual leaders refusing to engage on the principle that these issues aren't theirs to worry about. These leaders often fail to calculate the full costs of certain gaps in the commons to their own enterprises. There are many reasons that so many leaders share this viewpoint (the payoffs come well into the future, solutions don't exclusively benefit individual actors, etc.). It's only when individual leaders begin to fully appreciate and calculate the risks and costs associated with gaps in the commons that collaborating becomes an appealing option.

FIGURE 8

AREAS OF THE COMMONS IN NEED OF REBUILDING

PK–12 Education System	The policies, structures, and curricula related to the public education system
Skilled Workforce	The programs, structures, and curricula related to training workers
Network of Suppliers	The existence of a robust ecosystem of interdependent firms in a specific region
Infrastructure and Transportation	Reliable and well-functioning roads, bridges, ports, and public transportation systems
Entrepreneurial Ecosystems	The policies, assets, and support structures that encourage new business formation and growth
Innovation Ecosystems	The policies, assets, and support structures that encourage research, development, and commercialization of new ideas

FIGURE 9

EMERGING TYPES OF CROSS-SECTOR COLLABORATIONS

Direct Partnerships	Funding Models	Committees	Networks with a Backbone Organization
Mutually beneficial partnerships among business, educators, governments, or other community actors.	Leveraging of private capital for investments in public goods. *Examples include:* Pay-for-success contracts (i.e., social-impact bonds) Impact investing Project-related investments (PRIs)	Formal or informal groups of local leaders that are devoted to addressing issues related to the commons. *Examples include:* Civic alliances Advisory councils	Long-term commitments to a common agenda from a group of influential actors from multiple sectors—supported by dedicated administrative infrastructure. *Examples include:* Collective Impact initiatives Industry cluster initiatives

It requires long timeframes

Projects that seek to address gaps in areas such as workforce skills, public education, and transportation in a region take time to conceive, support, and implement. Moreover, successful outcomes of such projects are often measured deep into the future, requiring patience and fortitude from participants. Finally, those efforts that require working closely with government (which many do) are subject to political risk as administrations turn over and funding priorities evolve. This is one reason why involvement from business and nonpolitical partners is so important.

WHAT MAKES COLLABORATIONS WORK?

So, how can sector leaders overcome these hurdles? Examples of cross-sector collaborations that seem to be making progress in the commons often share a common set of characteristics:

Dedicated, catalytic leadership

Successful collaborations often spring up in places where a handful of leaders embody three qualities:

1. They are influential within both their own organizations and sectors.
2. They have an ability to see the big picture and think about long-term risks.
3. They have a meaningful stake in the local area where the collaboration efforts are concentrated.

A critical mass of leaders with these three particular qualities can engender a culture of collaboration in a specific place. When such a culture becomes the norm—as it has in places like Columbus, Ohio and the Minneapolis-St. Paul region—leaders who move into the area quickly learn that the expectation is that everyone will play a role in collaborating to rebuild the commons.

Alignment around a shared agenda

Establishing a common agenda encourages the reconciliation of the various perspectives that are inherent in having a diverse set of players at a common table. While complete agreement is unrealistic, collective buy-in around the key goals and processes for a particular effort can be a powerful means of aligning the efforts of each player.

Measurement and honest self-assessment

Defining the desired outcomes of an effort and agreeing on how to measure progress encourages transparency. It also provides a common language that all players can use to stay aligned and hold each other accountable. That measurement becomes an essential tool for honest

FIGURE 10

NEW TYPES OF CROSS-SECTOR COLLABORATIONS ARE HELPING TO REBUILD THE COMMONS

	Direct Partnerships	Funding Models	Committees	Networks with a Backbone Organization
PK–12 Education		Salt Lake County Pay-for-Success Contract	The Itasca Project	
Skilled Workforce	Siemens and Central Piedmont Community College			
Network of Suppliers				
Infrastructure & Transportation				
Entrepreneurial Ecosystems				Massachusetts Life Sciences Center
Innovation Ecosystems				

self-assessment and third-party audits. Such periodic assessments allow efforts to stay alive only as long as they continue to be useful.

WHERE DO WE GO FROM HERE?

