

What to Do with Places Left Behind?



Ryan Bhandari

Former Senior Policy
Advisor, Economic
Program

[@rbhandari3](https://twitter.com/rbhandari3)

There is an opportunity crisis in America. As proof, look no further than the 2,100 counties that lost 200,000 businesses between 2005 and 2015—and 1.2 million private sector jobs along with that. These urban, suburban, and rural areas are home to white, African American, Asian, Hispanic, and Native American families. And they are leaking opportunity.

As the divide between high-flying and distressed communities continues to grow, voters will demand solutions to bring more opportunity to more places. Below, we offer a series of options ranging from transforming how entrepreneurs can start and grow businesses where they live to better connecting every community to the digital economy.

Anyone running for nationwide office in 2020 needs to confront the opportunity crisis head on. As a central part of that, policymakers need to make sure that we are investing in places left behind—transforming them and the families that live there.

The Case

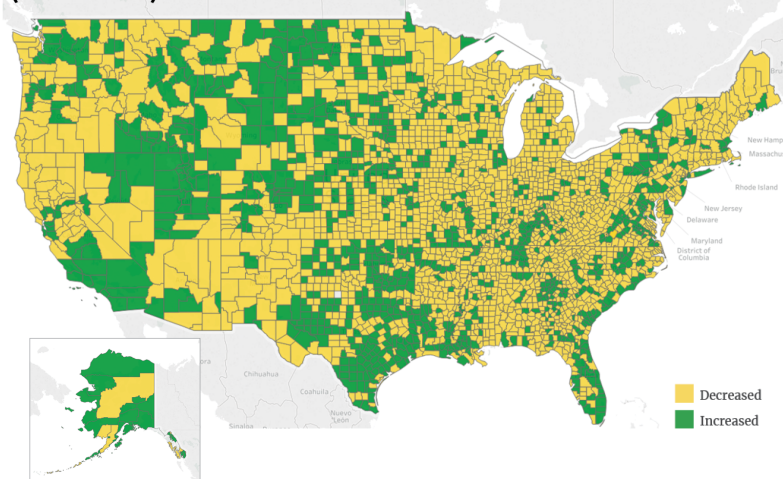
Everyone should be able to earn a good life *where they live*. Unfortunately, that is simply not possible in too many communities across the country.

Voters aren't feeling economically secure where they live.

Our polling asked people whether a 17 year old would have more opportunity if they stayed in their community or moved. By a whopping 24 points, people said a young person would need to move to find opportunity.¹ And yet in small towns and rural areas, it's far worse. By nearly 50 points, they say a young person would need to move to get opportunity.

The majority of US counties are losing businesses. From 2005 to 2015, 1/3 of the counties across the US saw substantial business growth—adding 350,000 businesses and 6.7 million private sector jobs². Yet, as noted above, during the same decade, 2/3 of US counties lost 200,000 business and 1.2 million private sector jobs along with it.³

National Business Establishment Gains and Losses, By County (2005-2015)



Most venture capital funding is concentrated in three states.

Good ideas are not confined to Silicon Valley or Manhattan. But you wouldn't know that from looking at where venture capital goes. In 2015, nearly four out of every five venture capital dollars were invested in just three states: California, New York, and Massachusetts. This is compared to 50% in 1995.⁴ In 2014, seven states accounted for 50% of all startups, and half all of patents were filed in just 50 counties.⁵

Trade and globalization hit certain areas harder than others.

