What Happened to the American Dream?

Presentation to the National Conference of State Legislatures

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Dynamism in retreat

Conventional wisdom holds that too much churn and too much disruption plagues the U.S. economy today, but what we’re actually seeing is too little change.
Dynamism in retreat

The U.S. economy is growing less dynamic in nearly every sense of the term:

- People are **moving** less often
- People are **changing jobs** less frequently

Sources: U.S. Census Bureau’s Migration and Geographic Mobility tables and Longitudinal Employer-Household Dynamics dataset
But nowhere is the decline in dynamism more discernible than in the rate at which Americans form new companies, or the startup rate.

Source: U.S. Census Bureau’s Business Dynamics Statistics dataset
Dynamism in retreat

The U.S. economy now barely generates one new firm for every one that dies

Net increase in firms in the U.S. economy

Source: U.S. Census Bureau's Business Dynamics Statistics dataset
Dynamism in retreat

These national level trends are the product of developments at the local level.

The country’s economic engine is firing on fewer of its metropolitan pistons.

Source: U.S. Census Bureau’s Business Dynamics Statistics dataset
Dynamism in retreat

As a result, more and more metro areas contend with eroding portfolios of firms and employers.

Source: U.S. Census Bureau’s Business Dynamics Statistics dataset
Dynamism in retreat: Implications

For **workers**, a less dynamic economy means:
- Fewer companies competing for labor
- Fewer opportunities to switch jobs
- Fewer chances to climb the ladder of opportunity

For **markets**, a less dynamic economy means:
- More concentrated industries
- Less competition
- Higher profitability (the bad kind) and higher inequality

For **regions**, a less dynamic economy means:
- A drying pipeline of new businesses
- Less experimentation to generate the industries of the future
- A backward-looking economic development stance
Dynamism in retreat: The state view

EIG compiled seven metrics into a state-level index covering 1992 to 2014

- Business churn
- Change in firms
- Jobs in new companies
- Jobs in incumbent companies
- Labor market churn
- Labor force participation
- Net migration
Dynamism in retreat: The state view

Index of State Dynamism: 2014

Most Dynamic States
- Nevada
- Utah
- Florida
- Colorado
- North Dakota

Least Dynamic States
- West Virginia
- Ohio
- Mississippi
- Pennsylvania
- Indiana

Sources: U.S. Census Bureau and Bureau of Labor Statistics
Dynamism in retreat: The state view

States have considerable inertia to overcome

Dynamism fell to its lowest level on record in 14 states in 2014

North Dakota’s experience shows just how challenging renewing dynamism can be
The American Dream is realized locally

A less dynamic economy is one in which more people fall through the cracks. It leaves more people behind.

Share of counties matching the national job growth rate

Share of counties matching the national rise in establishments

Source: U.S. Census Bureau’s County Business Patterns dataset
The American Dream is realized locally

It’s at the zip code level where the disparities in the American economic experience really come into focus

From EIG’s forthcoming 2017 Distressed Communities Index
The American Dream is realized locally

It’s at the zip code level where the disparities in the American economic experience really come into focus

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<tr>
<th></th>
<th>Adults w/o a High School Diploma</th>
<th>Poverty Rate</th>
<th>Prime-Age Adults Not in Work</th>
<th>Housing Vacancy Rate</th>
<th>Median Income Ratio</th>
<th>Change in Emp.</th>
<th>Change in Est.</th>
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Source: U.S. Census Bureau’s American Community Survey and County Business Patterns datasets

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