The shared prosperity challenges we face across our commons require new ways of working together and a broader application of the best models of collaboration we've seen across the country. It is increasingly clear that these efforts start with individuals. The leaders at the heart of the examples touched on in our research and this report more often than not display a nuanced understanding of local systems, a practiced ability to partner across political and ideological boundaries, and a propensity for long-term thinking.

In addition to inspired leadership, clarity regarding the areas of the local commons most in need of rebuilding through cross-sector engagement is necessary. This clarity starts with the recognition that issues related to the commons are shared problems that require a collective effort. Rebuilding the commons through cross-sector collaboration benefits all who come to the table and puts our communities on the track toward greater shared prosperity.

AREAS FOR ACTION

Shared prosperity is emerging as one of the defining issues of the moment, and it will play an increasingly important role in policy conversations as the 2016 presidential elections move into full swing. However, beyond an initial agreement that shared prosperity is a critical issue, there is little consensus on what can be done to improve it.

In prior sections, we have argued that reinvesting in the commons is one way that we can begin to improve shared prosperity across the country. After all, the commons are simply the shared resources that allow our communities, citizens, and companies to be productive and competitive. For the purpose of this convening and report, we have focused on four areas of the commons that we believe are foundational to an economy that has both growth and shared prosperity: Workforce Skills, PK–12 Education, Entrepreneurial Ecosystems, and Infrastructure. In this section, we propose ways that local leaders can collaborate across these four areas of the commons.

THE SKILLS GAP

ADDRESSING THE SKILLS GAP

Key Takeaways for Local Leadership

Companies should develop talent management pipelines, focused on those jobs that consistently prove hard to fill or that are essential to their competitive advantage.

Employers should vest more responsibility in industry associations and local business groups that act as focal points for collaborations with local educators and policymakers.

Educators should define their success and be evaluated on a broader set of metrics, including those related to timely completion of a course of study and employment in a field of study.

Policymakers should seek to catalyze new relationships between employers and educators by developing better data on job placements, encouraging industries to develop common definitions of credentials, and streamlining the process for employers to implement apprenticeship and cooperative education programs.

Leaders of all types should emphasize the importance of post-secondary credentials and reduce the propensity to characterize four-year college degrees as the sole means of making it in America.

All competitive economies have at their foundation a productive, motivated workforce that is both equipped to meet today's requirements and capable of learning new skills as those requirements evolve. The consistent inability of American employers—across industries, regions, and job classifications—to find workers with the requisite skills suggests that the United States lacks a workforce development system that can meet that standard. Stagnant hourly earnings and near record-low workforce participation rates would seem to confirm that judgment. While we lack a consensus as to why America's workforce development system performs inefficiently, improving its performance is essential if the United States is to remain a locale where companies can remain competitive while providing average citizens with high and rising wages.

Achieving that goal will require more than fine-tuning the current system. It will require the three central actors in skills development—employers, educators, and policymakers—to acknowledge that only substantial change will bring about a substantially different result. Employers must recognize that they cannot rely on the "spot market" for skilled workers, posting job openings with the expectation that qualified workers will simply appear on demand. Rather, they should begin to embrace the responsibility of leading the skills development system by defining job requirements and helping educators refine their programs to meet those needs. Companies would do well to employ the logic used in established supply-chain and total quality management programs in assuming this role.

Educators and policymakers must work actively to support business in its new role. Leaders in school districts and community colleges should cultivate ongoing relationships with local employers, viewing them as customers with the most important currency in the marketplace for skills: jobs. Policymakers should view their principal role as improving the dialogue between employers and educators by resisting the urge to sponsor new programs, fund initiatives targeting specific segments of the population, or support specific industries. Average Americans will benefit far more from investments that make the market for jobs more efficient than from well-meaning, short-term efforts to address highly visible, but transitory needs.

Further discussion of the skills gap can be found in a recently released report by Harvard Business School, Accenture, and Burning Glass Technologies.

PK–12 EDUCATION

SUCCESS DRIVERS FOR IMPROVING PK–12 EDUCATION

Key Takeaways for Local Leadership

An unrelenting focus on measurement and results: Measurement is at the core of conversations about which programs are effective and how to improve them.

Educator leadership: Top public education leaders are involved; without their buy-in, deep change is highly unlikely.

No one best way: The initiative is adapted to local circumstances, and the components of the local ecosystem fit with one another and align with the needs of the community.

