SMALL *and* MIDSIZED LEGACY COMMUNITIES

Trends, assets, and principles for action

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November 2019

Metropolitan Policy Program at BROOKINGS

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I. The case for caring about small/midsized cities in transition

For much of the past few decades, a consensus formed among economists that public policies to improve economic opportunity should focus on helping people, not places. This consensus reflected both the mixed performance of many place-based revitalization strategies attempted since the late 1960s, as well as economists' abiding faith that people could and should leave "bad" places to move to better ones.

Over the past few years, however, new research and major political and business occurrences have combined to make Americans—and even economists—more attentive to the critical role places play in shaping economic and social outcomes.

In 2013, Raj Chetty and his colleagues published a groundbreaking study showing that where a child grows up in the United States has major consequences for his or her chances at upward economic mobility. That same group went on to reexamine the results of a major social experiment that tested the effects of neighborhoods on outcomes for poor children, finding strong evidence that moving to low-poverty environments improved long-run economic well-being.

Then, the results of the 2016 presidential election shone a spotlight on areas of the United States, particularly smaller towns and large swaths of the Midwest, that felt disconnected from the prosperity other parts of the country were enjoying. That malaise was punctuated by a nationwide competition in 2017-18 to land Amazon's second headquarters that eventually landed in one of the country's wealthiest regions, Washington, D.C.

As Clara Hendrickson, Mark Muro, and William A. Galston recently described, the underlying trend toward greater disparities across places isn't all that new. They show that, beginning in the mid-1980s, wage and employment growth in the most prosperous metropolitan areas began to significantly outpace that in other metro areas. But the economic and political problems caused by increasing divergence are meriting more serious policy attention. Former skeptics like Edward L. Glaeser, who in 2007 decried spending federal dollars to support large struggling cities like Buffalo, recently recommended that the federal government provide place-based employment subsidies to individuals in areas of high unemployment such as Appalachia.

The tension in today's debate, then, is less about people-based versus place-based interventions—most observers see a strong case for both—but what *kinds* of places deserve support. That is, we are moving beyond what urbanist Jason Segedy calls the "U-Haul School of Urban Policy," which recommends that government focus primarily on enabling people to relocate to places with greater economic opportunity. At the same time, confronted by wide swaths of the country facing relative stagnation or decline, many are asking whether government can or should prop up highly economically distressed small towns of all kinds.

For more than a decade, Brookings and other experts have recommended increased policy focus on older industrial cities. Brookings recently defined an older industrial city as "a significant urban area with a history in manufacturing that has struggled over time to grow jobs in new sectors." At least four rationales stand out for focusing on these types of places:

- *Population.* A substantial proportion of U.S. population lives in these communities. The most recent Brookings analysis of older industrial cities found that they house nearly one in eight Americans. And in key areas of the country facing economic stress, including Indiana, Ohio, and Pennsylvania, more than one in three residents live in an older industrial county.

- *Urbanization economies.* In advanced economies such as the United States, urban agglomeration and density provide a larger, more specialized pool of labor, capital, and services. Together, these enable the knowledge spillovers that generate new ideas and economic value. Older industrial cities tend to be located in more urbanized, connected areas of the country, and boast dense urban cores that promote efficient clustering of jobs, workers, and institutions, creating the conditions for innovation and growth.

- *Sustainability.* Older industrial cities possess significant and often underutilized infrastructure. In an era of perpetual fiscal restraint and soaring climate change pressures, these cities offer a much-needed alternative to constructing new built environments that the public sector and planet Earth can't afford.

- *Racial equity.* As long-standing destinations for immigrants escaping poverty and war, and Black Americans escaping racial servitude and violence in the South, older industrial cities inherited a great deal of the nation's racial and ethnic diversity. As they did, however, they reproduced problems of segregation and racial exclusion, especially as their economies began to falter. This makes these communities particularly important focal points for efforts to close enduring racial economic divides in America.

As the recent Brookings analysis indicated, however, older industrial communities are not a monolith. While most cluster in the Midwestern and Northeastern part of the United States, their economic position and trajectory vary considerably. (Within the Midwest alone, Brookings affiliate John C. Austin has observed this divergence in what he calls a "Tale of Two Rust Belts.") One differentiator—especially in an age where technology-focused companies and highly skilled workers are gravitating to larger labor markets—is scale. Brookings found that large, older industrial areas (counties with more than 500,000 people) outperformed their midsized and small counterparts on an index of economic prosperity. Big places such as Brooklyn, N.Y., Louisville, Ky., Philadelphia, Pittsburgh, and St. Louis—not long ago viewed as 20th-century economic relics—are experiencing renewed economic vitality.

Economic prospects for small and midsized older industrial cities, however, may be quite different from those for larger ones. As Hollingsworth and Goebel describe, these cities do not generally benefit from the pattern of increasing consolidation in the modern economy. Many small and midsized older industrial communities are finding themselves on the wrong end of global cities' gravitational pull, such as when New Haven, Conn. recently lost a multibillion-dollar pharmaceutical company to Boston.

Fortunately, many experts have chronicled the assets and challenges of these communities, as well as strategies for their renewal that are appropriate to their market position and potential. While they lack the size and global reach of their larger counterparts, many small and midsized places arguably retain the requisite scale to offer a distinctive economy and quality of life to their businesses and residents. And their more manageable size may also facilitate the sort of pragmatic, cross-sector problem-solving that often bedevils much larger places.

This report advances a working definition of what it terms **legacy** communities: older industrial areas anchored by small to midsized cities. It explores and offers a typology of their recent economic performance. It then goes on to chronicle the common challenges these communities face, as well as the differential assets they bring to the task of achieving inclusive economic growth. The report concludes with a framework of approaches, including successful examples supported by cross-sector local and regional stakeholders, that together could position legacy communities and their residents for a more inclusive and prosperous economic future.

