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A House Divided: Geographic Disparities in 21st Century America

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Exploring Geographic Disparities in 21st Century America – an Overview

- What is the role of "place" in economic policy?
- Economists have traditionally been skeptical about geographic location's role in reducing inequality and increasing economic opportunity. People are mobile.
- But the gap between poorer and richer places is more evident.
- Should policies aimed at decreasing inequality now begin targeting places, rather than people?
- If so, what place-based policies have the best chance for success?
- Some trends worth noting:
  - The gap in income distribution between poorer and richer states is no longer shrinking, after narrowing through most of the 20th century.
  - Migration from poorer to richer states, once an important response to regional economic shocks, has slowed.
  - Housing costs in thriving areas have become prohibitive to workers in less prosperous places.

Some Key Questions to Consider

- Conference papers will address key questions about regional disparities:
  - Whether and why persistent differences in labor market conditions across locations have changed in the last two decades.
  - Why economists who have traditionally downplayed the importance of regional economic shocks are reconsidering that view.
  - How geography impacts access to quality education and health care.
  - How current research explains the decline in interstate migration, including how much is related to local housing policies.
  - Demographic differences, including age, between rural and urban America.
  - Different ways to measure quality of life in rural and urban America.

Context for the Fed’s Focus and Involvement

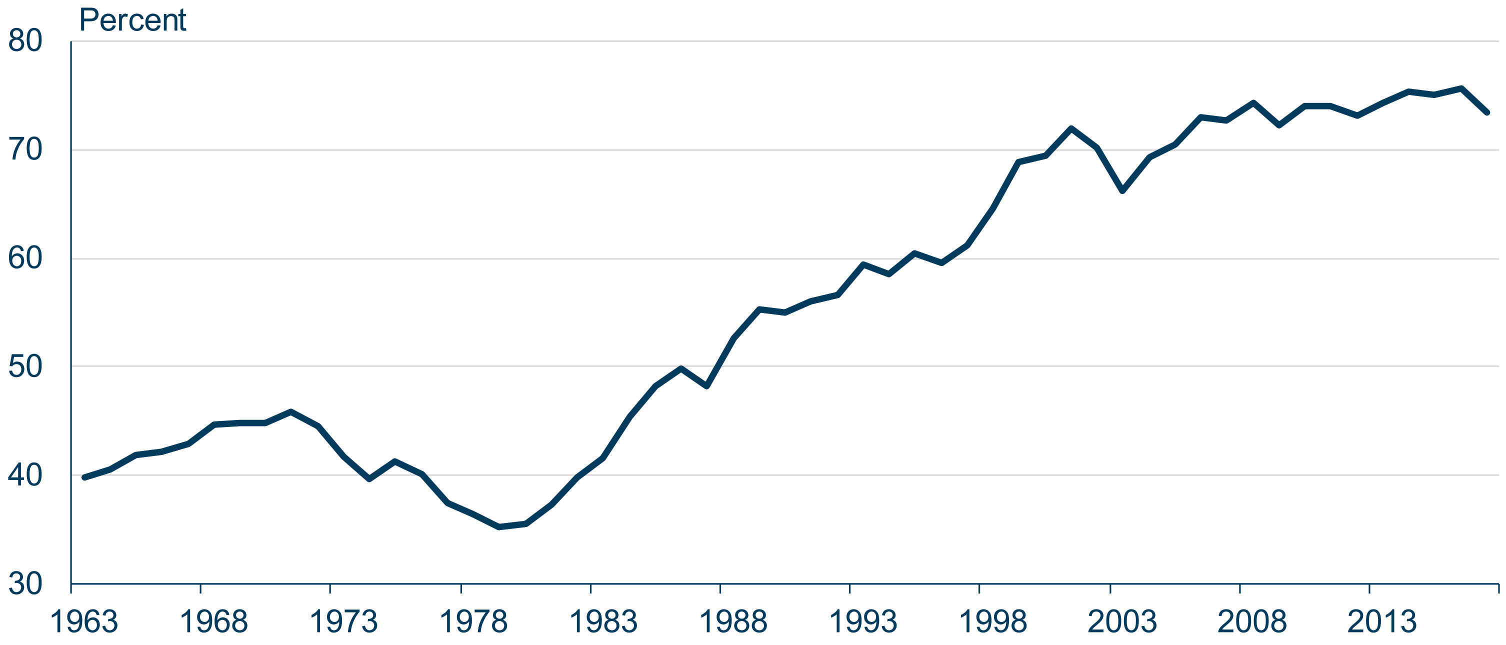
- Our focus on development in low and moderate income communities and rural areas is rooted in the Fed’s dual mandate from Congress, and its overarching focus on the public’s welfare.
- Our primary mission is certainly macroeconomic policy, but we focus on improving economic outcomes *throughout* New England, including low and moderate income regions, through:
  - Research on these issues; for example on the drivers of resurgence in post-manufacturing smaller cities;
  - Convening;
  - Innovative programs like our Working Cities / Working Communities Challenge;
  - The longstanding Boston Fed focus on labor markets and dynamics of participation, in contributing analysis to national monetary policy.

