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Uplifting America’s Left Behind Places: A Roadmap for a More Equitable Economy

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Executive Summary

Spatial inequality is on the rise. To some extent, it is natural for certain parts of the country to outperform others or for gaps in economic well-being to emerge as communities change and local economies evolve. Yet there is nothing inevitable about the current extent or nature of spatial inequality in the United States, where four-fifths of metro areas lag behind the country's business startup rate and economically distressed zip codes had no job growth to show for the past two decades, even before the COVID-19 pandemic.

The economic success of individuals and families rises and falls with that of their communities, and the widening rifts are visible nationwide: from lagging rural towns to distressed former industrial hubs and the pandemic's outsized toll on communities of color. When communities undershoot their economic potential, the entire country's progress is held back. A new administration and a new Congress now have a chance to recalibrate the federal approach to economic development to empower more people in more places to participate in the country's advance.

With economic disruptions of historical magnitudes on the horizon—the climate crisis first and foremost—the entire federal stance towards geographic inequality requires a pivot from redressing damage after the fact to investing proactively in the capacity of places to thrive as they navigate economic change. To build a new institutional framework, federal policymakers should:

- **Create an elevated, empowered, and centralized entity to set strategic direction and drive economic development policy** across the federal government, as either a new cabinet-level office or a bulked-up Economic Development Administration;
- **Routinely assess the likely geographic impact of policies** as they are being incubated in Congressional committees or the White House and reviewed by the Office of Management and Budget for opportunities to advance regional equity; and
- **Commit to a U.S. Domestic Development Finance Corporation** that expands the range of tools in the economic development finance toolkit to nurture more private sector activity in the country's persistently lagging regions and communities.

In addition to institutional reform, policymakers should push an ambitious agenda to improve the functioning of markets, invest in local futures, and restore the building blocks of prosperity. From Heartland Visas to accelerated broadband deployment, the specific set of actionable ideas in this paper address the need to:

- **Improve access to capital** for new and small businesses in distressed communities;
- **Bolster the preconditions for development** such as capacity and connectivity;
- **Invest in the people and families** at the heart of the American economy; and
- **Reinvigorate competition** to give small and new businesses a fighting chance.

Together, these reforms and policies have the power to dramatically improve the prospects of thousands of American communities.

Spatial inequality cannot be ignored any longer

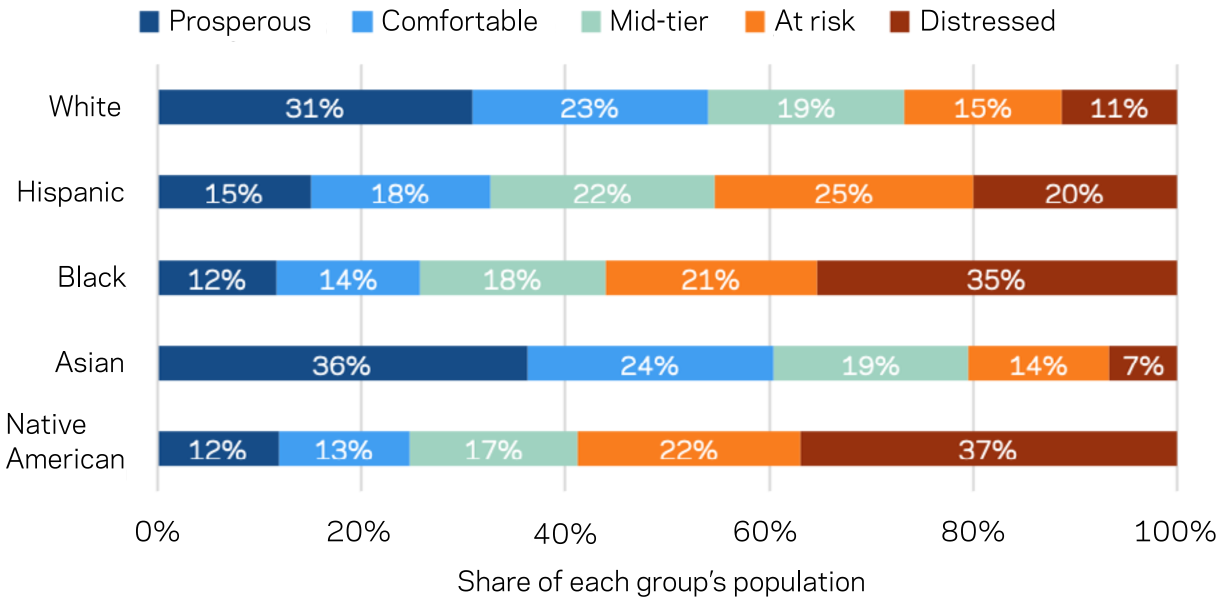
Spatial inequality, or geographic unevenness in economic well-being, has become a defining feature of the U.S. landscape. Rather than shrink over time, spatial inequalities have grown more pronounced in recent decades and were accelerating in the run up to the COVID-19 pandemic. Consider how economic outcomes now fracture across the different maps of American life:

