

A decorative vertical bar on the left side of the page. It has a dark red background. Overlaid on it are various financial symbols and numbers in lighter shades of red and orange. These include the dollar sign (\$), percentage signs (%), and numbers like 78,000, 2.3%, 6,625, 90,638, 75, 5%, and 16. Some of these are partially cut off by the edges of the bar.

By the Numbers

Data and Measurement in Community Economic Development

Highlights of a speech by Federal Reserve Chairman

Ben S. Bernanke at the Greenlining Institute's 13th Annual

Economic Development Summit in Los Angeles, April 20, 2006

Remarkable strides have been made in developing and analyzing social and economic data at the community level. The information that can be extracted from detailed data profiles of individual communities supports economic development in several distinct ways.

First, by making companies, entrepreneurs, and investors aware of new opportunities and by promoting competition in underserved areas, such information helps put market forces in the service of community development. Second, both government policymakers and community development organizations need the reality check that only hard data can provide. ... Third, the increased availability of community-level data facilitates independent research. ...

Although government agencies continue to be an important source of data on community development, data collection and data analysis in this area are increasingly becoming the province of the private and nonprofit sectors, notably including community development organizations themselves. ...

I will discuss some specific ways data and quantitative measurement have been used in community development. To be clear, I do not believe that all aspects of economic development can or should be quantified. ... Still, improving the measurement of inputs and outcomes is critical to better development policy. ...

Good data support community growth and development by helping to identify previously unrecognized market opportunities. Free markets can be a powerful source of economic development, but markets work less effectively when information about potential opportunities is absent or costly for private actors to obtain. Several noteworthy initiatives have helped to provide better information.

For example, the Local Initiative Support Corporation's (LISC) MetroEdge initiative seeks to demonstrate the market potential of diverse communities through customized data analyses of each community's demographics and buying power. Such analysis can provide investors with a different perspective. ... Similarly, Social Compact's Neighborhood Market DrillDown methodology uses a multilayered research process to provide profiles of the market potential of high-density, lower-income communities. This approach focuses on business indicators—buying power, market size, unmet needs, and market risks—rather than on the deficiency statistics typically used to describe inner-city neighborhoods, such as rates of poverty, crime, and overcrowding. Social Compact, a coalition of business leaders, has applied its DrillDown approach to 101 neighborhoods over the past five years. ...

The growth and maturation of community development financial institutions (CDFIs) provide another impetus for data development and analysis at the community level. CDFIs are private-sector financial intermediaries with community development as their primary mission. Like banks and other more conventional financial intermediaries, CDFIs are in the business of attracting funds and

putting those funds to work in productive ways. Also like conventional intermediaries, CDFIs depend heavily on the production of accurate information both to guide investment decisions and to provide a basis for attracting new funding. ...

To attract more return-oriented investors, including both conventional investors and those with social as well as financial goals, CDFIs must demonstrate financial viability as well as the ability to fulfill the broader development mission. For example, the Opportunity Finance Network's CDFI Assessment and Rating System (CARS) gathers data to evaluate a CDFI's overall creditworthiness and its effectiveness in using its financial resources to achieve its development objectives. ...

Although still in its early stages, this initiative, if successful, will have the double benefit of attracting more funds into community development and helping to ensure that those funds are effectively used. More generally, the movement toward quantifying the performance, risk, and community impact of CDFIs is essential to the growth and sustainability of the field, in my view. By demonstrating both financial viability and social impact through hard data, CDFIs are better positioned to obtain the funding necessary to maintain their operations and to respond to emerging needs and opportunities. ...

In the community development field, to be sure, financial returns and social returns are not necessarily the same, which is why measurement should include both financial and social indicators. Potential investors, including public-sector and foundation sources of funds, will naturally differ on the weights they put on financial and social returns. To attract the widest range of funding, both types of information should be provided.

Quantitative information plays yet another important role: increasing the effectiveness of policies and programs. The systematic collection and analysis of data on program inputs and outputs is an increasingly important part of learning about what works. For policymakers, data on program results help guide policy development and improve the allocation of scarce public funds.



For community development organizations, participation in broad-based data-gathering serves at least two goals. First, in the long run, their analyses of the activities and the associated outcomes in diverse communities will help them achieve the greatest impact for resources expended. Second, such analyses help community development organizations demonstrate their effectiveness to public and private funders. A number of methods for evaluating community development projects are currently [in use or in development, including the NeighborWorks America's Success Measures Data System and] the Community Investment Impact System developed by the Department of Treasury's CDFI Fund. ...

Each of these data-driven initiatives shares the goal of increasing understanding of opaque markets to support investment, policy, and research. The need for data and tools is the driving force behind the Brookings Institution's Urban Markets Initiative. ... The think tank is focusing on initiatives that can demonstrate untapped market potential. One such effort is the National Infrastructure for

Community Statistics. It will include a central web-based repository that integrates data from federal, state, and local governments and from commercial sources. The ultimate goal of this project, which is under development in collaboration with more than 100 participants from government, non-profits, and private-sector industries, is to aggregate and to make accessible the data needed to inform decisions about economic development activities. ...

The data have a way of challenging our views about what works and what doesn't.

Accountability and feedback, facilitated by data development and quantitative analysis as well as by more-qualitative information, are critical for success. Goals should be modest at first; but knowledge is cumulative, and sometimes good results can be replicated at larger scales. Research, both quantitative and qualitative, furthers learning.

None of this is easy, particularly since the data have a way of challenging our views about what works and what doesn't. But a great deal is at stake both internationally and domestically, and serious empirical analysis has no substitute. The development of more and better data on economically distressed communities, together with sophisticated tools for analyzing those data, is essential for continued progress in community economic development.

Read the entire speech at

www.federalreserve.gov/boarddocs/speeches/2006/20060420/default.htm.

This *Communities & Banking* article is copyrighted by the Federal Reserve Bank of Boston. The views expressed are not necessarily those of the Bank or the Federal Reserve System. Copies of articles may be downloaded without cost at www.bos.frb.org/commdev/c&b/index.htm.



Learn more about community development financial institutions (CDFIs) in:

New England Community Developments

A quarterly publication covering emerging issues in community development and consumer affairs.

Issue 2 is just out and includes:

“An Overview of the CDFI Industry,” by Brandy Curtis
The latest on community development financial institutions—nationally and in New England.

Check it out at

<http://www.bos.frb.org/commdev/necd/index.htm>.