Nationally, We are Seeing Significant Disparities in Outcomes, by Geography

- “Superstar Cities” are attracting more people and businesses:
  - In particular, they are attracting young, well-educated workers.
  - Incomes are growing quickly.
  - Often they are seeing rising housing prices.
- While more rural areas face significant challenges:
  - Fewer young people, more older people.
  - Lower educational outcomes than cities.
  - Incomes growing more slowly.
  - Health outcomes that are less favorable than in metropolitan areas.

Figure 1: College versus High-School Wage Premium

1963 - 2017

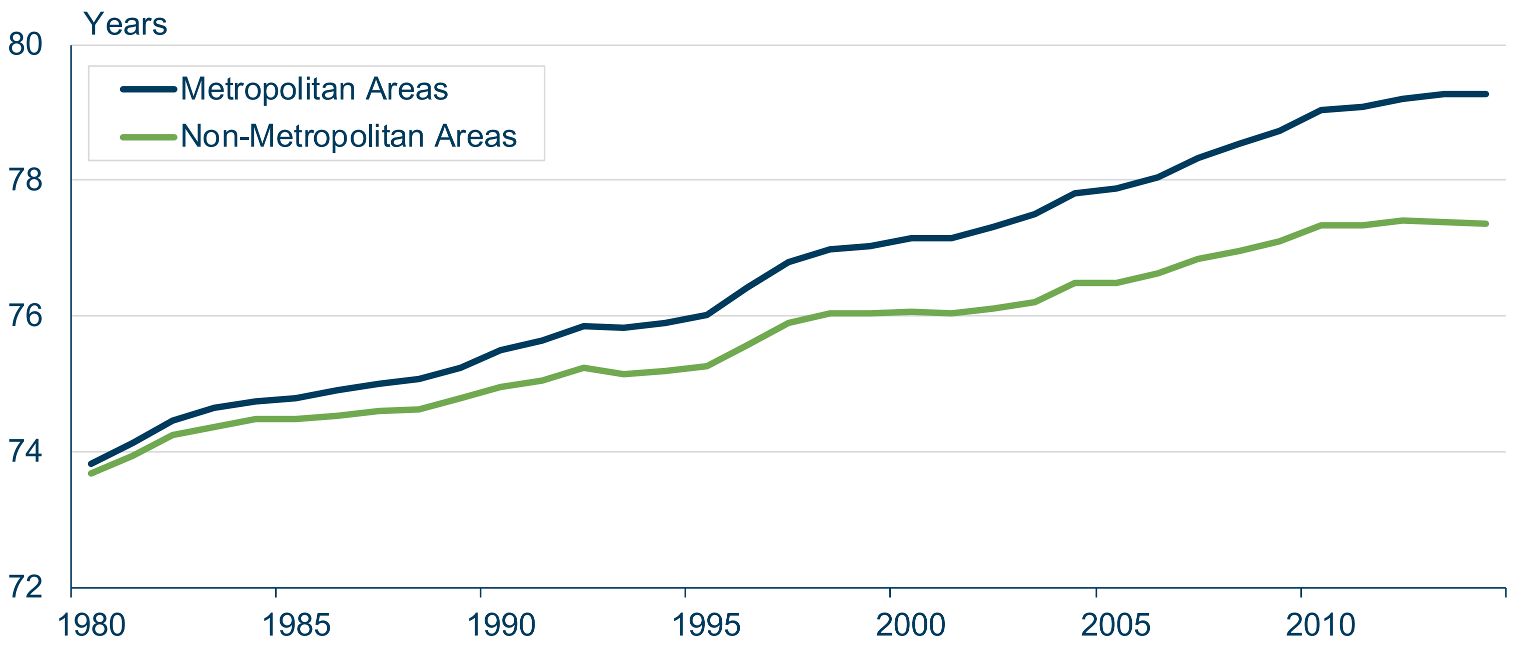


Note: Percentage gap between college and high-school wages for full-time, full-year workers, holding labor market experience constant over time.

Source: Annual Social and Economic Supplement (ASEC) of the Current Population Survey (CPS) and author's calculations

Figure 2: Life Expectancy

1980 - 2014



Note: The metropolitan/non-metropolitan designations are based on metropolitan-area boundaries as of February 2013.

