

# Regional Goals

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Using Metro Outlook’s economic model, the indicators that measure our progress, and your feedback, we hope to be able to answer some of these questions.

Metro Outlook begins with a vision of the Kansas City area as a great metropolitan region — a world-class city — effectively competing in the global economy by sustaining a rising quality of life attractive to talented people.

Metro Outlook 2.0 uses earlier reports to synthesize a set of regional goals to help reach that vision. These goals are:

1. Economic competitiveness rooted in innovative capacity
  - a. Such competitiveness requires regions to specialize in what they do, creating highly developed clusters of activity where competing firms spur each other to higher levels of performance.
  - b. University excellence is at the root of most basic innovations. It is also an attraction for young, talented student-entrepreneurs and the seed capital to nourish them.
2. High levels and use of human capacity
  - a. This begins with universal quality education that not only leaves no child behind, but also enables all children to reach their full potential.
  - b. To ensure children enter school ready to learn and parents are actively involved in their children’s learning will additionally require strong family support systems.
  - c. Existing racial disparities mean that a large segment of the population is underutilized. Instead of being uncomfortable with differences, we need to develop a culture that embraces diversity as a source of strength, resilience and innovation.
3. Inherent attractiveness of place and amenities
  - a. Virtually all regions have some great suburbs. But great regions also have a vital urban center that gives the area a unique identity and all regional residents something to be proud of.
  - b. World-class cultural and recreational opportunities also create a sense of place in a region. While often associated with the urban center, such amenities may also be located in suburban, natural or historic areas.
  - c. What’s most important is a region where all parts are healthy. So in addition, the best regions also have thriving first suburbs — the areas with the oldest post-World War II housing — along with vital downtowns and growing new suburbs.
4. Social cohesion
  - a. Communities with a high level of trust across geographic and social communities are better able to understand and reconcile differing points of view.
  - b. This enables them to reach agreement on actions and policies that serve the common good. In turn, this increases their . . .
5. Strategic decision-making capacity
  - a. Making strategic regional decisions also requires effective leadership institutions to develop a policy agenda and garner the support necessary to successfully implement it.
  - b. That support is easier to obtain if the region possesses an engaged citizenry able to influence policy. While discussions may lead to compromise, the end result is usually a better and more widely embraced policy. In addition, average citizens may be more willing to accept risk and change than those citizens their leaders most often hear from.
6. Efficiency in the use of resources
  - a. In the long run, economic competitiveness must operate within natural limits. Moreover, a healthy natural environment can be a significant attraction to talented people.
  - b. In addition, greater efficiency ultimately means lower costs and increased capacity for investing in the future. In particular, strong mobility and accessibility networks can help save time and energy costs and, in addition, increase the sense of place and level of social cohesion.

The Metro Outlook model demonstrates how these goals are interconnected and how improving one should influence others.

# The Metro Outlook Model

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## **Why create a model?**

“Over time, we can concentrate only on the set of indicators that provides independent information about how the region is doing and whether it is moving in the right direction.”

Having identified goals, it is tempting to proceed directly to defining measures of them and see how we’re doing. However, what we see depends entirely upon what we choose to look at. It is too easy to pick data that fits a predetermined conclusion; as others have often stated, we are what we measure.

## **The traditional approach to choosing indicators**

To avoid cherry-picking information, most indicator projects divide the characteristics of successful regions into categories and assemble a group of subject experts in each category to pick the top five or ten indicators. There are two problems with this approach.

First, each subject expert has an implicit mental model of how things work that drives his or her view of which indicators are most important. Using a consensus-driven approach to indicator selection can result in indicators that tell different stories, and only parts of different stories at that. This makes analyzing the meaning of the indicators difficult.

Second, having different groups of experts separately define sets of indicators treats the different categories of regional progress as independent when they are really all interrelated. Making connections across categories — how influencing an indicator in one area may improve all areas down the line — becomes difficult. Yet, this is the most important thing to learn. Connections across categories are also the source of policy leverage, where a little change makes a big positive and permanent difference. By making linkages more difficult to see, a simple categorical approach to choosing indicators diminishes their value to policy-makers.