As the US has transitioned to a service-based knowledge economy, the disruption for those employed in traditional manufacturing has been particularly painful. The places most heavily dependent on manufacturing were doing the best in 1980, but in 2016, those areas were among the lowest performing regions in the entire country based on measures of vitality compiled by the Brookings Institution. ⁶

Minority communities continue to face steep challenges. The legacies of institutionalized racism and discrimination along with unequal educational opportunities, criminal justice disparities, and other issues have prevented particular places and communities from achieving their full potential. Our analysis of job quality in 200 metro areas in the US shows that the larger the minority population, the less opportunity there is for that community to earn a good life. ⁷

It's not as easy for people to simply move toward opportunity. Americans are moving far less than they used to. The percentage of people moving to another state in a given year halved from 1980 to now. A recent Third Way report explains the factors that have caused this decline. These include a steady rise in restrictive occupational licensing rules, benefits that don't cross state lines, and housing in the most productive cities that is often prohibitively expensive. ⁸

Possible Solutions

There are numerous ways to invest in places left behind throughout the country. Here are a select few:

The Opportunity Bank

Third Way has proposed a new effort to unleash \$1 trillion in new small business and start up lending over the coming decade. To accomplish this, the Opportunity Bank would quadruple the cap of the SBA's 7a loan guarantee program as well as lower the fees, increase guarantee amounts, and expand the pool of capital for eligible entrepreneurs and small business owners. ⁹

The Opportunity Fund

Third Way has also proposed ensuring that entrepreneurs in every state have access to private sector equity investment. Under this proposal, the federal government would grant seed capital to states which can either partner with local venture capital firms or hire their own team to invest money in homegrown entrepreneurs with high-growth potential.

10-20-30 Plan

Representative James Clyburn proposed an innovative way to fight persistent poverty in communities all over America. His plan mandates that 10% of federal funds for specific government programs go to communities in which 20% or more of the population have lived below poverty for the last 30 years.¹⁰

Broadband for All

Third Way has proposed to connect everyone in the country to broadband through two sweeping actions. First, a Broadband Construction Surge will provide \$45 billion in federal funds for building out broadband connectivity to hard-to-serve areas and tear down barriers to construction. Second, an Automatic Access program will automatically enroll low-income families in discounted broadband support and support the purchase of low-cost computers.¹¹

Place-based automatic stabilizers

This proposal from the Brookings Institution would reform the way the federal government distributes money to states during both a recession and a recovery. It would tie the size of federal grants to the economic needs of the state as opposed to things like population and size. It would also send more money to states during a recession to help shore up their budgets.¹²

Housing Reform

This proposal from Senator Elizabeth Warren and confirmed by independent analysis from Moody's Analytics, would

increase the supply of housing in expensive metropolitan areas across the country by creating federal incentives for cities to reform restrictive zoning laws and investing billions in the construction of affordable housing. The proposal also provides grants to low-income home owners who need a down-payment and expands the Fair Housing Act.¹³

Infrastructure Development

As Democrats proposed in their Better Deal package, we need a huge commitment to revitalize our nation's infrastructure. In this plan, \$1 trillion was dedicated to roads and transit, telecommunications, passenger rail, schools, airports, water, and energy infrastructure. We must ensure there is also a strong commitment to rural areas that often have very pressing demands for infrastructure development.¹⁴

Re-employment Insurance

This Third Way proposal would completely revamp the traditional unemployment insurance system and help more workers jump back into the workforce. Laid-off workers would continue to receive traditional income support, but they would also be eligible for a series of other modernized benefits. These include a universal training voucher, a job search stipend, and wage insurance for older workers.¹⁵

Licensing Reform

This proposal from the Brookings Institution would offer states financial incentives to reform the way they license professions. It would also make it easier for licensed professionals to cross state lines for a new job and possibly reduce the number of occupations subject to licensing moving forward. Third Way also has a proposal that would create a set of national, uniform licensing standards for occupations that employ a lot of veterans. Veterans often find themselves locked out of certain professions when they transition back into the civilian workforce because they lack the proper license.¹⁶

Rural Commuter's Credit

For workers in rural communities that are often far away from economic activity, this proposal from Aspen Institute would provide them with a tax credit that reimburses workers for their commuting costs. It would be administered by local government employment centers and the exact amount given out would vary based on each worker's unique commuting costs.¹⁷