II. What and where are small and midsized legacy communities?

To better understand small and midsized cities undergoing economic transition, this report advances a definition of these places based on their historical economic structure, subsequent trajectory, and current urban-ness. It examines these and other cities through the lens of the counties of which they are a part, for two reasons. First, many of the economic assets and challenges of U.S. cities are not confined to their own political boundaries, but extend to their encompassing urban areas. Second, many more economic data are available for counties than cities over time, in part because their boundaries change much less often.

Urban-ness

A process for defining these transitioning places starts with the 3,142 counties that make up the United States. Of these counties, 714 contain an urban center, a city with a population of at least 20,000 as of 2016. Focusing only on those containing a small to midsized city—with a population up to 200,000—limits the universe to 620 **urban counties**.

Historical economic structure

Small and midsized cities in transition are further defined by the historical presence of manufacturing, and the struggle to either preserve or transcend that economic legacy. Between 1970 and 2016, the share of U.S. workers employed in manufacturing industries dropped from 24% to less than 9%. Transitioning cities are thus defined as having more than 20% of their county's jobs in manufacturing as of 1970. While slightly below the national average at that time, this threshold allows the analysis to include cities in the Northeastern United States that began the process of deindustrialization somewhat earlier than their Midwestern and Southern counterparts. At the same time, it classifies 268 **non-industrial counties** among the 620, counties that had less than 20% of their jobs in manufacturing as of 1970.

Economic trajectory

A third defining characteristic of cities in transition is that they are still managing the effects of deindustrialization, and suffered competitively as a result. One way to capture this dynamic is to examine the number of jobs they had in 2016, compared to how many jobs one would expect them to have if each of their industries had grown in line with national averages since 1970. Even controlling for the fact that they specialized in a declining industry in 1970, cities in transition have had a harder time than others holding onto those jobs or diversifying into other industries. Of the 352 counties with at least 20% of their jobs in manufacturing in 1970, 211 **transitioned counties** added jobs overall at faster-than-average rates. The remaining 141 **legacy counties**, the focus of this report, had significantly fewer jobs than their 1970 economic structure would predict. This report uses the term "legacy" in accordance with other research on transitioning cities, and in view of the significant current-day economic, social, and environmental legacies their manufacturing history imparts. It also uses the terms counties and communities interchangeably, and often refers to the small and midsized cities that form their urban economic cores.

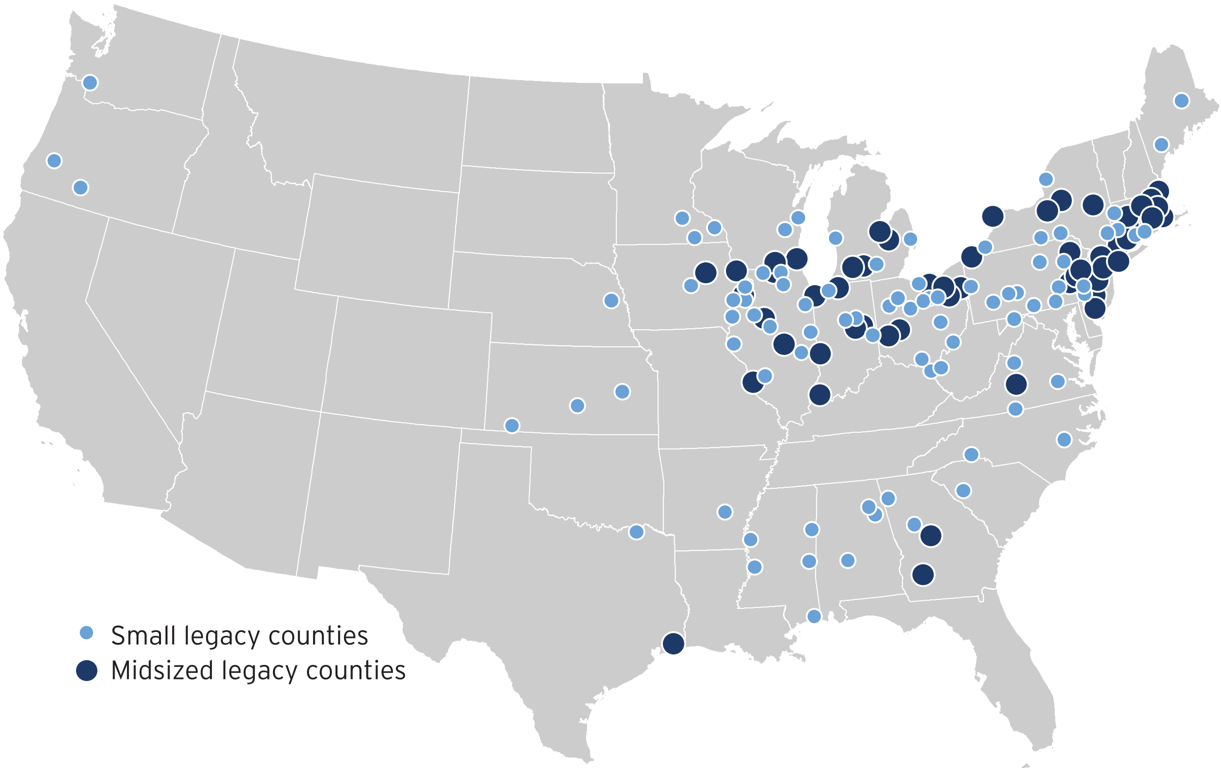
Size, geography, and demographics of legacy counties

A little more than one-third of legacy counties (54 altogether) contain a medium-sized city, with a population between 50,000 and 200,000. These **midsized legacy counties** are predominantly found in the industrial states of the Northeast and Eastern Midwest (Figure 1). The states of Indiana, Massachusetts, New Jersey, New York, Ohio, and Pennsylvania contain more than half of these counties. These more urbanized states tended to have somewhat larger industrial centers than other Midwestern and Southern states, including cities such as Muncie, Ind., New Bedford, Mass., Camden, N.J., Utica, N.Y., Dayton, Ohio, and Scranton, Pa. Many boasted dozens of firms in a variety of manufacturing industries, such as the textile, furniture, and firearms manufacturers that powered the Utica-area economy in its heyday.