## **The Metro Outlook approach**

Metro Outlook has chosen a second way to select indicators, which is to create an explicit model of how regions generate the quality of life necessary to attract, develop and retain talented people — the essential ingredient of an innovative, competitive economy. This makes it possible to describe the linkages between the goals, to define indicators of achieving the goals that work together by design, to identify likely high-leverage interventions and to provide indicators that track their success.

In essence, an explicit model allows Metro Outlook to make predictions — if we change this, that should change. Given the relative inexperience with this kind of model, it is important to understand that in its current state, the

predictions Metro Outlook 2.0 makes may be wrong. The explicit nature of the model will help us find these shortcomings sooner rather than later.

Exposing the model behind the indicator choices to public and academic scrutiny encourages the criticism necessary to continuously improve the model. Consequently, over time, the region gets more efficient at making progress because it learns, records and embeds in the model which things actually work.

The more we discover how things are actually connected, the fewer individual indicators we have to actively monitor. Theoretically, the ideal number of indicators is one — change one thing and everything else we are concerned about falls in line like dominos.

Of course, this theoretical limit is unlikely to ever be reached. However, it illustrates the power of understanding linkages. Over time, we can concentrate only on the set of indicators that provide independent information about how the region is doing and whether it is moving in the right direction.

## **Development of the model**

Metro Outlook 2.0 provides an integrated framework for understanding and improving regional economic competitiveness. It does this by providing a high-level model of the interrelationships between the three major systems affecting the performance of metropolitan regions — the social system, the economic system and the natural system.

Modeling regional performance as a “system of systems” demonstrates the complex, organic nature of metropolitan areas and how actions in one system may, over time, have completely unintended consequences in another.

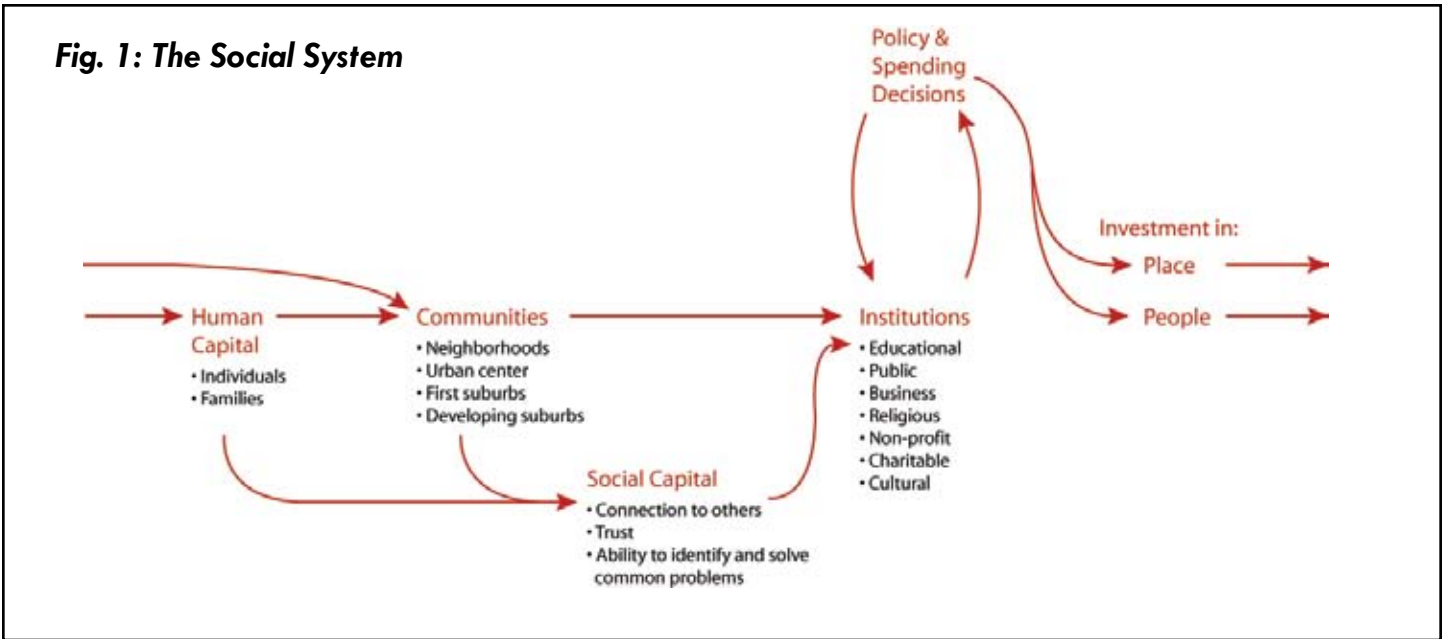
The Metro Outlook model is built from the bottom up. It focuses on how individual decisions, when aggregated, contribute to a region’s attractiveness and ultimately, its economic competitiveness.