Rural Development

Small Business Majority, as part of its recommendations to boost rural entrepreneurs, calls for permanent funding for USDA programs like the Rural Microentrepreneur Assistance Program, Value-Added Producer Grants, and the Intermediary Relending Program that support rural entrepreneurs.¹⁸

Online Financing

Another proposal from Small Business Majority would expand the reach of online resources and lending platforms to fill gaps for rural entrepreneurs that have seen their access to traditional brick and mortar financial institutions restricted. This would have to coincide though with increased transparency and regulation of online lending to protect against predatory loans.¹⁹

Bio Based Manufacturing Support

This proposal from Tom Vilsack in *Democracy* would help support agricultural businesses in rural America by providing publicly financed research for new bio based manufacturing techniques that take plants, crops, and animal waste and converts them into chemicals, fabrics, fibers, and energy.²⁰

ENDNOTES

1. Third Way/David Binder Research National Survey, 1,200 Likely 2018 Voters, MoE 2.8%, conducted June 14-15, 2018

- 2.** Jim Kessler, “How the Concentration of Opportunity Elected Trump.” Third Way, 28 Jun. 2018, Available at: <https://www.thirdway.org/report/how-the-concentration-of-opportunity-elected-trump>. Accessed 14 Mar. 2019.
- 3.** Jim Kessler, “How the Concentration of Opportunity Elected Trump.” Third Way, 28 Jun. 2018, Available at: <https://www.thirdway.org/report/how-the-concentration-of-opportunity-elected-trump>. Accessed 14 Mar. 2019.
- 4.** Ryan Bhandari & David Brown, “The Opportunity Index: Ranking Opportunity in Metropolitan America.” Third Way, 30 Oct. 2018, Available at: <https://www.thirdway.org/report/americas-got-talent-venture-capital-needs-to-find-it>. Accessed 14 Mar. 2019.
- 5.** Ryan Nunn, Jana Parsons, & Jay Shambaugh, “The Geography of Prosperity.” Place-Based Policies for Shared Economic Growth, Edited by Jay Shambaugh and Ryan Nunn, Brookings Press, September 2018, Pages 29–30. Available online at: http://www.hamiltonproject.org/assets/files/THP_PBP_fullbook_web_1016.pdf. Accessed 14 Mar. 2019.
- 6.** Ryan Nunn, Jana Parsons, & Jay Shambaugh, “The Geography of Prosperity.” Place-Based Policies for Shared Economic Growth, Edited by Jay Shambaugh and Ryan Nunn, Brookings Press, September 2018, Pages 26–29. Available online at: http://www.hamiltonproject.org/assets/files/THP_PBP_fullbook_web_1016.pdf. Accessed 14 Mar. 2019.
- 7.** Ryan Bhandari & David Brown, “The Opportunity Index: Ranking Opportunity in Metropolitan America.” Third Way, 30 Oct. 2018, Available at: <https://www.thirdway.org/report/americas-got-talent-venture-capital-needs-to-find-it>. Accessed 14 Mar. 2019.