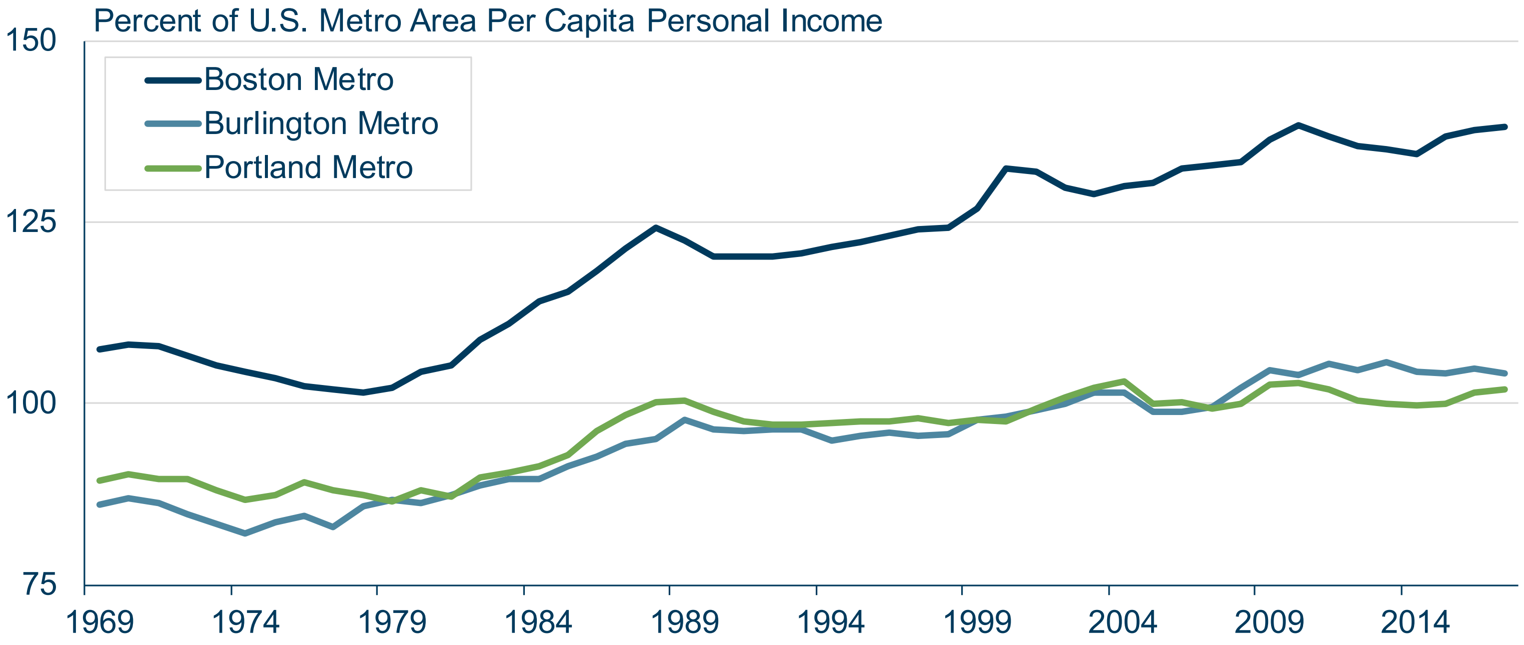
Source: Global Health Data Exchange at the Institute for Health Metrics and Evaluation (IHME), U.S. Bureau of the Census

Geographic Disparity is Evident in New England

- Major cities in New England have prospered recently – e.g., Burlington VT, Portland ME, and Boston MA.
  - This was not always the case – in the period from 1960 to 1980, median family income in New England fell relative to the United States.
- Primary cities have prospered more recently:
  - Attracting younger people
  - Attracting more educated workers
  - Population has grown
- Outside of primary cities, the opposite is true:
  - Older population
  - Less educated population relative to primary cities
  - Slower population growth

Figure 3: Per Capita Personal Income Trends in the Boston, Burlington, and Portland Metropolitan Statistical Areas