We start with the context for individual decisions — **the social system** (Figure 1).

The basic driver of the Metro Outlook model is simple: individuals and families seek communities that improve their chances for a higher quality of life. From this, all else emerges.

One large component of a community’s quality of life is its institutions. The performance of its schools, its governments, businesses and nonprofits contributes to the perceived value of living in one community versus another. These institutions play a dual role. They not only deliver services to residents, but are also the vehicle by which the community makes decisions on how to improve itself.

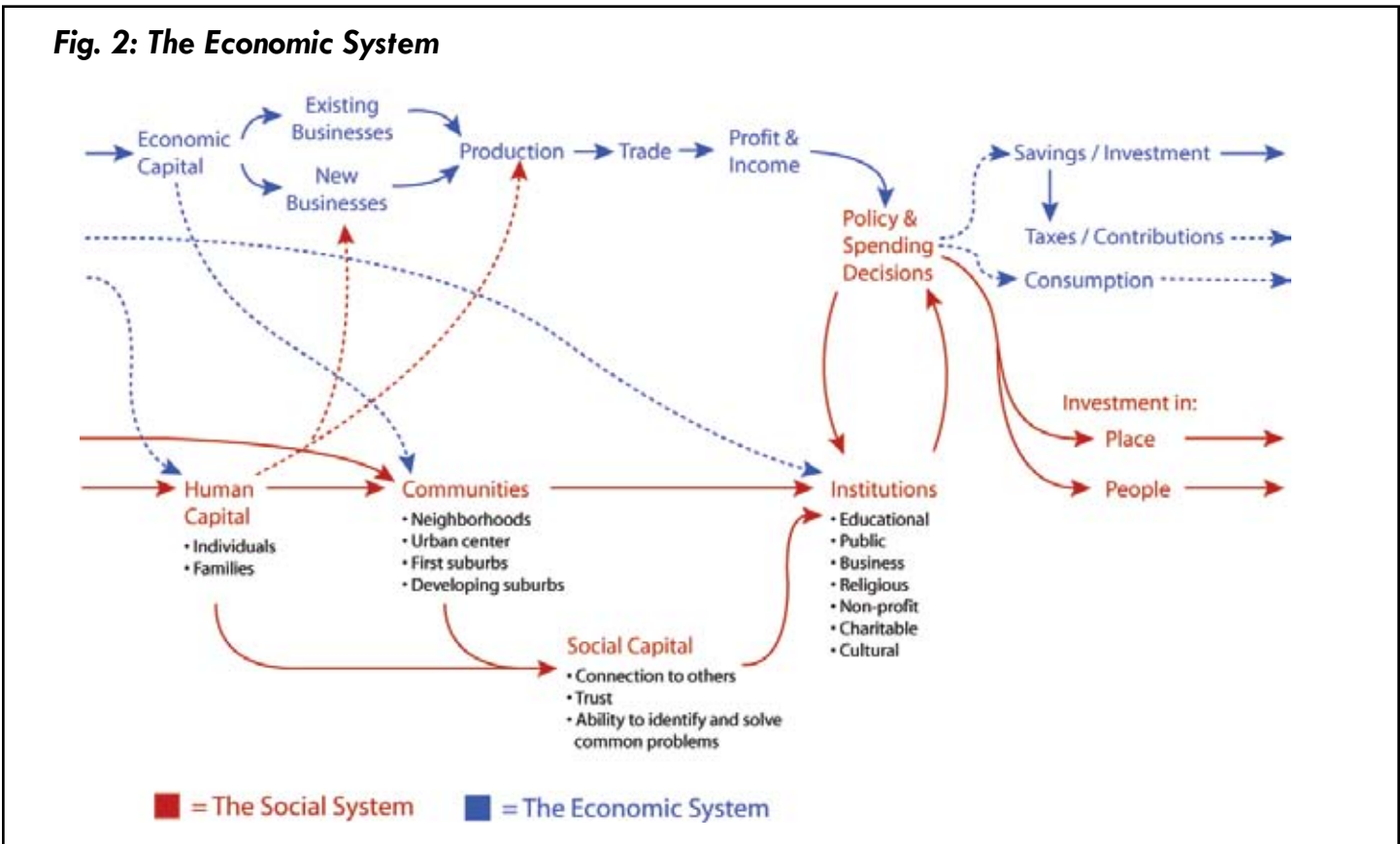
**Fig. 1: The Social System**



Many of the resulting policy and spending decisions are targeted at improving the institutions themselves. These decisions typically direct investments to two areas — people and place. Investment in people (like schools, health care and job support) raises the level of human capital in the community, while investment in place (like roads, sewers, housing and community centers) raises the level of physical capital.

As wealth (i.e., human and physical capital) rises, these policy and investment decisions make the community even more attractive to individuals and families, starting the cycle over again. (Note: like the original Metro Outlook model, this diagram should be seen as a cylinder where the lines on the right edge connect to those on the left.)

**Fig. 2: The Economic System**



Over time, people gain experience working together and, if successful, the level of trust among community members builds. Such trust provides a reservoir of good will known as social capital.

Communities characterized by high levels of social capital are better able to agree on policy and spending decisions, allowing them to act more strategically over time, improving their institutions and their community's attractiveness still further.

Of course, the resources for the spending decisions need to come from somewhere, and they come from **the economic system** (Figure 2).

To support themselves and their families, people form or join businesses. Businesses, in turn, organize this infusion of human capital to create wealth by producing goods and services for trade.

Trade increases wealth by enabling specialization: if you do what you do best and I do what I do best, and then we trade, both of us are better off. The resulting trade flows create income for individuals and profits for firms that become the subject of multiple spending decisions.

Income can be either consumed or saved. If consumed, the spending creates demand for additional production. If saved, it

can take the form of public savings (taxes) or private savings (individual savings or retained earnings of businesses).