Questions before answers: Business and other leaders listen carefully, ask questions, and know the issues before advocating for approaches.

Humility in the face of complexity: Business leaders develop an understanding that solving problems in the social sector—with multiple stakeholders, no central control, and multifaceted goals—is often more complex than tackling business issues.

Harnessing diversity: Sensitivity to inequality and issues of race and class is present in initiative discussions.

Building management capacity: Ecosystem leaders have the management capacity to design, implement, and sustain change.

Note: The above points reflect the findings of the recently published report, "Business Aligning for Students: The Promise of Collective Impact" by Allen Grossman and Ann Lombard.[15]

There is nothing more fundamental to achieving growth and shared prosperity than ensuring that our nation's young people are able to get the education they need to fulfill their potential. While this is an important matter of equity, it is also critical to improving our nation's competitiveness. When our public education system fails to prepare large numbers of graduates for college or careers, businesses have difficulty finding adequately skilled workers and many workers struggle to find jobs that offer them a high and rising standard of living.

While it's true that businesses, nonprofits, and others are working to strengthen the supports that will allow students to realize their potential (to the tune of $3–4 billion annually[16]), much of this work happens in isolation. As a result, there are redundancies and an oversupply of services in some areas, while badly needed support is entirely absent in others.

A promising new approach, called **Collective Impact**, can transform a chaotic nonprofit service-delivery system to one of coherence. These initiatives, such as the Strive Partnership[17] of greater Cincinnati and the Promise Partnerships[18] of greater Salt Lake, bring community leaders together from the school district, nonprofit organizations, government, parent groups, business, and religious organizations to tackle persistent issues across the entire PK–12 education system.

The Collective Impact movement grew organically in several communities throughout the country over the past few decades, but was first identified and named by John Kania and Mark Kramer in the article "Collective Impact" published in the *Stanford Social Innovation Review* in 2011.[19] These initiatives *do not* represent a "quick fix." Like most areas of the commons in need of rebuilding, solutions that take on the complex, systemic issues in the education space take time. However, as these initiatives propagate in communities and regions throughout the country, the sum of their efforts has the potential to move the needle nationally.

The "Cradle to Career"[20] Collective Impact initiatives that are rapidly expanding across the sector focus on four elements that are mostly absent in today's education ecosystem but are critical to high performance: developing a common set of goals for PK–12 youngsters, improving the quality and coverage of services, identifying best practices, and measuring results.

Like all of the areas for action discussed in this report, there is an essential and sustaining role for business as participants—and even as leaders—in these efforts. Employers have a critical need for strong PK–12 education systems that function as the foundation of a productive, skilled workforce. In recently published HBS research, Collective Impact initiative leaders were surveyed about the importance of business engagement in their efforts. An overwhelming 96% of those surveyed responded that business was either critical or very important to their work.[21] Collective Impact initiative leaders want and need business at the table.

ENTREPRENEURIAL ECOSYSTEMS

BUILDING ENTREPRENEURIAL ECOSYSTEMS
Key Takeaways for Local Leadership

Focus on building a positive environment for entrepreneurship and innovation as an alternative or additional strategy to attracting large companies to the region.

Support and participate in partnerships and dialogues that combine business, government, research universities, and entrepreneurs.

Support policies crucial to entrepreneurship including:

- Improving access to capital for startups and growing companies.
- Building entrepreneurial skills and networks.
- Creating strong innovation ecosystems, particularly through initiatives like cluster organizations, accelerators, and innovation districts.

For years, entrepreneurship has been one of America's most important competitive advantages. While entrepreneurship remains strong in this country, recent HBS research indicates that there are reasons to believe that this historical strength may be at risk.[22]

Entrepreneurs and the small businesses they create have historically been responsible for two-thirds of the net new jobs created in the United States. Today, nearly half of all working Americans either own or work for a small business. And, while individual entrepreneurs are heralded as innovators and Silicon Valley thrives, the portion of both firms and employment that startups account for continues to drop in this country.[23] There are many possible explanations for this worrisome fact. It could be a sign that entrepreneurship is less available to those without accumulated wealth, valuable connections, or a major financial asset, such as a home, that can be leveraged to start a business. It could be that those would-be entrepreneurs who are burdened by high student debt loads feel that they just can't take on the inherent risks of starting a new business.[24]

Whatever the reasons for the decline (and there are many plausible reasons), now is the time to focus on bolstering the components of the ecosystems that support entrepreneurship[25]. In the past, large companies were the key to job creation, which is why many policymakers continue to compete to lure large companies to their jurisdictions to build new facilities by offering tax breaks and multibillion-dollar incentive packages (a practice sometimes known as "elephant hunting"). Unfortunately, these opportunities are expensive and increasingly rare.