The other 87 legacy counties are home to smaller cities, with populations between 20,000 and 50,000. These **small legacy counties** are distributed much more widely than midsized legacy counties. Although Illinois and Pennsylvania each have 11 such counties, more than half of U.S. states (27) have at least one small legacy county. These include many Southern states; Alabama, Georgia, Mississippi, North Carolina, Virginia, and West Virginia all contain more than one small legacy county.

Figure 1. Small legacy counties are more geographically widespread than midsized legacy counties

Location of legacy counties by city size (small = 20k to 50k; midsized = 50k to 200k)



Source: Brookings analysis of Moody's and U.S. Census Bureau data

With many of their cities located in more rural states, they are more likely than their medium-sized counterparts to be home to a single manufacturing industry or large employer. Many of the southern legacy counties thrived in the latter half of the 20th century by capturing manufacturing jobs from northern cities, but were more vulnerable to disruption and dislocation over the past two decades as those jobs shifted overseas (see below).

Legacy counties span a range of the urban hierarchy. Of the 141 counties, 101 are located in a metropolitan area, a commuter shed with a built-up urban core exceeding 50,000 residents. About one-quarter of these are suburban counties containing older industrial cities located in very large metropolitan areas; DeKalb, Ill. outside Chicago, Port Huron, Mich. outside Detroit, and Norristown/Pottstown outside Philadelphia are examples. Others represent the urban core of small and midsized metro areas; Evansville, Ind., Binghamton, N.Y., and Lynchburg, Va. are examples. The remaining 40 counties anchor micropolitan areas, which are labor market areas centered on an urban cluster with at least 10,000, but fewer than 50,000, people. They are exclusively small legacy counties, such as those containing Muscatine, Iowa, Winona, Minn., and Greenwood, S.C.

Altogether, the 141 legacy counties were home to 32 million, or about one in 10, Americans in 2016. Legacy counties' principal small and midsized cities contain about one-quarter of their total residents. Midsized legacy counties tend to be more demographically diverse, reflecting historical Black and foreign-born migration patterns to these communities for factory jobs in the early 20th century. In 2013-17, a little over 30% of midsized legacy counties' residents overall were people of color, with roughly equivalent numbers of Black and Latino or Hispanic residents. By contrast, small legacy counties were more than 80% white.

III. How are legacy communities doing?

By definition, legacy counties have faced greater challenges than other counties in diversifying their economies and growing jobs over the past few decades. Analyzing key economic data for these and other counties—including indicators tracked in Brookings's Metro Monitor—shows how those challenges have affected other outcomes for legacy counties relative to their non-industrial and transitioned county counterparts.

- *Population*: Since 1990, legacy counties have grown only modestly in population, by 5% overall for small legacy counties and 7% overall for midsized legacy counties (Figure 2). That compares to growth rates from 40% to 50% for other urban counties with small and midsized cities during that time period. Indeed, 49 of the 141 legacy counties lost population from 1990 to 2016, led by Washington County, Miss. (home to Greenville), which lost nearly one-third of its residents during that time.

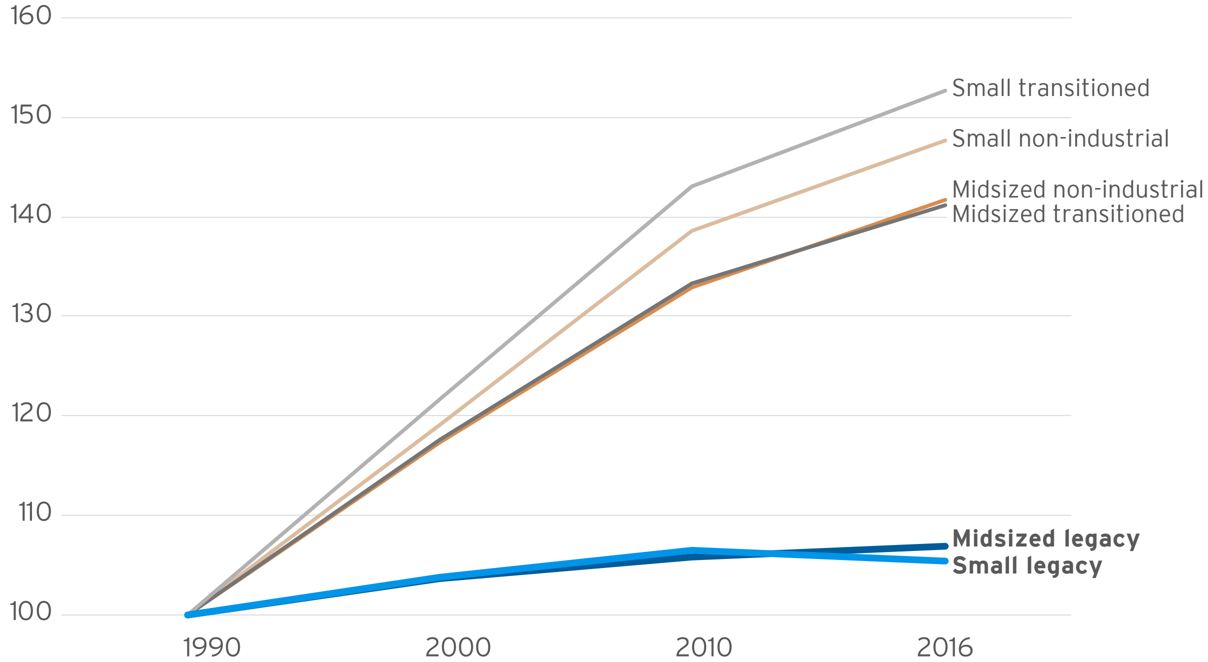
- *Economic growth*: Similar disparities emerge in long-run economic growth trends between legacy and other urban county types. The total number of jobs across legacy counties was only modestly higher in 2016 than in 1990 (8%), with those containing small cities actually losing jobs in the aggregate since 2000 (Figure 3). Transitioned and non-industrial counties, by contrast, had between 45% and 56% more jobs in 2016 than 1990, with those containing small cities growing somewhat faster over time. Differences in GDP growth were not quite as yawning, but were still significant; real GDP in legacy county economies expanded by about one-half over the 25-year period, but roughly doubled in other urban county types.