- **Across states:** In West Virginia, more than 30 percent of prime working age adults were out of the labor force—the highest share nationwide—even in 2018 when the country was approaching the peak of the last economic expansion. That was more than double the share in North Dakota, the best-performing state.[1]
- **Across the rural-urban continuum:** By 2019, employment and prime-age labor force participation in non-metropolitan counties had still not recovered to levels from before the Great Recession. Meanwhile, employment in urban areas had fully rebounded and grown by an additional 9 percent.[2]
- **Across metro areas:** More businesses failed than started in 62 percent of American metropolitan areas in 2018. Fourth-fifths of metro areas have startup rates below the nationwide figure.[3]
- **Across counties:** From 1970 to 1980, total personal income grew by 169 percent for the country as a whole and even faster for over 60 percent of counties. From 2010 to 2018, personal income grew by only 42 percent nationally and faster in only 17 percent of counties.[4]
- **Across zip codes:** Since 2000, the top one-fifth of zip codes in terms of economic well-being have captured more than three-fifths of total job growth.[5]
- **Across neighborhoods:** Two-thirds of metropolitan census tracts that were high poverty in 1980 remained high poverty in 2018. In addition, nearly 4,300 neighborhoods, home to 16 million Americans, crossed over the high-poverty threshold.[6]

Incomes across states and metro areas were converging for much of the 20th century. Since the 1980s, however, that convergence has gone into reverse as a small number of elite enclaves have pulled ahead, driven by the shift towards an advanced, digitized, and globalized knowledge economy.[7] The stakes have become higher too, as domestic migration rates—the share of the American population moving between states or counties each year—languish at all-time lows, leaving more people in economically struggling areas.[8]

Minorities are especially disadvantaged by deep spatial inequities, and the pandemic has served as a painful reminder that economic, racial, and health inequalities all converge spatially. Blacks and Native Americans are three-times more likely to live in a distressed community than whites, the product of decades of discrimination and segregation. In the Midwest, fully half of the Black population lives in an economically distressed zip code, a result of deindustrialization, suburbanization, and urban disinvestment cascading over an already unequal map.

Distribution of select races and ethnicities across communities as ranked on EIG's Distressed Communities Index



Note: EIG's Distressed Communities Index (DCI) assesses local economic well-being by scoring places on seven different metrics of economic performance. Each score is then ranked, and communities are placed into one of five even quintiles of economic well-being that range from prosperous to comfortable, mid-tier, at risk, or distressed.

Source: Economic Innovation Group's Distressed Communities Index

Some gaps between places are natural, but there is nothing inevitable about the extent or nature of spatial inequality in the United States today. The situation has been exacerbated by policy myopia and neglect. Decision-makers have broadly overlooked the geographic ramifications of trade, competition, and deregulation policies.[9] Prevailing economic models have blithely assumed that local economic transitions could proceed seamlessly. As a result, domestic economic development has been underfunded, its work an afterthought. The established toolkit has largely failed to help large swathes of the country successfully navigate technological disruptions and economic change. It has also failed to incubate growth in deeply distressed areas over decades.

The United States must learn from the past 20 years of economic disruptions—from the China trade shock to digitalization and the pandemic—to fortify local economies to better withstand whatever lies ahead. Achieving the Biden administration's climate goals, for example, will require disruption, perhaps on an unprecedented scale. The nation cannot afford to confront that transition with the same hands-off approach

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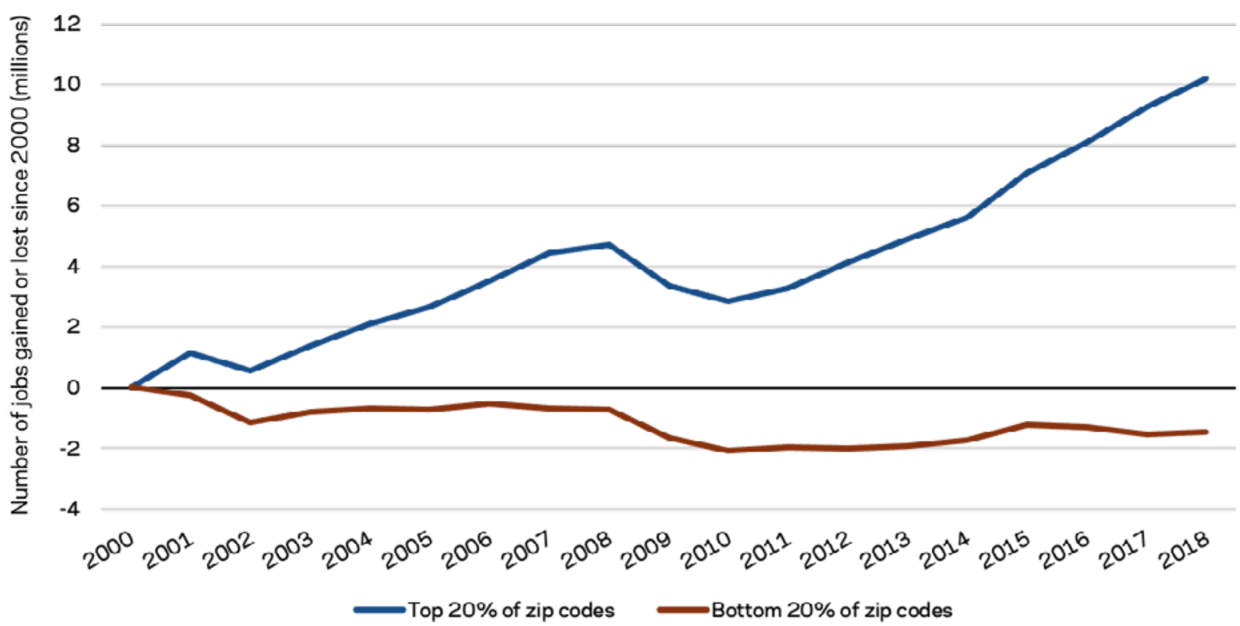
Cumulative change in employment since 2000:
Top and bottom quintiles of zip codes by economic well being