- 8.** Kelsey Berkowitz, “Stuck in Place: What Lower Geographic Mobility Means for Economic Opportunity.” Third Way, 28 Jan. 2019, Available at:
<https://www.thirdway.org/report/stuck-in-place-what-lower-geographic-mobility-means-for-economic-opportunity>. Accessed 14 Mar. 2019.
- 9.** Ryan Bhandari, “The Opportunity Bank: A Trillion Dollars in New Small Business Lending.” Third Way, 15 Feb. 2019, Available at:
<https://www.thirdway.org/report/the-opportunity-bank-a-trillion-dollars-in-new-small-business-lending>. Accessed 14 Mar. 2019.
- 10.** “Clyburn, Booker Announce Major Legislation to Fight Poverty in America; New Report Details Success of 10–20–30 Formula.” Press Release, Congressman James E. Clyburn, 3 Oct. 2018, Available at:
<https://clyburn.house.gov/press-release/clyburn-booker-announce-major-legislation-fight-poverty-america-new-report-details>. Accessed 14 Mar. 2019.
- 11.** Kelsey Berkowitz & Gabe Horwitz, “Broadband for All: Connecting Everyone, Everywhere to the Digital Economy.” Third Way, 1 Feb. 2019, Available at:
<https://www.thirdway.org/report/broadband-for-all-connecting-everyone-everywhere-to-the-digital-economy>. Accessed 14 Mar. 2019.
- 12.** Policies for Shared Economic Growth, Edited by Jay Shambaugh and Ryan Nunn, Brookings Press, September 2018, Pages 123–156. Available online at:
http://www.hamiltonproject.org/assets/files/THP_PBP_fullbook_web_1016.pdf. Accessed 14 Mar. 2019.
- 13.** “Warren Unveils Historic Legislation to Confront America’s Housing Crisis.” Press Release, Senator Elizabeth Warren, 26 Sep. 2018, Available at:
<https://www.warren.senate.gov/newsroom/press-releases/warren-unveils-historic-legislation-to-confront-americas-housing-crisis>. Accessed 14 Mar. 2019.

14. "A Better Deal: Rebuilding America's Infrastructure." Policy Proposal, House Democrats, Available at: <https://abetterdeal.democraticleader.gov/the-proposals/creating-jobs-lowering-costs-boosting-local-economies/>. Accessed 15 Mar. 2019.
15. Gabe Horwitz, Rachel Minogue, & David Brown, "Unemployment to Reemployment: An Idea to Modernize the Safety Net for the Digital Age." Third Way, 18 Sep. 2018, Available at: <https://www.thirdway.org/report/unemployment-to-reemployment-an-idea-to-modernize-the-safety-net-for-the-digital-age>. Accessed 15 Mar. 2019.
16. Morris M. Kleiner, "Reforming Occupational Licensing Policies," The Hamilton Project, Brookings Institute, Jan. 2015, Available at: http://www.hamiltonproject.org/assets/legacy/files/downloads_and_links/reform_occupational_licensing_policies_kleiner_v4.pdf & Joon Suh & Ben Freeman, "Operation Certification: How to Help Vets Succeed in the New Economy." Third Way, 29 Sep. 2016, Available at: <https://www.thirdway.org/report/operation-certification-how-to-help-vets-succeed-in-the-new-economy>. Accessed 15 Mar. 2019.
17. James P. Ziliak, "Restoring Economic Opportunity for 'The People Left Behind': Employment Strategies for Rural America." Expanding Economic Opportunity for More Americans, Edited by Melissa Kearney & Amy Ganz, The Aspen Institute, February 2019, Pages 100-126. Available online at: https://assets.aspeninstitute.org/content/uploads/2019/01/ESG_Report_Expanding-Economic-Opportunity-for-More-Americans.pdf?__ga=2.230787420.2125655437.1550004170-744104356.1549310122. Accessed 15 Mar. 2019.
18. "Examining the Unique Opportunities and Challenges Facing Rural Small Businesses," Small Business Majority, 12 Feb. 2019, Pages 22-25, Available at: https://smallbusinessmajority.org/sites/default/files/research-reports/Opportunities_and_Challenges_Facing_Rural_Small_Businesses.pdf. Accessed 15 Mar. 2019.

- 19.** “Examining the Unique Opportunities and Challenges Facing Rural Small Businesses,” Small Business Majority, 12 Feb. 2019, Pages 22-25, Available at:
https://smallbusinessmajority.org/sites/default/files/research-reports/Opportunities_and_Challenges_Facing_Rural_Small_Businesses.pdf. Accessed 15 Mar. 2019.
- 20.** Tom Vilsack, “Reconnecting with Rural America,” Democracy: A Journal of Ideas, Winter 2018. No. 47, Available at:
<https://democracyjournal.org/magazine/4.7/reconnecting-with-rural-america/>. Accessed 15 Mar. 2019.