- *Economic prosperity*: While legacy counties have endured significant challenges around the quantity of economic opportunity generated, trends indicate that the *quality* of those opportunities has risen over time. One key measure is productivity, approximated by the average GDP per job in the local economy. Among urban county types, productivity was actually highest in legacy counties with midsized cities in 2016, and rose slightly faster there than in non-industrial and transitioned counties since 1990 (Figure 4). This signals that many of the manufacturing jobs these places shed may have been lower-productivity jobs. This advantage also shows up in per capita income measures, which indicate overall standards of living. Legacy counties with midsized cities far outpace other county types in this regard, reflecting that many once anchored by industrial cities such as Bridgeport, Conn., Lowell, Mass., and Trenton, N.J. are now suburbs to large global cities including New York, Boston, and Philadelphia. Even so, many legacy counties with smaller cities such as Findlay, Ohio and Peoria, Ill., still retain advanced manufacturing and thus boast above-average per capita incomes.

- *Economic inclusion*: While indicating average economic well-being, prosperity measures do not capture the distribution of economic opportunity within a place. On indicators of economic inclusion, outcomes for legacy counties are much less positive. From 1990 to the mid-2010s, median household incomes fell by 1% to 2% in non-industrial and transitioned counties with midsized cities, but by 10% in legacy counties with midsized cities (Figure 5). In Dougherty County, Ga. (Albany) and Genesee County, Mich. (Flint), typical households earned roughly one-quarter less in 2013-17 than in 1990 after adjusting for inflation. Incomes were off by 9% in small-city legacy counties, compared to 3% to 5% in other counties with small cities. For the small-city legacy counties in particular, declining labor market conditions may have driven the slide in incomes; fewer than 73% of working-age adults in those counties were employed in 2013-17, far below rates in other county types and well off its level from 2000.

Figure 2. Legacy county populations have grown much more slowly

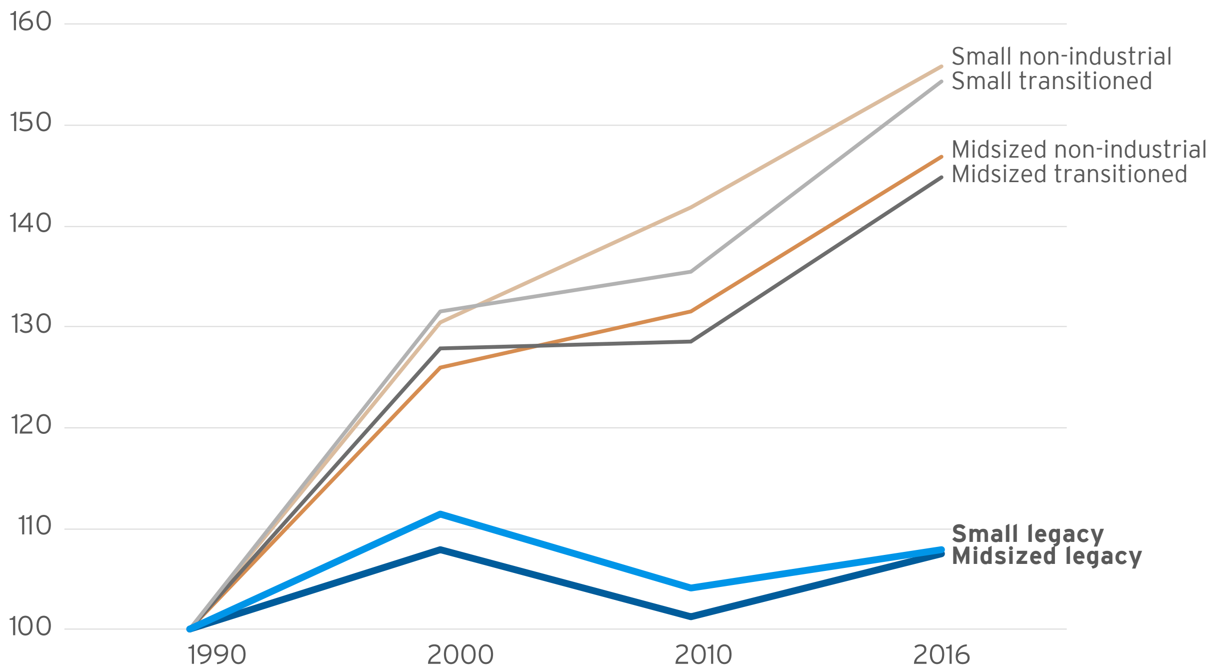
Population by county type, 1990-2016 (1990=100)