Source: Economic Innovation Group's Distressed Communities Index

of the recent past that had the federal government largely stand by as the country's manufacturing belt hollowed out, for example. The federal policy stance vis-à-vis regional economic transitions must shift from too little, too late (e.g., Trade Adjustment Assistance) to a more proactive, anticipatory stance that helps communities adapt before they decline and find opportunity in economic change.

If the Biden administration and its partners in Congress hope to use this moment to build back better, they must place spatial inequality at the heart of their domestic policy agenda. Because the prospects of Americans and their families rise and fall with those of their communities, place-based policies are inherently people-based policies. Racial equity and spatial equity agendas rest on many of the same pillars.

To that end, the next section of this memo will present a framework for institutionalizing place-conscious policymaking—broadly, an approach to national economic policy that maximizes local economic well-being by taking local starting points and characteristics into account—at the federal level. The last section presents a compilation of vetted place-based policies that could form the foundation of a broader legislative agenda that takes spatial inequality seriously.

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Reorient government to forge more inclusive economic growth

A thorough shift from spatially-agnostic to place-conscious policymaking requires more than enacting a single program or increasing the funding for one particular federal agency. Instead, it requires a whole-of-government framework for advancing regional inclusion and adapting the structure of government to reflect the prioritization of inclusive growth.

The status quo is not up to the challenge

The existing policies and organizational structure of the federal government are outdated and poorly suited to address the challenges of the moment:

The current federal approach to economic development is disjointed and fragmented, with an overlapping constellation of programs spread across multiple departments. A recent Government Accountability Office (GAO) review of federal economic development policy found 80 disparate programs spread across four agencies: the Departments of Commerce, Housing and Urban Development, Agriculture, and the Small Business Administration.[10] In many instances, programs were duplicative, such as with the 53 separate programs to provide assistance to entrepreneurs resulting in overlapping applications and reporting requirements. Compounding the situation is the fact that there has typically been little evaluation of program effectiveness, leaving policymakers in the dark as to which strategies are most effective.[11]

Attempts at interagency coordination or to inculcate holistic approaches tend to be weak and short-lived. Most incoming administrations set up task forces or other offices to work around this fragmentation, signal their priorities, and coordinate across agencies—offices of rural affairs, revitalization councils, and so forth—but few have teeth or staying power. The most successful recent example was the Obama administration's Taskforce for Advancing Regional Innovation Clusters (TARIC), which sought to advance myriad economic and innovation goals by channeling coordinated federal program dollars through clusters, partnerships, and cross-sector collaborations on the ground.[12] While TARIC's legacy lives on in certain programs and procedures, it did not lead to any deeper institutionalization of theories or approaches.

> Federal economic development efforts tend to focus on delivering products—housing, infrastructure, facilities—rather than creating the conditions that allow places to adapt and thrive.

The existing piecemeal approach is rooted in responding to discrete issues rather than creating the conditions for broad resilience and renewal. Federal economic development efforts tend to focus on delivering products—housing, infrastructure, facilities—rather than creating the conditions that allow places to adapt and thrive. Instead, the goal must be to cultivate the building blocks of a dynamic and prosperous economy, such as education, infrastructure, access to capital, entrepreneurial ecosystems, and quality governance. Even when the right sort of priorities are identified,[13] the tools do not necessarily exist to follow through.

Ultimately, the country's federal economic development apparatus is reactive as opposed to anticipatory. The federal government is quite adept at marshaling its resources in response to fast-moving shocks, such as natural disasters or the COVID-19 pandemic, yet it struggles to get ahead of slow-moving crises that can have equally devastating and long-lasting economic effects. Examples of programs that model what anticipatory policy looks like are the Appalachian Regional Commission's POWER program[14] and the Assistance to Coal Communities grant program.[15] Rather than wait for economic collapse, these programs proactively target funding and resources towards a community in which an economic reliance on coal is likely to create challenges in the future. More funding and focus needs to be placed on similar adaptation programs that foster resilience in all communities and especially in those most vulnerable to ongoing and upcoming economic transitions.

Crafting a new institutional framework for advancing economic development

If federal leaders are to seriously tackle spatial inequality, they will need to institutionalize new approaches to economic and community development across the government.