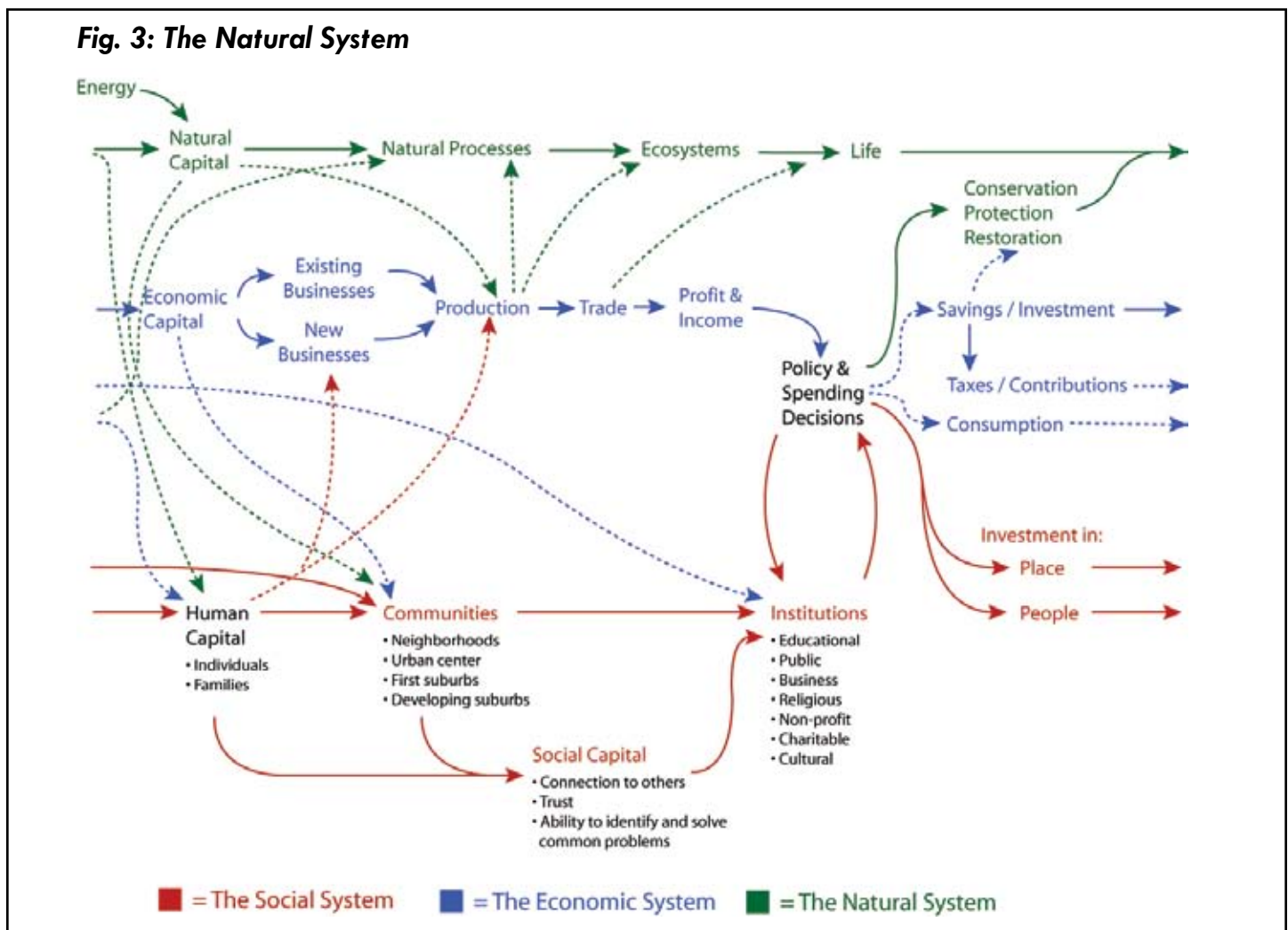
Taxes go to governments which invest in people and place by providing services such as police and fire protection, funding schools, investing in public infrastructure, or funding other institutions such as nonprofits and cultural institutions.

Most retained earnings are reinvested in existing businesses as they purchase the economic capital — equipment, software, facilities — needed to make themselves even more profitable in the future. Some is also used to fund the start-up and capital costs of new businesses.