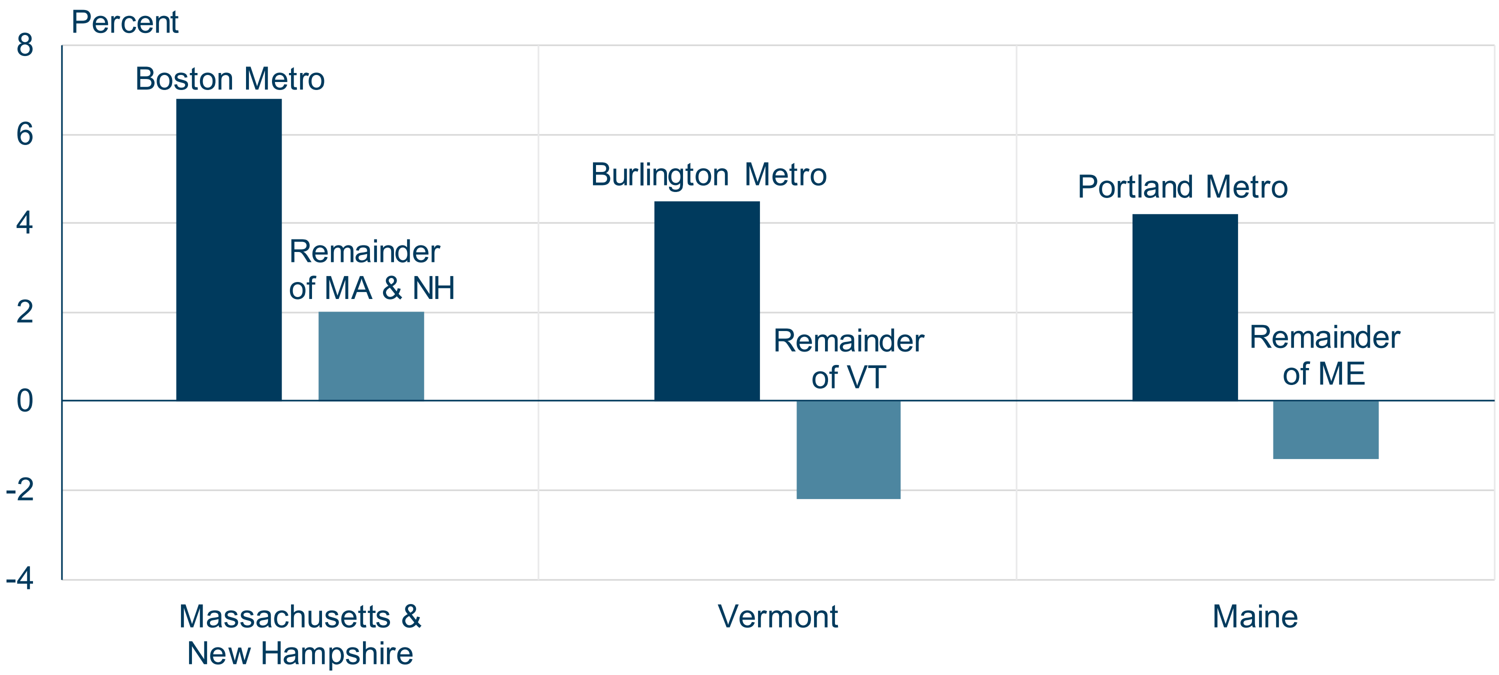
1969 - 2017



Note: Boston Metro is the Boston-Cambridge-Newton, MA-NH Metropolitan Statistical Area. Burlington Metro is the Burlington-South Burlington Metropolitan Statistical Area. Portland Metro is the Portland-South Portland Metropolitan Statistical Area.