Filter ideas through a spatial lens

We encourage executive branch policymakers to routinely **apply geographic filters at two stages of the policy process: incubation**, in the National Economic Council and Domestic Policy Council, **and review**, in the Office of Management and Budget, particularly the Office of Information and Regulatory Affairs (OIRA). These steps will improve the likelihood that rules and statutes are crafted thoughtfully, resources are targeted appropriately, and that accountability and performance are maximized. Committee chairs in Congress can adopt parallel initiatives.

These early stage considerations are vital because place-conscious policymaking is about more than the place-based policies themselves, it is about instilling spatial awareness into everything relevant the federal government does. The Biden administration and its partners in Congress need to be deliberate in crafting policies that will foster geographic inclusion and in scrutinizing policies that might exacerbate spatial inequality. Situating a geographic lens at the center of the policy process is important because competition policy, trade policy, immigration policy, and even highway spending all have unintended geographic ramifications that are better anticipated ahead of time rather than dealt with after the fact. For example, airline deregulation was not a place-based policy on its face, but few federal moves over recent decades have had greater ramifications on the local economies that lost frequent, affordable flight access and economic connectivity as a result.[16] Not every policy will change as a result, nor should it. But when pure-win opportunities arise to advance regional equity or ward off an unintentional outcome with an improved solution, they should be embraced.

A whole-of-government approach to economic development

Federal spending provides ample evidence that **demand for federal economic development services far outstrips the normal supply of funding**. Congress relies on the Economic Development Administration (EDA) as a vitally important transmission channel for delivering emergency funds. The CARES Act delivered $1.5 billion to EDA, five times its typical annual appropriation, to assist communities impacted by the pandemic. Another $600 million was appropriated to it in both FY2018 and FY2019 to support long-term recovery from natural disasters.[17] These special appropriations highlight pent-up demand for more resources not only to help places recover from economic shocks, but also support regional economies in their efforts to become more resilient. When disaster strikes, Congress and administrations turn to EDA to mend the pieces. Better yet would be a more strategic federal approach to fortify local economies beforehand, too.

We encourage Congress and the Biden administration to consider new institutional arrangements for consolidating and coordinating federal economic development activities as a way to provide strategic direction and instill greater cohesion across the entire enterprise. In an ideal world, **a new, independent, cabinet-level entity with the express mission of driving domestic economic development and regional economic resilience** would consolidate related activities from existing agencies under a single organizational roof.[18] Many have recognized the need for a profound remodeling of the federal economic development structure and strategy, with a consensus that the existing system under-delivers in terms of both strategic focus and improvements to the lives of everyday Americans.[19]

> The federal policy stance vis-à-vis regional economic transitions must shift from too little, too late to a more proactive, anticipatory stance that helps communities adapt before they decline.

Regardless of the exact form it takes, communities nationwide would benefit from an **elevated, empowered, centralized entity to drive federal economic development policy**. Such an entity would logically build off of the EDA, which is the only federal government agency exclusively focused on domestic economic development. However, the agency is relatively small, has been sequestered into the inherently trade-focused Department of Commerce, and lacks adequate remit and funding to meet the demands of the country's long term economic development challenges. Both Congress and executive leaders could push to expand the agency's mandate, elevate its position in the bureaucracy, and increase its annual appropriations to expand the scope of its programming.

In that vein, federal policymakers should **expand the range of tools in the economic development finance toolkit and apply models from international development, particularly around nurturing private sector activity** to the country's persistently lagging regions and communities. Here the new U.S. Development Finance Corporation (DFC), successor to the Overseas Private Investment Corporation (OPIC), could serve as a model.[20] The DFC is designed to provide the sort of financing private markets will not—loan guarantees, direct equity contributions, and securitization across high-risk entrepreneurs or locations—that allow private commerce to take hold and flourish. A Domestic DFC (DDFC) might join with EDA in such an approach to incubate market activity in some of the country's weakest-market areas where private investors fear to tread, from the rural Deep South and the tribal West to distressed urban corners of the Northeast or Midwest. Such vitally important financial instruments are currently missing in the space between EDA grants, SBA loans, and CDFI Fund allocations.

> Federal policymakers should expand the range of tools in the economic development finance toolkit, particularly around nurturing private sector activity to the country's persistently lagging regions and communities.

Absent the near-term political space to accomplish a full scale reorganization of economic and community development efforts, the Biden administration should focus on empowering EDA to serve more of a strategic and centralized, coordinating role for relevant activities. An empowered EDA must provide coherence, leadership, vision, and final accountability for economic development policies across the bureaucracy. Near-term, actionable priorities should include:

- Undertake a thorough **review** of the efficacy and efficiency of all existing economic development programs and provide recommendations to Congress as to whether the program is best administered by its current agency or should be consolidated under the expanded purview of another one. Such a review should also pay special attention to ways the structure of federal policy, such as federal matching requirements, may disadvantage persistently distressed, resource-constrained communities.

- Establish **permanent interagency task forces** co-chaired with HUD and United States Department of Agriculture (USDA) to coordinate economic development efforts across programs and agencies.