Source: Brookings analysis of U.S. Census Bureau data

Figure 3. Legacy counties lagged significantly on job growth

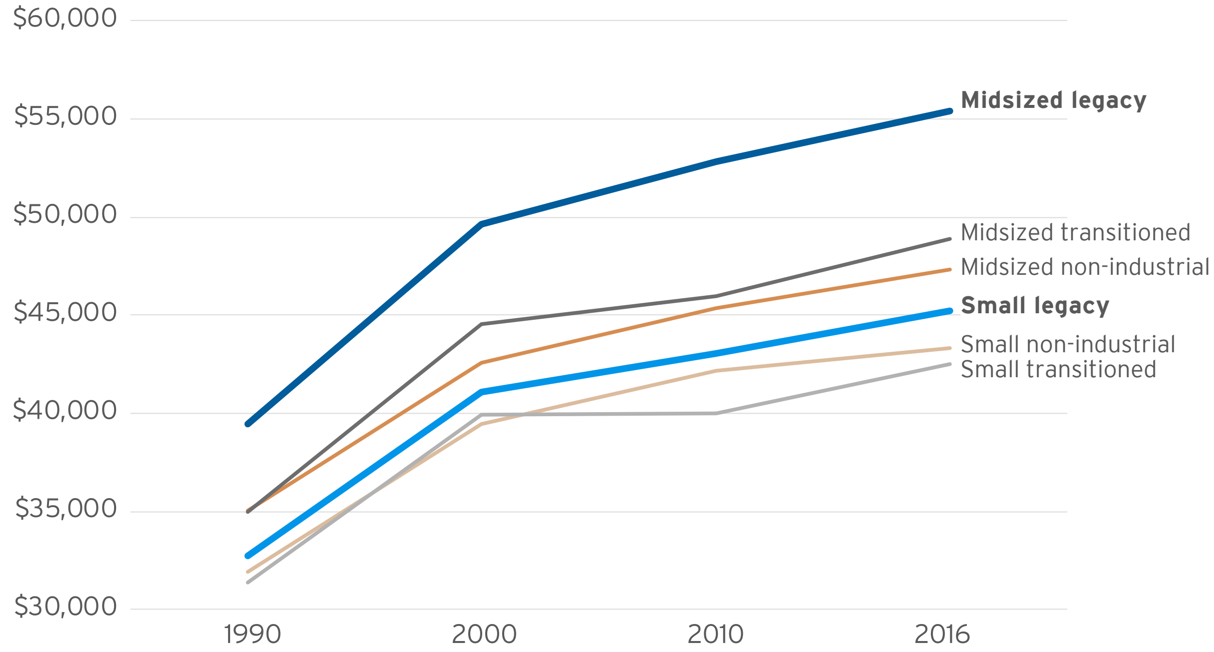
Total jobs by county type, 1990-2016 (1990=100)



Source: Brookings analysis of Moody's data

Figure 4. Midsized legacy counties outpace others on per capita income

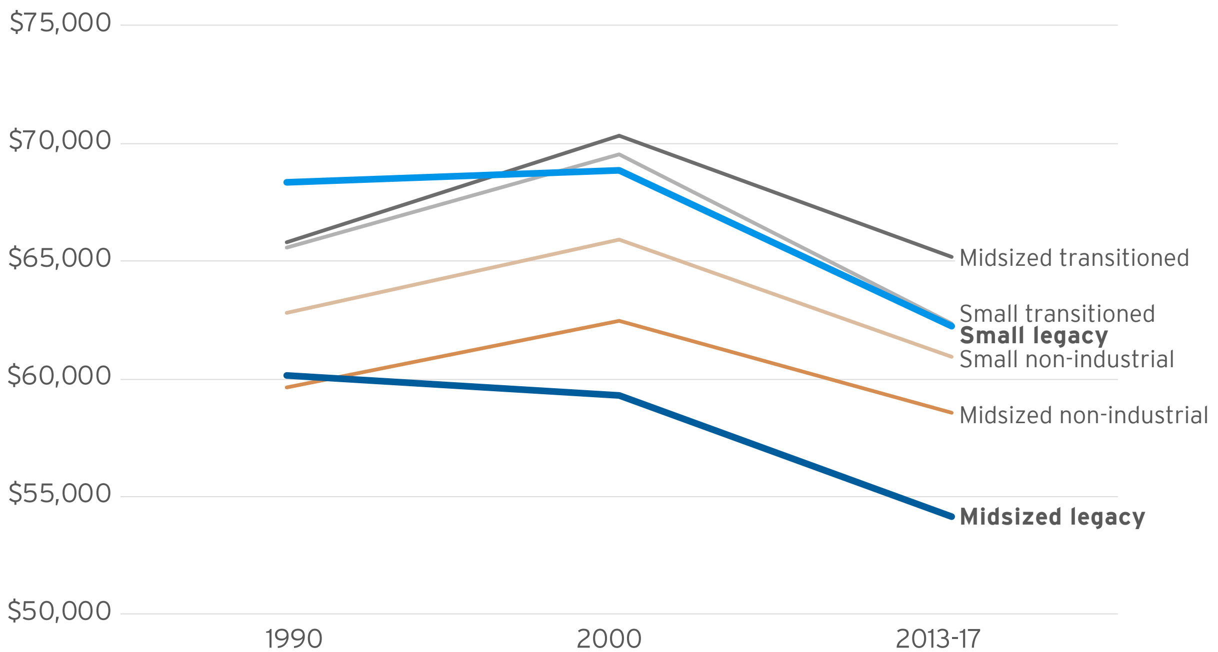
Per capita income by county type, 1990-2016



Source: Brookings analysis of Moody's data

Figure 5. Legacy county household incomes have fallen from 1990 levels

Median household income by county type, 1990 to 2013-17 ($2017)



Source: Brookings analysis of U.S. Census Bureau data

Putting it together: A typology of legacy county performance

How legacy counties have fared over the past 25 years provides important context for strategies to improve their economic and social conditions today. In addition, differences in scale and geography recommend categorizing medium and small legacy counties separately on performance, so as to group places facing similar opportunities and challenges with one another.