Source: Bureau of Economic Analysis

Figure 4: Population Growth
2010 - 2018

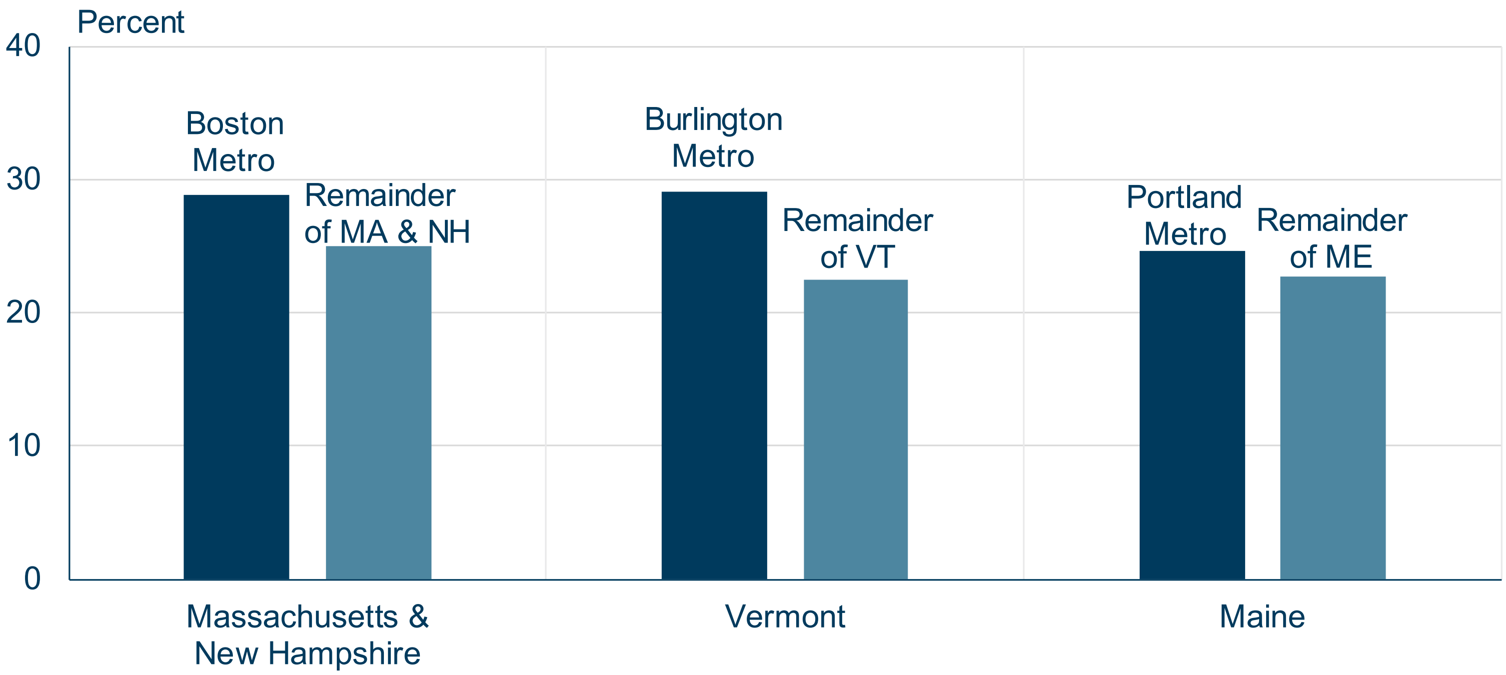


Note: Boston Metro is the Boston-Cambridge-Newton, MA-NH Metropolitan Statistical Area. Burlington Metro is the Burlington-South Burlington Metropolitan Statistical Area. Portland Metro is the Portland-South Portland Metropolitan Statistical Area. The remainder is the state's population excluding the population of the metro area.

Source: U.S. Bureau of the Census

Figure 5: Share of Population Age 20-39

2018



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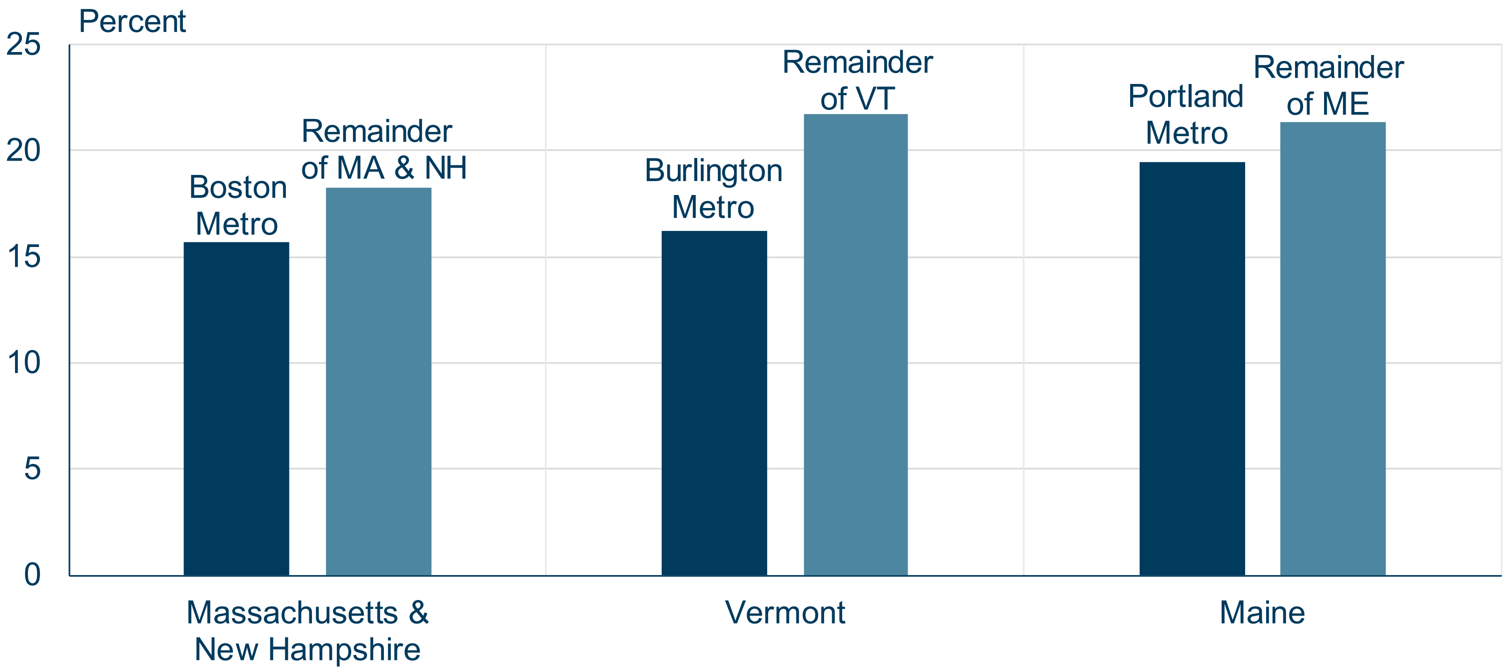
Source: U.S. Bureau of the Census, American Community Survey (2018, One-Year Estimates)