- Set **clear goals**, in coordination with the White House and Congress, to guide the country's domestic economic development agenda. Attainable, quantifiable goals have done much to advance rigor and impact in the United States' international development activities. Applying those lessons back home would bring needed strategic orientation to the federal economic development enterprise. For example, setting the goals of reducing concentrated poverty census tracts by one-quarter or boosting prime-age employment in lagging regions by 5 percentage points relative to the nation over a decade would help guide resources, expose realms where new policy tools are needed, and make abundantly clear why and where interagency collaboration is essential.

- Work with partners in Congress to create or expand programs derived from best practices to **invest in local capacity-building at scale**. Local conditions such as fiscal health, administrative capacity, the quality of local leadership, and the depth of staff expertise mediate the success of federal economic development interventions. To ensure that all communities have access to funds and can use them efficiently and effectively, the federal government must make a serious financial commitment to building long-term capacity in these lagging areas. This would improve the equity of funding allocations over the long-term as more communities become able to advocate for themselves and win competitive grants. Such efforts should also boost the federal government's return on investment as better trained local leaders are able to better utilize provided resources.[21]

- **Experiment with a more regional approach** to development by adjusting the purview and focus of existing regional development offices or forming a nation-wide network of fully-funded regional commissions and authorities similar in structure to the Appalachian Regional Commission. Not least, such regional entities could serve a vital coordinating function across programs that remain fragmented at the federal level and ease access to federal resources for localities—especially important for systemically underserved areas. Existing Economic Development Districts (EDDs)—multi-jurisdictional, self-identified entities organically formed around the goal of economic development—could flourish as key interlocutors in such a system.

Assemble the spatial inequality policy toolkit

Institutional reforms to infuse spatial considerations into the country's economic policymaking and improve how we administer economic development policy should be accompanied by a robust legislative agenda to activate broad-based economic growth. Since spatial inequality operates on so many scales, the solution set must contain policies tailored to neighborhoods as well as entire regions. And since local or regional economic stagnation never has a single cause, the solution set must also be composed of strategies to attend to the building blocks of prosperity, including access to capital, infrastructure, human capital, innovation, entrepreneurial ecosystems, and competitive markets. A starter kit of existing legislation and actionable ideas for Congress and the Biden administration to forge a more durable and inclusive geography of economic growth could include the following.

Access to capital for new and small businesses in distressed communities

Firms and individuals in distressed communities have a more difficult time accessing capital than their peers in prosperous regions, and accessing capital is especially challenging for minority entrepreneurs and business owners in the best of times and locations. To increase access to capital in distressed communities Congress and the administration can consider:

- **Reauthorize and expand the successful State Small Business Credit Initiative (SSBCI)** or pursue the similar New Business Preservation Act. By helping to activate the power of private funding in regions traditionally underserved by venture capital, the program would help drive an entrepreneur-led, geographically equitable recovery. The SSBCI model also strengthens local entrepreneurial ecosystems by incubating the capacity of local intermediary and investment organizations.

- **Adopt a slate of improvements and enhancements to Opportunity Zones (OZs)**. OZs can be a powerful tool for delivering much-needed equity capital to fuel economic recovery in low-income communities—especially in a post-COVID-19 economy. But important lessons cannot be gleaned from this new frontier in place-based policy without strong measurement. Immediate priorities should include enacting strong reporting requirements, such as those found in the bipartisan IMPACT Act, which aims to collect the data necessary to evaluate the success of OZs and to inform future iterations of the policy. Lawmakers should also move quickly to strengthen the incentive itself and make it easier to use in supporting existing businesses and startups alike.

- **Invest in restoring small business corridors and the commercial hearts of communities in the wake of the pandemic**. The pandemic has put incredible strain on the locally-serving small businesses that form the beating heart of many American communities' economies and civic life. The bipartisan [RELIEF for Main Street Act](#) would create a new $50 billion fund operated by Treasury to provide direct allocations via block grants to states, counties, and cities to seed and scale local small business relief funds.[22]

- **Call for a commission to study how recent financial sector reforms have changed the access to capital landscape for new and small businesses as well as rural and distressed communities**. From the stagnation in small business lending to the steady consolidation of community banks and the widespread disappearance of bank branches across rural areas, the same reforms that bolstered the country's financial system writ large coming out of the 2009 financial crisis may have had unintended consequences in curtailing lending and capital access to riskier and lower-margin places and groups.[23] A commission to study the ways in which Dodd-Frank era regulatory reforms may have adversely impacted rural areas and other marginal or disadvantaged regions of the country could inform a new agenda to make U.S. capital markets work better for American workers and communities.

- **Push forward on Community Reinvestment Act (CRA) reform and modernization**. The CRA is the country's premier vehicle for leveraging financial markets to combat the living legacies of racist housing and lending policies from the middle of the last century. Yet it has not kept up with broader changes in markets (more national banks, fewer regional ones) or technology (how does the rise of mobile lending redefine banking deserts?) and is badly in need of reform to remain effective.[24] CRA reform should be one cornerstone of a broader agenda to close the racial wealth gap that includes investing in neighborhoods, reactivating housing markets, creating new pathways to ownership, and strategies to boost asset accumulation.