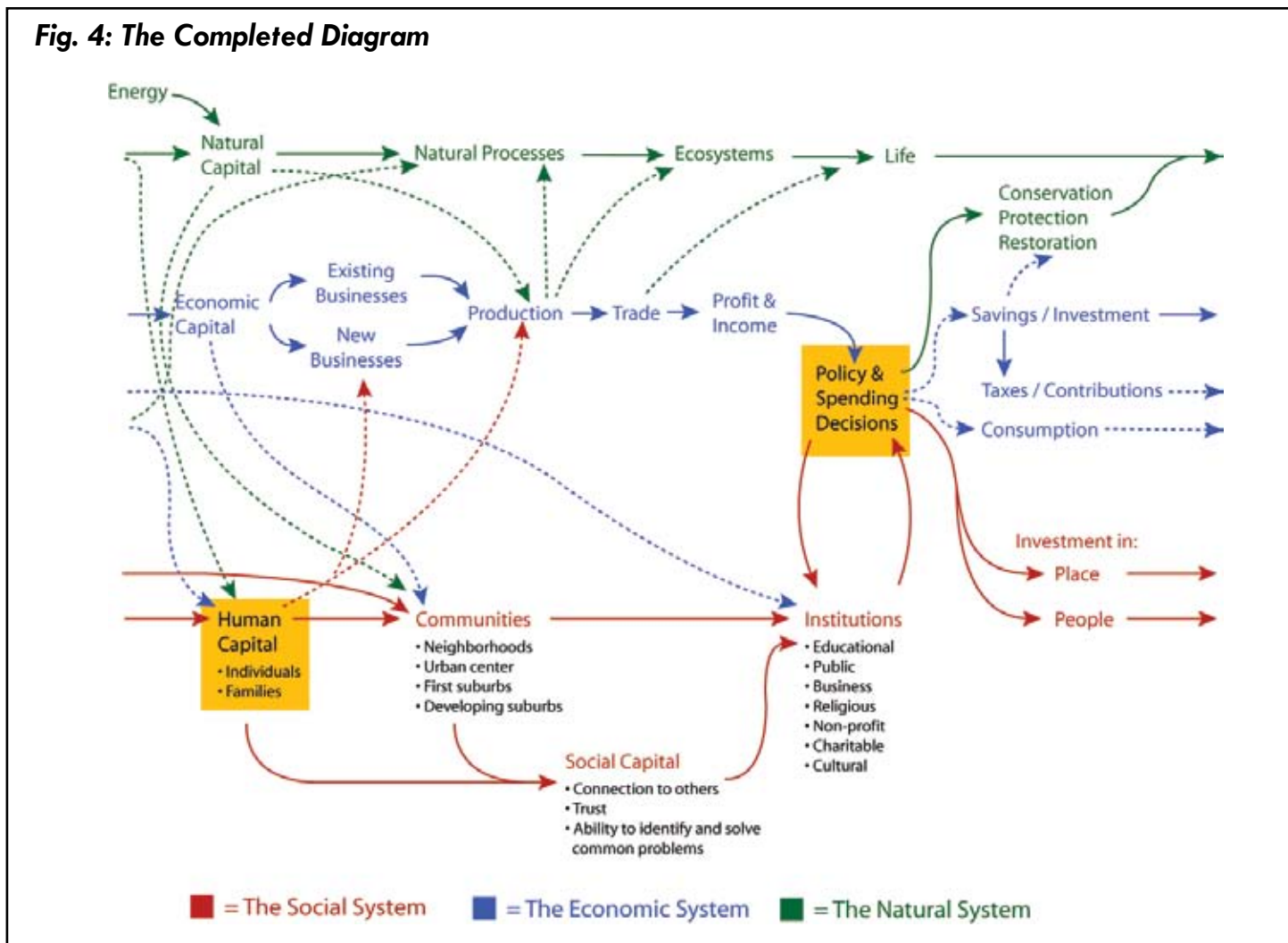
Individual savings may also be invested in businesses, but most is invested in communities in the form of housing.

Both businesses and individuals use a portion of their savings to make contributions to worthy causes, often through nonprofit institutions and foundations.

The ultimate distribution of income and profits generated in the economic system is largely governed by the incentives and rules created through the policies developed in the social system. (Flows between systems are shown as dotted lines in the image. They are sometimes less easily observed or less often considered than the solid lines within the system.)



**Fig. 4: The Completed Diagram**



The physical capital requirements of businesses are not met by the economic system alone. The raw materials out of which buildings, machinery and roads are made and the land upon which communities and cities are built come from the next addition to our model, **the natural system** (Figure 3).

The raw materials from which buildings, machinery and roads are made and the land upon which communities and cities are built obviously come from the natural system. The energy to convert the raw materials into finished goods and supply the electricity and fuel needs of the economy also derives from the natural system.

The natural system is the grandfather of the social and economic systems and, in fact, contains them. Its vastness means the diagram above is the most simplified of an already highly abstracted model.

The natural system operates autonomously of human involvement — it needs no input from policy and investment decisions to sustain itself. The system is ultimately powered by the energy of the sun, and it has developed extremely efficient ways of utilizing that raw energy and converting it into forms useful for producing and sustaining life, of which we are a part.

While the natural system can operate autonomously of human policy and spending decisions, it is still affected by them. The same investment decisions that make businesses more productive determine the technology used to extract and use natural resources in the production processes. Consequently, they also determine the level of natural resource depletion and emission of waste products. In large enough quantities, depletion and emissions can damage whole ecosystems, threatening their ability to support the current global diversity of life.

Because more productive businesses mean, over time, higher incomes for workers, environmental degradation need not occur only on the production side of the equation. Higher incomes lead to higher levels of consumption, which generates its own waste products that are emitted and must be reabsorbed or stored.

Ultimately, the sustainability of our standard of living depends upon living upon nature's interest rather than its capital — i.e., consuming no more than can be replaced. As with the distribution of income and profits, how natural costs are distributed depends again on our policy and investment decisions.