Figure 6: Share of Population Age 65 and Older
2018



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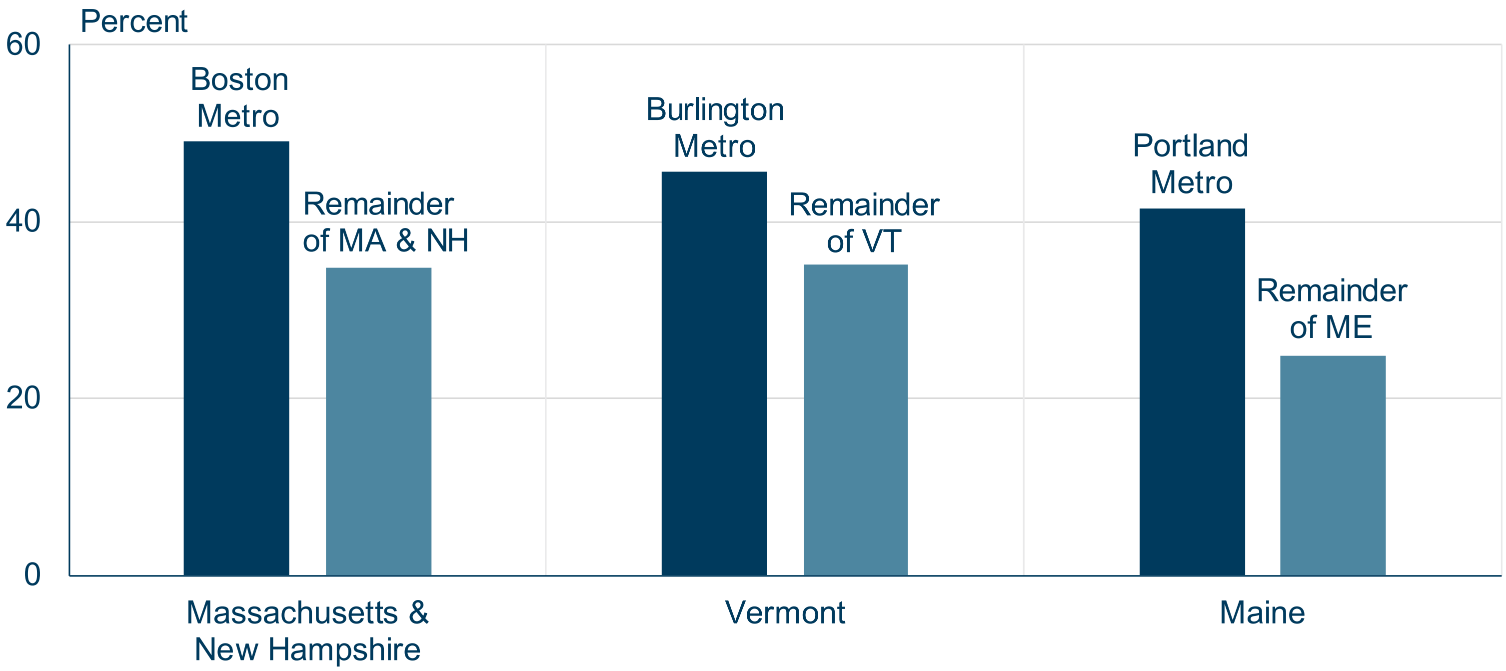
Source: U.S. Bureau of the Census, American Community Survey (2018, One-Year Estimates)