Bolster capacity and connectivity—preconditions for development

Any strategy to combat spatial inequality must rest on the bedrock principle of ensuring that all places have a fair shot at competing and thriving in the modern economy. To do that, the federal government should commit to investing in the physical and digital connectivity that grants access to markets and spreads the benefits of economic growth. Policymakers should also seek to bypass the capacity conundrum—in which low population or very disadvantaged areas miss out on awards, programs, and investments because projected impacts are too small and there are too few matching dollars or highly capable local partners on the ground—with a new suite of tools and programs designed to reach places at the very earliest stages of development.

- **Accelerate broadband deployment nationwide** by speeding up investments and removing state, local, and federal regulatory barriers to provision and innovation.[25] Recent FCC awards to expand rural broadband have been helpful, but the pandemic has underscored the urgent need to fully connect all Americans with modern internet capacity. Reliable, high-speed broadband is an essential service, required to access education, healthcare, and economic opportunity. Yet an independent report in early 2020 found that 42 million Americans lack access to wired or fixed wireless broadband.[26] If Congress cannot appropriate sufficient funds quickly enough to dramatically reduce the timetables for connecting all Americans with adequate, reliable broadband, the Biden administration should consider which financial and regulatory tools it has to accelerate deployment, bring innovation and competition to broadband provision, and finally meet universal essential service standards for all Americans.[27] Here clear, ambitious, near-term goals—closing the gap in five years, say—would focus efforts and give the country a real achievement to look forward to.

- **Offer 10-year block grants to consortiums of local governments to address shared infrastructure and labor market needs.** The Build Back Better Act would create a new block grant program targeting distressed communities delivered at the scale of metro areas, commuting zones, economic development districts, or rural regions.[28] Such a new stream of flexible, long-term funding could be spent on activities including job training, business support, infrastructure development, and land preparation or remediation. It would also provide a powerful fiscal catalyst for strengthening the capacity of regional economic development organizations. The block grants would be a useful and adaptable complement to more prescriptive forms of federal support.

- **Establish a national capacity building fund or a network of regional capacity building institutions**. In addition, Congress and the administration should consider establishing a national capacity building fund that would invest in improving the quality of governance and the capabilities of local civic, inter-governmental, and quasi-governmental organizations responsible for economic and community development activities. Such a fund could be used to hire personnel, finance professional development scholarships, acquire technical assistance, or do project due diligence, and it should be focused on increasing local acumen around economic development finance in particular. Such a fund could be administered through enhanced regional development entities, as per the recommendation above.[29]

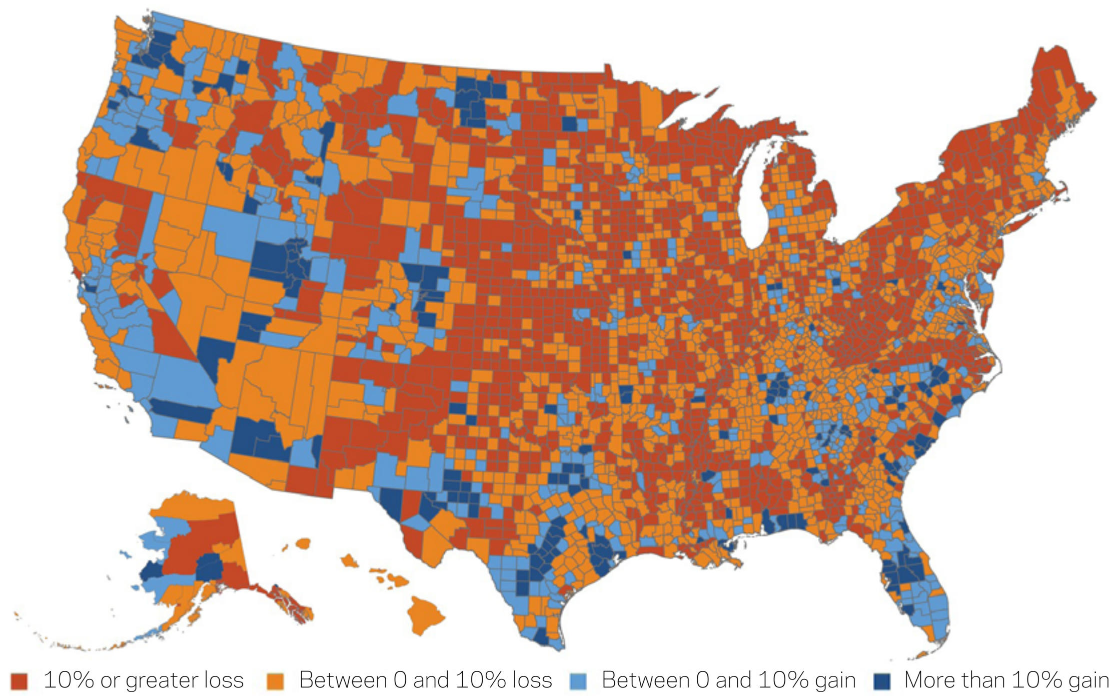
- **Engage in a systematic review of how application processes, eligibility criteria, and other aspects of program structures disadvantage rural and struggling areas**. Biases that favor better off or higher capacity areas are baked into numerous federal funding streams. For example, programs that prioritize impacting large numbers of people can implicitly favor densely-populated urban areas.[30] Elsewhere, resource constraints and local capacity gaps can make it difficult to even identify and apply for grants, let alone compete. An OIRA review or audit is needed to better understand the ways in which program design can obstruct access to resources for the country's most disadvantaged communities.