FIGURE 11

A PLAYBOOK FOR STRENGTHENING ENTREPRENEURSHIP AND BUSINESS FORMATION

POLICYMAKERS	Access to Capital	People and Skills	Ecosystems
Federal ↑ State and Regional ↓ Local	Small Business Administration Loans and other loan guarantee funds Community Development Financial Institutions (CDFI) Angel funds and tax credits Seed investment funds Community Reinvestment Act (CRA) Business plan competitions	Entrepreneurship education (mentoring, classes, online education) Science, Technology, Engineering, and Mathematics (STEM) education Address "middle skills" with partnerships between business and community colleges	Manufacturing institutes Research/commercialization grants Cluster initiatives Incubators and accelerators Innovation districts Main Street associations

Note: The policies listed under each segment are examples; lists are not exhaustive.
Source: Karen G. Mills.

A more effective and sustainable strategy is to focus on fostering ecosystems, or the support systems, that spur entrepreneurship and allow small businesses to flourish.

Two important themes have emerged from examples of successful programs that strengthen entrepreneurial ecosystems. First, the initiatives that work tend to involve partnerships among many players: business, government, research universities and community colleges, as well as the entrepreneurs themselves. Second, there is no one-size-fits-all package to help budding small businesses, precisely because each of the different types of small businesses has distinct needs. Recent work proposes a "Playbook" approach to meeting these needs (see **Figure 11**). This policy menu is based on the three core needs of small business: access to capital, people and skills, and ecosystems.

Policymakers, entrepreneurs, and the business community can encourage innovation and entrepreneurship by putting their collective resources around efforts as varied as cluster organizations, startup competitions, and angel funds. These are bipartisan issues ripe for attention, and new programs are already gaining traction at the federal, state, and local levels across the country.

TRANSPORTATION AND INFRASTRUCTURE

INVESTING IN INFRASTRUCTURE

Key Takeaways for Local Leadership

Change the conversation to align diverse interests and emphasize cross-sector partnerships.

Encourage technology entrepreneurs to be at the table with established companies, elected officials, financiers, and consumers.

Frame infrastructure and transportation investments as an issue of mobility (e.g., physical mobility shapes social mobility; mobility means opportunity for individuals, families, businesses, and communities, etc.).

Support multi-modal systems powered by data and transparency.

The state of transportation infrastructure has implications for every major issue our country faces: the risk of injury or death, the quality of air, and how first responders reach people in emergencies. In education, it impacts the access and time required to get to a good school. Infrastructure accounts for whether people have access to good jobs. Problems from port delays to parking shortages affect businesses' ability to compete. Environmentally, it accounts for more than a quarter of U.S. greenhouse gas emissions. And, it has a bearing on poverty and inequality in that people in low-income areas have fewer options to get to jobs, get affordable groceries, or even get their choices for health care and schools. In short, infrastructure—particularly that which supports the transportation of people, goods, and services—is a critical area of the commons.

In the past, infrastructure investment was built around a common need—defense. Building an interstate highway system and accelerating aviation, for instance, were shared goals and justified expenditures because they were critical to our country's national security. Today, growth and shared prosperity are as important as defense. However, if national security and defense are no longer sufficient reasons to maintain and invest in our country's transportation infrastructure, growth and shared prosperity certainly are.

Not only would infrastructure investment create high- and rising-wage jobs, but it also would afford mobility—one of the most critical components of a well-functioning, 21st-century economy. Greater mobility means opportunity for individuals, families, businesses, and communities.

Transportation is the ultimate connector, yet it is often discussed in silos, industry by industry, one mode of transportation at a time, with the private sector separated from public policy. While Congress has been stuck in gridlock, leadership at the regional and local levels is actually making progress. But, because our system relies on federal grants for small and large projects, real progress is difficult without a change of narrative at the national level and a recognition that infrastructure has no ideology or party.