As depletion or emission costs to the environment become clear, it is possible for policy decisions to alleviate them. This can be done directly, through explicit policies to conserve, protect and restore natural areas, or indirectly by fully internalizing environmental costs into the prices faced by businesses and consumers as they make their spending decisions.

Taken as a whole (Figure 4), despite the model’s complexity, the story that emerges can be summarized in amazingly simple terms:

Talented people choose attractive communities whose institutions create opportunities to participate in a competitive economy without hurting the natural environment. And, at the center of this system are our policy and spending decisions, because they set the “rules of the game” that govern the performance of our institutions and our economy.

Stated more completely, the story is still easily told: Talented people choose attractive communities — communities with high-performing public, private and nonprofit institutions and where people work well together to get things done. In turn, those institutions create opportunities for people to participate in and create an innovative, entrepreneurial, competitive economy — one that enhances existing areas of specialization for trade and develops new ones.

Such an economy is created by investment in people and place, existing and new businesses, creating increasing levels of wealth in the form of human, social and economic capital. The resulting economic growth, in turn, affects the level of natural capital in the environment, but how it is affected depends on the investments made.

If executed within a policy framework where environmental costs are part of the prices faced by businesses and consumers, the result can be not only a competitive economy, but ecologically sustainable as well. As the natural environment is restored to health, it becomes an asset in making a region attractive to talented people, bringing the process full circle.

The overall message of the Metro Outlook 2.0 model is clear: Talented people are attracted to regions that excel in providing a high quality of life, and that means hitting on all cylinders — great communities, abundant economic opportunities, quality natural areas. In the Kansas City region, one without mountains, oceans or warm winters, our success depends more upon what we do than what we have, what we create more than our natural endowment.

And, when the stakes are high and the actions required are bigger than any individual community can undertake on its own, the region’s biggest challenge is how to act as the one region it really is.

**Relationship to Regional Goals**

A parallel relationship exists between the concepts in the Metro Outlook 2.0 model and those in the six regional goals. This parallel structure is illustrated above.

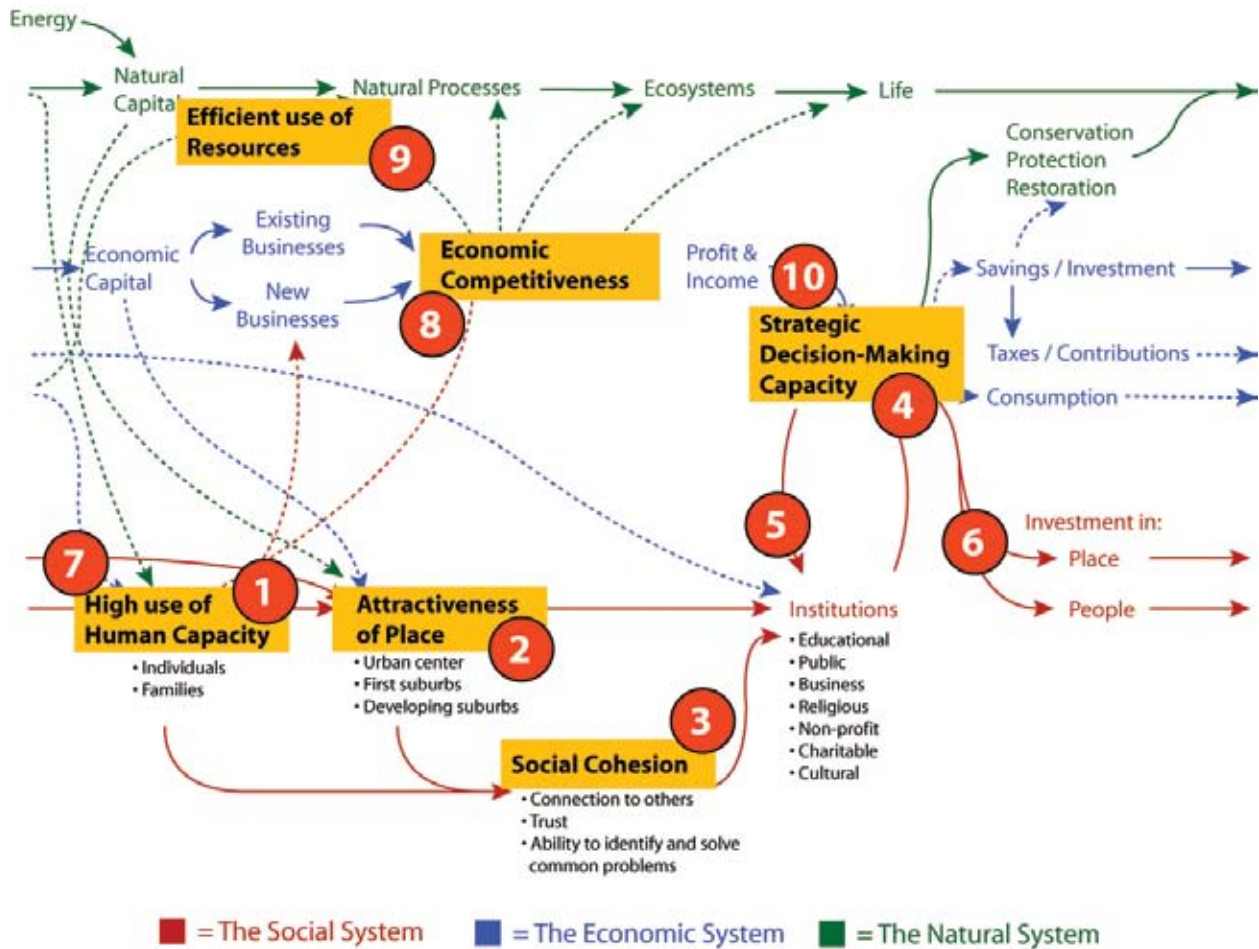
Indeed, these goals can easily be located within the model, as shown in the yellow boxes in Figure 5.