Some gaps between places are natural, but there is nothing inevitable about the extent or nature of spatial inequality in the United States today. Decision-makers have broadly overlooked the geographic ramifications of trade, competition, and deregulation policies.

Invest in people

Human capital is the cornerstone of prosperity. It also represents one of the starkest dividing lines separating thriving parts of the country from lagging ones. One-fifth of the adult residents of economically distressed zip codes have not completed high school on average, compared to one out of every 20 in prosperous zip codes.[31] The bachelor's degree attainment gap has widened between metropolitan and rural America since 2000.[32] Americans are increasingly leaving the labor force altogether when local economic opportunity dries up, sapping our economic potential. Meanwhile demographic decline and widespread population loss now weigh on thousands of communities: the prime age workforce shrunk across 80 percent of U.S. counties over the past decade.[33]

Prime working age population change by county 2010-19



Source: Economic Innovation Group analysis of U.S. Census Bureau data

A starter-kit for boosting local human capital in the near-term would include ideas to:

- **Create a Heartland Visa program** that establishes a new high skilled visa category for counties or groups of counties experiencing prime working age population loss. These additional visas would help bolster struggling local labor markets and boost the dynamism of local economies. Heartland Visa holders would be free to start their own businesses or to find work with any local employer, making their skills available to small, medium, and new businesses, not just big established ones that dominate other skilled visa programs. They would provide much needed injections of human capital, entrepreneurial vitality, and consumer demand into parts of the country that retain considerable economic potential yet fail to routinely attract new residents, particularly skilled workers.

> The economic success of individuals and families rises and falls with that of their communities, and the widening rifts are visible nationwide: from lagging rural towns to distressed former industrial hubs and the pandemic's outsized toll on communities of color.

- **Facilitate domestic migration** with targeted policy innovations such as the Workforce Development through Post-Graduation Scholarships Act, which would enable charitable foundations to fund scholarships—effectively tax-exempt grants—for individuals who have recently completed a higher-education degree or technical program certification to settle and begin careers in high-need areas. The grant would simultaneously counteract the "brain-drain" afflicting many rural or otherwise economically left-behind places and assist with post-graduation costs, helping to address the growing student debt crisis.

- **Incubate more entrepreneurs in more places**. Entrepreneurs can turn around their local economies, and they serve a vital role helping communities adapt to change and build local wealth. The Next Generation Entrepreneurship Corps Act is a bipartisan idea to pilot a fellowship program designed to foster entrepreneurship in the most distressed regions of the United States. In addition to providing vital access to capital for a new generation of local entrepreneurs, the fellowship would provide healthcare, living expenses, and student loan support to assist participants during the first years of starting a business.

Seed more innovation in more parts of the country

More American workers and communities need to be empowered to embrace the future, rather than fear or attempt to stand astride it. That involves embedding innovation and dynamism in more parts of the country. Two ideas that harness the power of the world-leading federal R&D apparatus in service of a more balanced economic geography are to:

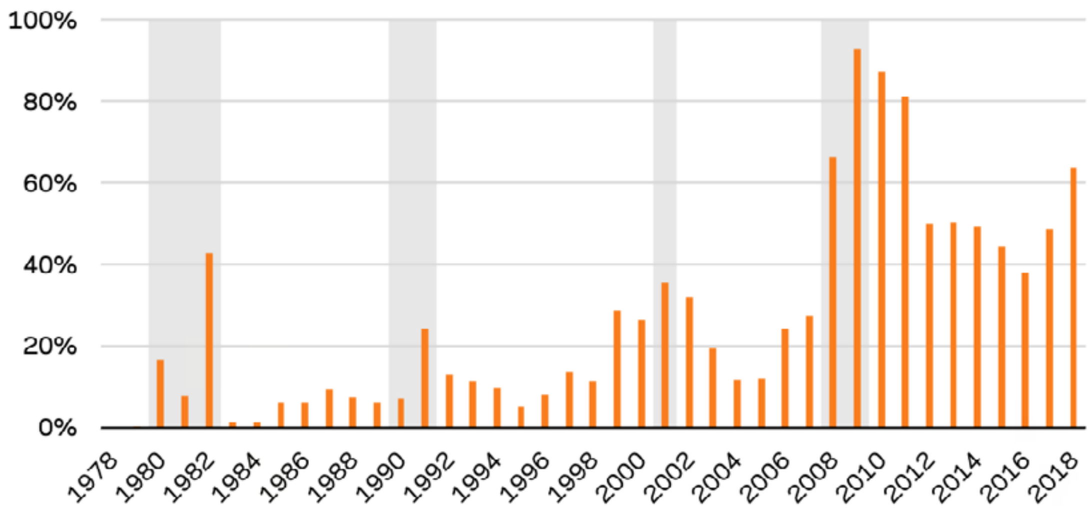
- **Deepen and broaden investment in technology and innovation while cultivating a national network of regional growth hubs**. Building off of a proposal from the Information Technology and Innovation Foundation and the Brookings Institution, the Endless Frontiers Act would modernize federal innovation and technology policy and also invest $10 billion in up to 10 metro areas across the country to cultivate regional technology hubs—ecosystems of technology and entrepreneurship seeded by large-scale federal investments.[34] Such a dramatic federal boost to promising clusters would capitalize on the dispersed nature of the country's inherent innovation advantages embedded in universities, national labs, and the private sector to accelerate the advancement of new poles of agglomeration and drive economic development across the country's interior.[35]