Further discussion of transportation infrastructure and the key suggestions reviewed at the convening, including a discussion on the many examples of new cross-sector initiatives at the local level, can be found in Rosabeth Moss Kanter's recent book, *MOVE: Putting America's Infrastructure Back in the Lead*.

MEASURING GROWTH AND SHARED PROSPERITY

THE IMPORTANCE OF MEASUREMENT

As leaders set out to spark conversations about growth and shared prosperity in their own communities and spheres of influence, they would be served well by recalling the old adage, "What gets measured gets done." Measurement can be a powerful catalyzing force, and we believe it will play a critical role in the larger effort to rebuild the commons and engender a more inclusive overall economy.

For a tangible example of how powerful measurement can be, we need look no further than the "growth" component of growth and shared prosperity. Prior to the Great Depression, the United States had no comprehensive measure of national income and output. When crafting economic policies, politicians and economists were forced to consider a disjointed collection of statistics that measured everything from stock prices to freight car loadings. In reaction to this deficiency, the economist Simon Kuznets led a team of economists to develop the national accounts during the 1930s, which ultimately laid the foundation for arguably two of the most important indicators of economic growth of the last century: gross national product (GNP) and gross domestic product (GDP).[26]

These related measures of the aggregated value of goods and services produced throughout the economy in any given year provided policymakers with the comprehensive view of the economy they needed to align policy agendas with growth aspirations. GNP and GDP were in use as early as 1942 in the United States and continue to be influential indicators to this day.

Today's quarterly GDP postings are bellwether measures of the economy and are watched carefully by market makers, elected officials, and ordinary citizens alike. These measures have become, in the words of Nobel Laureate Paul Samuelson and economist William Nordhaus, "beacons that help policymakers steer the economy toward the key economic objectives."[27]

But what are the beacons that will help steer the economy to both growth and shared prosperity? How do we refocus and redefine the way we measure the economy so that market makers, elected officials, and ordinary citizens can hold one another accountable to an evolved notion of economic success? We posed these questions to the 73 thought leaders, CEOs, and public officials who attended the Growth and Shared Prosperity Convening at HBS. What follows is a summary of their input.

INSIGHTS FROM THE CONVENING

Convening participants were provided a handful of observable measures under three broad categories—economic indicators, education indicators, and social indicators—and were asked to pick five of those measures that they felt did the best job capturing the notion of "shared prosperity." Participants were also asked to describe indicators that were not listed, but which they felt were important, even if there was no existing effort to collect related data and/or track such indicators. **Figure 12** summarizes the list of measures that participants were provided, marks which indicators were chosen frequently (blue highlights indicate measures that invoked broad consensus), and lists proposed alternatives that surfaced during the conversations.

Participants brought vastly different perspectives to their conversations about the measurement of shared prosperity, and as such only a few indicators captured broad consensus. This diversity of opinion on the subject of measurement indicates how many elements are part of the concept of shared prosperity, and how little consensus there is currently on what comprises it.

There was broad agreement among participants that capturing an assorted set of indicators in an index or composite score could be a worthwhile alternative to a single measure. Several organizations have attempted to do just that, most notably the United Nations with the Human Development Index[28], the Organization for Economic Co-operation and Development (OECD) with the Better Life Index[29], and the Social Progress Imperative with the Social Progress Index.[30] Yet, for a number of reasons including the lack of consistent data and technical issues with indices, no composite indicator has gained traction in the national conversation.

While boiling down shared prosperity to a single indicator is difficult, the story of GDP reminds us that there is plenty of potential upside to doing so. GDP has its limitations and its critics, but it is difficult to argue that GDP has not been an immensely valuable tool for policymakers and economists. One particularly interesting proposal that surfaced during the convening was for the construction of a single measure that combined both a proxy for growth and a proxy for shared prosperity.

Such a measure might use GDP for the growth proxy. For shared prosperity, the proposed proxy was the ratio of households with income at a certain level above a reasonable cost of living. Such a measure would take into account the cost of an important basket of household needs, such as housing, food, transportation, recreation, education, and retirement. By measuring the percent of households with income at some fixed percent above the threshold level, we might be able to construct a decent approximation of the level of shared prosperity in the nation. By multiplying this potential proxy of shared prosperity with a growth indicator like GDP, we might be able to begin to track progress on this multifaceted issue with a single, easy-to-grasp statistic.