To construct these groupings, this report standardizes each county's change in the six key growth, prosperity, and inclusion metrics for two periods: 1990 to 2000, and 2000 to the mid-2010s (either 2016 or 2013-17, depending on the indicator). It then averages those scores, and compares them to overall scores for small and midsized legacy counties during those periods. Figure 6 categorizes the legacy counties into four types based on their economic performance trends since 1990:

- **Strong** legacy counties—27 in all, and nearly half containing midsized cities—outperformed their size category averages from both 1990 to 2000 and 2000 to the mid-2010s, for a variety of reasons:

  - Several of these counties contain midsized former manufacturing centers—Bridgeport, Conn., Lowell and Lynn, Mass., and even Allentown, Pa.—that now exist in the wider suburban orbit of large and economically prosperous global cities.

  - Other legacy counties have leveraged their natural locational assets—along major rivers (Dubuque, Iowa, Quincy, Ill., and Winona, Minn.), lakes (Fond du Lac, Wis.), or mountain ranges (Staunton and Lynchburg, Va.) to provide a quality of life and cultural offerings attractive to skilled workers and anchor employers.

  - Still other, mostly small, legacy counties—many in Illinois—have retained an anchor manufacturer or major educational institution. Chrysler, Hormel, and U.S. Steel each provide thousands of jobs in and around, respectively, Belvidere, Ill., Fremont, Neb., and Granite City, Ill. And Eastern Illinois and Northern Illinois universities employ and educate thousands in the small cities of Charleston and DeKalb.

- **Recovering** legacy counties—36 in all, 25 of which contain small cities—underperformed their size category average from 1990 to 2000, but rebounded from 2000 to the mid-2010s to outperform averages. Nearly half of these counties were home to small/midsized cities in New York and Pennsylvania that were hit hard by manufacturing decline in the 1990s, but have since performed somewhat better thanks to economic diversification and new investment. In Upstate New York and Western Pennsylvania, gas extraction from the Marcellus Shale has boosted economic activity in many of these counties since the late 2000s.

- **Faltering** legacy counties—larger in number at 48, with their cities split proportionally between small and midsized—reversed the trend of recovering counties, outperforming in the 1990s but underperforming since.

  - Thirty-five (35) of these 48 counties are located in the Midwest, particularly in the industrialized states of Indiana, Michigan, and Ohio. These places were buoyed by a strong auto manufacturing sector in the 1990s, but soon after entered a manufacturing downturn from which they still hadn't recovered when the Great Recession struck. Janesville, Wis. is an iconic example of this community type. Even Flint, Mich. had a relatively stable decade in the 1990s before experiencing deep economic and social challenges in the years that followed.

  - Many other faltering legacy counties are located in the Southeast, in states

Figure 6. Four types of legacy counties reflect their economic performance since 1990

Strong	
above-average 1990-2000, 2000-2016	
Akron, OH	Lowell, MA
Allentown, PA	Lynchburg, VA
Altoona, PA	Lynn, MA
Austin, MN	Murrysville, PA
Belvidere, IL	New Bedford, MA
Bridgeport, CT	Pekin, IL
Charleston, IL	Quincy, IL
Davenport, IA	Quincy, MA
DeKalb, IL	Staunton, VA
Dubuque, IA	Waterloo, IA
Florissant, MO	Wilkes-Barre, PA
Fond du Lac, WI	Winona, MN
Fremont, NE	Worcester, MA
Granite City, IL	

Recovering	
below-average 1990-2000, above-average	
Anniston, AL	Moline, IL
Beaumont, TX	Muscatine, IA
Bethlehem, PA	Norristown, PA
Binghamton, NY	Paris, TX
Burlington, IA	Pascagoula, MS
Chambersburg, PA	Pittsfield, MA
Chester, PA	Poughkeepsie, NY
Columbus, MS	Providence, RI
Cumberland, MD	Reading, PA
Elmira, NY	Schenectady, NY
Emporia, KS	Scranton, PA
Hartford, CT	Syracuse, NY
Hempstead, NY	Trenton, NJ
Kankakee, IL	Utica, NY
Lebanon, PA	Watertown, NY
Lewiston, ME	Williamsport, PA
Lima, OH	Wooster, OH
Marshalltown, IA	York, PA

Faltering	
above-average 1990-2000, below-average	
Albany, GA	Manitowoc, WI
Ashland, OH	Mansfield, OH
Canton, OH	Marion, OH
Clinton, IA	Meridian, MS
Danville, IL	Michigan City, IN
Decatur, IL	Muncie, IN
Erie, PA	Muskegon, MI
Evansville, IN	New Castle, PA
Faribault, MN	Norwich, CT
Findlay, OH	Peoria, IL
Flint, MI	Port Huron, MI
Freeport, IL	Portsmouth, OH
Galesburg, IL	Richmond, IN
Greenville, MS	Rockford, IL
Greenwood, SC	Rome, GA
Griffin, GA	Roseburg, OR
Hammond, IN	Saginaw, MI
Janesville, WI	Sandusky, OH
Johnstown, PA	South Bend, IN
Klamath Falls, OR	Springfield, OH
Kokomo, IN	Terre Haute, IN
Liberal, KS	Vicksburg, MS
Lorain, OH	Youngstown, OH
Macon, GA	Zanesville, OH