Figure 7: Share of Population Age 25 and Older with College Degree or Higher

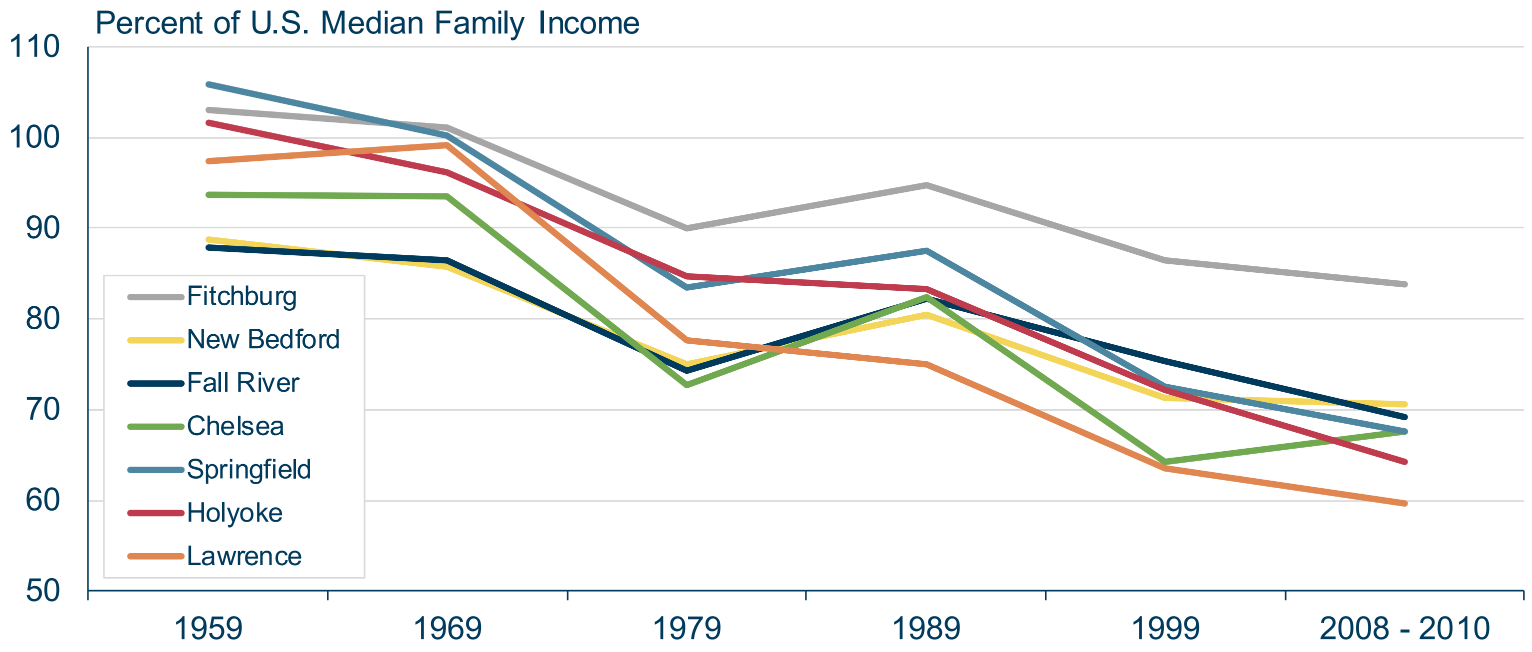
2018



Note: Boston Metro is the Boston-Cambridge-Newton, MA-NH Metropolitan Statistical Area. Burlington Metro is the Burlington-South Burlington Metropolitan Statistical Area. Portland Metro is the Portland-South Portland Metropolitan Statistical Area. The remainder is the state's population excluding the population of the metro area.