- **Amplify the economic development impact of existing federal innovation assets**. Improve the national laboratory system's connectivity to local innovation clusters and business ecosystems by directing the Department of Energy to adopt a number of small business-friendly procedural reforms and encouraging Congress to create a new "innovation voucher" program that allows small and new local businesses direct access to lab facilities and researchers.[36]

Reinvigorate competition policy

An economy in which markets are kept healthy by legions of diffuse competitors and a steady inflow of new entrants is an economy that offers more places a chance to grow and prosper. Since the turn of the century, however, and in parallel to our rapidly growing spatial inequality, U.S. product markets have become more concentrated. [37]At the same time, startup rates have steadily fallen, and evidence suggests it has become harder to start and grow a business that will survive.[38] A majority of metro areas did not create enough new firms in 2018 to replace those that closed down.

Share of metro areas with higher firm death rates than start-up rates, 1978-2018



Source: Economic Innovation Group analysis of U.S. Census Bureau's Business Dynamic Statistics

Meanwhile, so-called superstar firms, protected by impenetrable moats of intellectual property, proprietary software, and other levers of market power, pull away from the rest of the economy in terms of earnings, productivity, and profit. At the local level, as fewer new firms form organically, state and local economic development practice has mutated into a zero sum race to the bottom of offering incentive packages that further distort markets. Restoring the competitive intensity of the economy with tools and strategies adapted for the digital era is essential work for creating the conditions in which more places can thrive. The following principles should inform the federal government's approach to place-conscious competition policy:

- **Ban noncompete agreements** that gum up local labor markets, deprive workers of the wage-boosting benefits of competition for their labor, and prevent would-be entrepreneurs from starting new businesses. The bipartisan, bicameral Workforce Mobility Act would do exactly this.

- **Stoke competition with reinvigorated enforcement and rulemaking**. In addition to increasing funding for enforcement agencies and strategically ramping up warranted investigations, federal policymakers should consider how merger review guidelines that state how concentrated a market can become before an antitrust investigation is triggered should be updated (made stricter) to reflect the realities of the modern, tech-enabled economy. [39] More broadly, a whole-of-government approach is needed to boost competition by encouraging careful, targeted rulemaking across the federal bureaucracy that proactively stokes competition in regulated markets such as air travel, telecoms, and securities.[40] A pro-competition policy stance is a pro-worker and pro-place one as well.

- **Discourage zero-sum, market-distorting state or local tax incentives** directed towards single companies with a federal tax on any such initiative, proceeds from which could seed a Main Street Fund to redirect incentive payments toward small business and entrepreneurship initiatives that foster a more broadly competitive economy.[41] The Federal Trade Commission could also be directed to assess the scale of the market distortions introduced by these state and local practices as well as the economic costs of such anti-competitive behavior. Such an evaluation could lay the groundwork for more targeted regulatory or policy interventions to level the playing field.

Conclusion

Prior to the onset of the COVID-19 pandemic, the U.S. economy was experiencing record low unemployment, strong income growth, and the longest economic expansion in the country's history. But this growth failed to reach many corners of the country. The disturbing fact is that many regions and neighborhoods in the United States no longer benefit from the economy's wider achievements, and instead of growing together, economic fortunes diverge at every level. The causes of this are manifold, but it is in part the direct result of a failure to incubate the capacity to thrive in a modern economy in communities and regions throughout the country. The last decade of economic growth will go down as a missed opportunity to create and deploy tools that allow more people and places to participate in our national economic advancement.

As it gets to work, the new administration and Congress should direct energy and programming towards chronically distressed places that have suffered from inattention and underinvestment for too long. They should also set out to bolster resilience to a range of economic disruptions—from pandemics to climate change and long-term industrial change—in all communities. An empowered federal agency coordinating economic development policy and an aggressive place-conscious policy agenda are essential to achieving these goals. With some intentionality, the Biden administration and the 117th Congress have a real shot at leaving as their legacy an expanded map of American economic dynamism and prosperity.

When communities undershoot their economic potential,
the entire country's progress is held back.

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