Distressed	
below-average 1990-2000, 2000-2016	
Anderson, IN	Longview, WA
Ashland, KY	Marion, IN
Bangor, ME	Middletown, CT
Battle Creek, MI	New Haven, CT
Camden, NJ	Niagara Falls, NY
Danville, VA	Parkersburg, WV
Dayton, OH	Paterson, NJ
Elizabeth, NJ	Petersburg, VA
Gadsden, AL	Pine Bluff, AR
Huntington, WV	Racine, WI
Hutchinson, KS	Selma, AL
Jackson, MI	Shelby, NC
Jamestown, NY	Springfield, MA
Kalamazoo, MI	Torrington, CT
Kinston, NC	Vineland, NJ

Source: Brookings analysis of Moody's and U.S. Census Bureau data such as Georgia, Mississippi, and South Carolina. Their cities were hit hard by the offshoring of textile and other lower-value manufacturing to Asia in the late 1990s and early 2000s.

- The remaining 30 **distressed** legacy counties underperformed averages in both the 1990s and 2000 to mid-2010s time periods. They are geographically distributed throughout the Northeast, Midwest, and Southeast, and include both small and midsized cities.

Perhaps more than other groups, however, the struggling legacy counties combine the challenges of manufacturing decline with long-standing issues of racial segregation and exclusion. Cities such as Camden, N.J., Racine, Wis., Shelby, N.C., and Springfield, Mass. are majority non-white communities in majority-white counties. Lasting, race-based restrictions on access to economic opportunity, particularly for Black populations in these cities, have served to limit overall regional growth, prosperity, and inclusion.

IV. What common challenges do small/midsized legacy communities face?

While diverse in size, location, and recent economic performance, America's legacy counties share a set of common challenges deriving from their shared history, and its impacts on their present-day potential.

Technology-fueled globalization

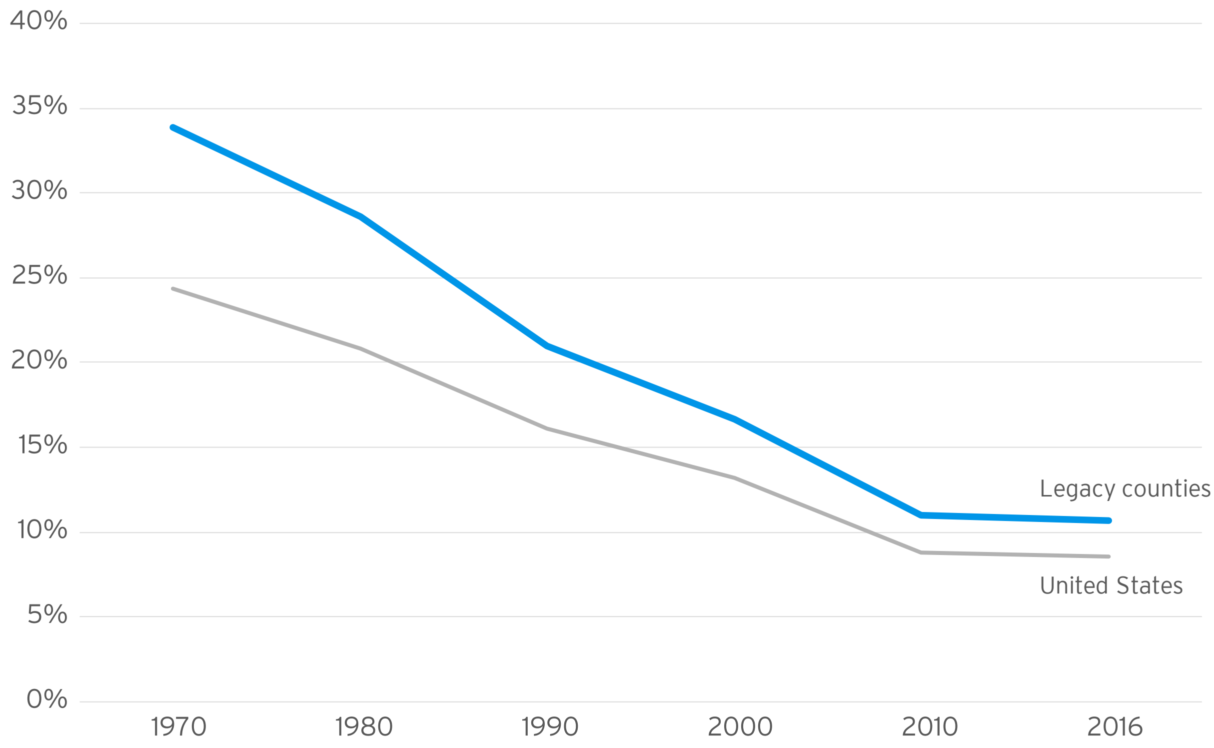
Although often characterized as different forces, technological progress and globalization have combined in recent decades to extend traditional local and regional supply chains into global ones. That process has allowed manufacturers in particular to substitute capital for labor, and to disaggregate production in ways that enable offshoring to newly open foreign markets that provide cheaper labor.