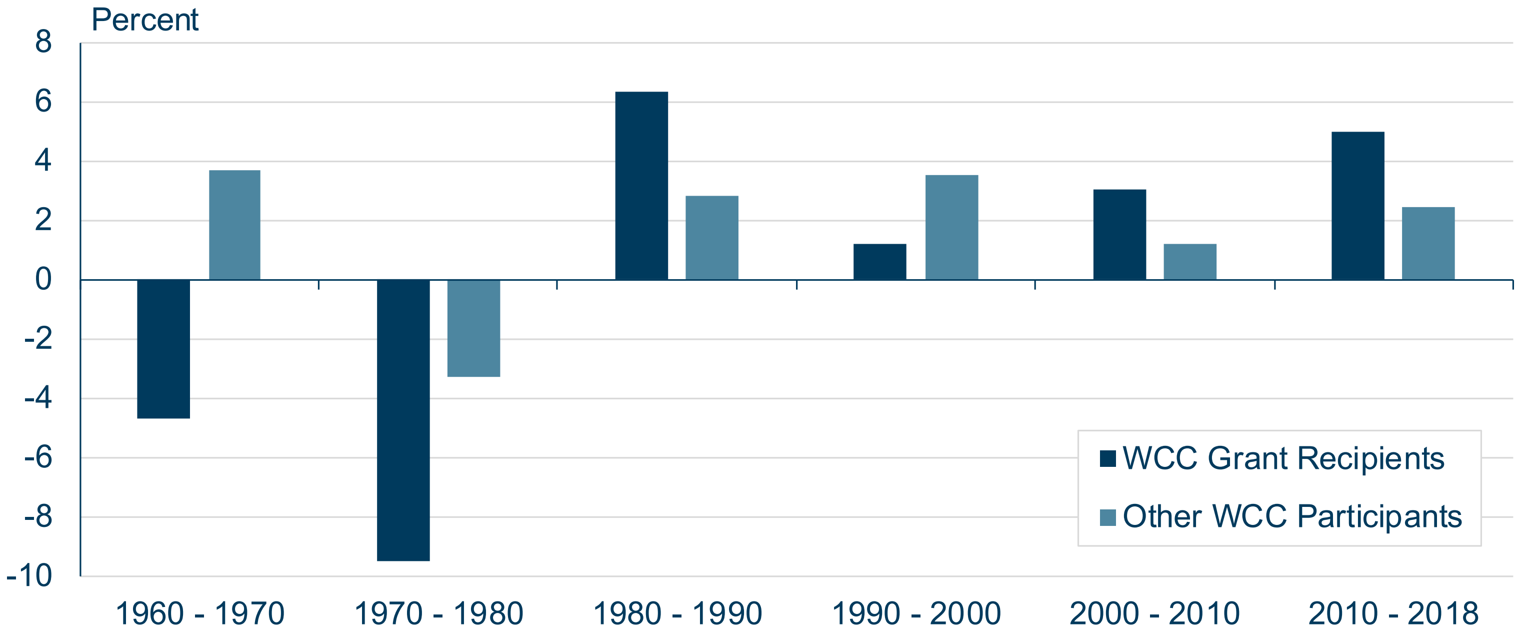
Source: U.S. Bureau of the Census, American Community Survey (2018, One-Year Estimates)

Figure 8: Median Family Income Trends in Massachusetts Mid-Sized Cities with the Lowest Median Family Income



Source: U.S. Bureau of the Census, Decennial Census (1960, 1970, 1980, 1990, and 2000), American Community Survey (2008-2010, Three-Year Estimates)

Figure 9: Population Growth Trends in Massachusetts Working Cities Challenge Participants



Note: WCC Grant Recipients refers to Round 1 winners.

Source: U.S. Bureau of the Census

Can Success in Larger New England Cities Be Replicated in Smaller Cities and Communities in New England?

- Over the past 50 years, many of the smaller cities saw manufacturing decline, and little progress in economic outcomes; however, in many of the smaller cities the population has been growing.
- 5 years ago the Boston Fed initiated a grant competition, the *Working Cities Challenge*, to help people in struggling, post-industrial communities address chronic problems by building leadership and collaboration across sectors, on shared goals.
- After inaugural rounds in Massachusetts, we expanded the program to Rhode Island and then Connecticut.
- Now the effort is expanding in northern New England, supporting rural areas as well as smaller cities. The *Working Communities Challenge* launched this year in Vermont, with plans to expand to Maine.

Initial Observations on Working Cities/Communities

- The first round of winning cities have leveraged $1.6 million in award grants (from foundations and states) into $11 million in follow-on funds. Cities have adjusted spending to reinforce winning initiatives.
- Needles are moving on 10-year goals, e.g.: jobs, and school outcomes, improved in Lawrence, MA; crime is down in Chelsea, MA.
- Many citizens have been positively affected (through jobs, training, education, small business creation, or connection to social supports).
- There has been new CEO and anchor-institution engagement in most cities.
- The application process creates important new work and capacity in cities that win <u>and</u> some cities that did not win.
- We have seen better targeting of statewide policy toward smaller cities.
- There has been increased national and local philanthropic interest/investment in smaller cities.

Concluding Observations

- We need to try new policies. The lack of economic progress in many regions of New England, and the country – regions that continue to have significant populations – calls out for new solutions.
- This has encouraged a focus on place. Greater focus on qualities that enable economic turnaround is an important goal. Hopefully this conference will stimulate further such initiatives.
- The Boston Fed's Working Cities / Working Communities efforts provide a useful framework for addressing some of the regional disparities at the heart of this conference.
- We look forward to learning from participants about what more can be done.