Our hope is that these early conversations provide the basis for more dialogue among academics, policymakers, and thought leaders on how best to measure and track this critically important concept.

FIGURE 12

INDICATOR PREFERENCES OF PARTICIPANTS OF HBS'S U.S. GROWTH AND SHARED PROSPERITY CONVENING

☆ INDICATORS WERE CHOSEN FREQUENTLY

★ MEASURES THAT INVOKED BROAD CONSENSUS

Economic Indicators

PROVIDED

- ☆ Underemployment + unemployment
- ★ Labor participation rate
- ★ Net job creation
- Median income
- CAGR median income (compound annual growth rate of median income)
- Mean income
- ☆ CAGR mean income (compound annual growth rate of mean income)
- ★ Poverty rate
- 80/20 ratio (ratio of household income at the 80th percentile to that at the 20th percentile)
- Average spending on housing (as % of annual income)
- ★ % reporting that it's a good time to find a quality job (from Gallup surveys)
- Average real income among those in the bottom 40% of the income distribution
- Average real income among those in the 90th percentile or below
- Ratio of average real income growth of the top 10% vs. the bottom 90%
- The expected adult income percentile of an individual whose family was at the 25th percentile when the individual was a child
- Median net worth among households near retirement
- Portion of high-school graduates employed, going to college, or joining the military upon graduation
- "Corporate Gini"—i.e., the ratio of CEO compensation to median employee earnings within companies
- ☆ Number of new business starts (annual)

PARTICIPANT PROPOSED

- ☆ Measure of generational economic mobility
- ☆ % of federal budget on certain public goods (e.g., infrastructure)
- ☆ Average number of minutes it takes to get to a job

Education Indicators

PROVIDED

- ☆ Community college graduation rates
- Mean time to graduation for students enrolled in community colleges
- ★ High-school graduation rates
- % of young adults with associate degrees
- % of young adults with bachelor degrees or higher
- ☆ Level of student debt
- ★ Portion of children arriving in kindergarten adequately prepared to learn
- ★ 4th-grade reading scores—% proficient or above for the 25th percentile
- 8th-grade math scores—% proficient or above for the 25th percentile

PARTICIPANT PROPOSED

- ☆ Proportion of high-school graduates employed, going to college, or joining the military upon graduation
- ☆ Level of workforce skills
- ☆ Gaps between those skills and the demand from employers
- ☆ Special education assessments

Social Indicators

PROVIDED

- % of population with access to broadband
- % of adults ages 19–64 uninsured
- % of individuals with high out-of-pocket medical spending relative to their annual household income
- ☆ % of two-earner households vs. single-earner households
- Incarceration rates

PARTICIPANT PROPOSED

- ☆ Homelessness rates
- ☆ Life expectancy

CONCLUSION

In June 2015, 73 leaders gathered at Harvard Business School to address what might be the most important economic questions in our country today: How can we have both growth and shared prosperity? How can we keep our competitive position in the world while at the same time raise the standard of living for the average American?

The 2016 presidential election seems likely to be dominated by a series of related questions. What has happened to the middle class? Why does the American Dream seem harder and harder to attain? How can our country's leaders take action to set us on a better path?

Among other issues, systematic underinvestment in the commons has emerged as one of the root causes of the lack of shared prosperity in the United States today. American workers need stronger basic education and skills training to meet the demands of our evolving businesses. Our businesses and their employees need more efficient transportation systems and better research infrastructure to drive productivity. Our entrepreneurs need enhanced policies and investments to grow their new businesses. These are challenges that can be addressed.

Investments in these areas are "win-win." Leaders with very different political stances—Democrats and Republicans, management and labor—can agree that rebuilding shared resources such as education, workforce skills training, infrastructure, and entrepreneurial supports, can ultimately move our country toward greater growth and shared prosperity. The challenge today is to change the national conversation—no small task. Leaders from politics, business, education, philanthropy, and other critical sectors need to decide that this is the moment to step up and take on the task of rebuilding the commons together, as they are the foundation of our nation's future.

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