The model now makes it clear that all goals are connected to each other, so if one improves, all are positively affected.

Moreover, we can also create a logical order in which to place them in relation to each other. This is the first step in identifying places of higher and lower leverage.

Regional Goals	Metro Outlook 2.0 Concept
Economic competitiveness rooted in innovative capacity	Economic production drawing upon a talented workforce created by high-performing institutions
High levels and use of human capacity	Investment in people creating high levels of human capital employable by businesses
Inherent attractiveness of place and amenities	Institutions that invest in place to create communities that attract talented people
Social cohesion	Social capital
Strategic decision-making capacity	Policy and spending decisions
Efficient use of resources	Economic production without harming natural assets.

**Fig. 5: Putting the Goals in Order**



**Putting Regional Goals in Order**

Now we can create a logical order in which to place them in relationship to each other. This is the first step in identifying higher and lower leverage opportunities for change.

The numbers in the diagram below correspond to the following ordering of the goals:

1. Talented people
2. choose inherently attractive communities
3. with the social cohesion
4. to make strategic regional decisions
5. creating high-performing institutions
6. that invest in both people and place,
7. to attract, develop and retain the human capital necessary
8. for area firms to be sufficiently innovative to compete globally
9. while using resources efficiently and sustainably
10. ultimately providing expanding levels of profit and income for further strategic investments that make the region's people, places, economy and natural areas even stronger.

The careful reader will note that, as we placed the goals inside the model, we added one additional regional goal — high-performing institutions (#5 above). This goal is implicitly defined by the others but was not made explicit until this step made it obvious it had been omitted. This is another advantage of a more scientific approach to choosing indicators of regional progress — we can identify hidden variables and implicit assumptions.

**A Simpler Diagram of Goal Relationships**

These linkages established by putting the regional goals in order are diagrammed more simply in Figure 6 (next page). Using the same numbering scheme, the goals form a systems diagram in the shape of a modified “figure 8.” This diagram can be thought of as the dual of the Metro Outlook 2.0 model, one expressed purely in terms of the region's goals as opposed to how it operates. In this case, as in many mathematical problems, the dual proves easier to work with.

This diagram is a significant simplification of the Metro Outlook 2.0 model. Not surprisingly, such an abstraction results in some lost connections. For example, institutions (e.g., businesses) invest directly in the economy and don't just work through investment in human capital.