Technology-aided globalization has had some of its most significant impacts on legacy communities that historically relied on manufacturing, and were not diversified or resilient enough to easily transition into other forms of economic value generation. In 1970, 34% of jobs in legacy counties were in manufacturing, 10 percentage points above the national average (Figure 7). By 2016, fewer than 11% of their jobs were in manufacturing, only about 2 percentage points above the national average. During that time, total manufacturing jobs in these counties declined from 3.7 million to 2.6 million.

Research by MIT's David Autor and colleagues suggests that China's rise in manufacturing had significant negative impacts on employment in and around many legacy counties during the 1990s and 2000s, particularly in the Southeast and Midwest. Similar patterns are apparent in applications for Trade Adjustment Assistance (TAA), a federal program that provides support for workers affected by global competition. Between 1994 and 2014, about 400,000 workers from legacy counties were certified for TAA, a rate of assistance 60% higher than what other counties with small and midsized cities experienced.

Figure 7. Manufacturing's share of employment dropped faster in legacy counties

Share of jobs in manufacturing, 1970 to 2016



Source: Brookings analysis of Moody's data

Selective out-migration

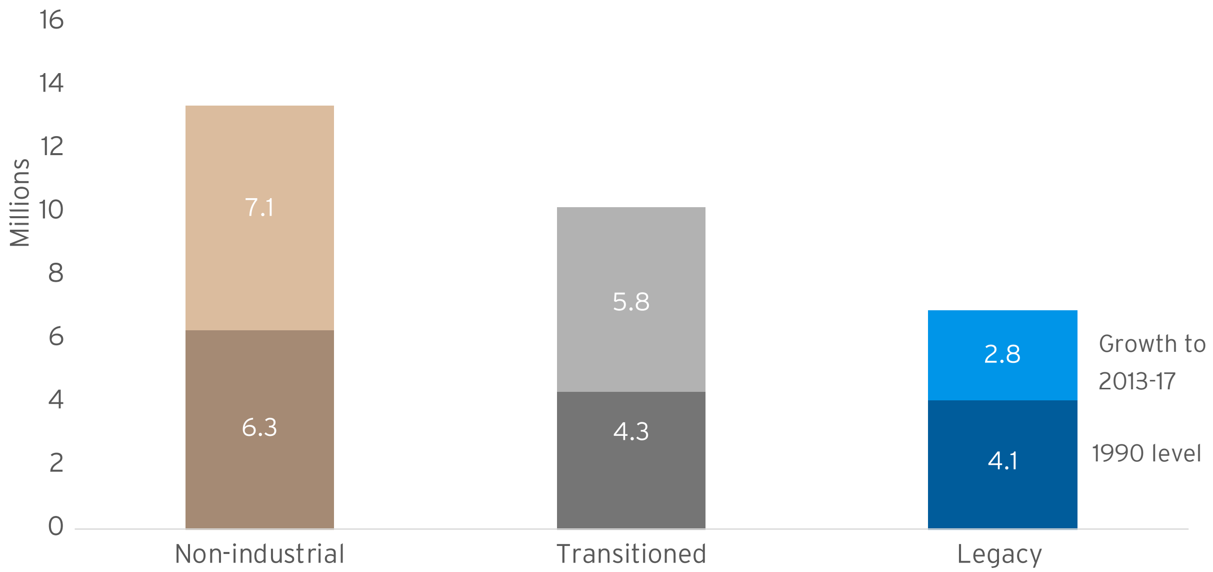
The stock of human capital in a region is an increasingly important predictor of its long-run economic success. That's because skills enhance productivity, and help workers adjust to unforeseen economic changes. Due in part to a relative decline of employment opportunity, legacy counties have not generated, accumulated, or retained highly educated workers over time as successfully as other counties.

In 1990, just under 21% of residents age 25 and over in legacy counties held a bachelor's degree, nearly equal to the national average (Figure 8). That remained true in 2013-17, when 31% of adults in these counties held a bachelor's degree. But while the number of legacy county adults with college degrees rose by about 69% over this period, it simultaneously rose by 112% in small and midsized non-industrial counties, and by 134% in small and midsized transitioned counties. Other counties' ability to "pool" larger numbers of educated workers has arguably enabled them to become more economically prosperous than legacy counties.

Migration patterns affecting legacy counties, especially among more educated residents, often occur within states, rather than across the country. For instance, from 2012 to 2016, Franklin County, Ohio—the non-industrial county home to the state capital of Columbus—experienced a net gain of about 2,900 residents from other parts of the state. Legacy counties—those containing small and midsized cities such as Canton, Dayton, Lorain, and Mansfield—contributed more than 100% of Franklin County's net gain. This "brain drain" sometimes reverses itself as young people age and desire a return to their home communities and networks, but workers must typically balance those desires against wider trends toward accumulation of high-paying jobs (especially for two-earner families) in larger cities and metro areas.

Figure 8. Legacy counties added fewer college-educated residents since 1990 than other counties with small and midsized cities

1990 college-educated adults, and growth in college educated adults to 2013-17, by county type



Source: Brookings analysis of Moody's data

Limited scale in an urbanizing, knowledge-based economy

Technology has not only affected legacy communities by hastening the decline of manufacturing jobs. It has also given rise to what Brookings expert Mark Muro terms a "winner-take-most" economy, in which technology has boosted economic rewards to highly skilled workers and industry clustering, contributing in turn to increased regional divergence in wages, as the University of Chicago's Elisa Giannone has demonstrated.

Legacy counties have generally found themselves at the wrong end of this divergence, due in part to their smaller scale. They typically lack the dense clusters of related businesses that tend to drive innovation and growth through pooling of skilled workers and access to high-quality infrastructure. Consolidation in the airline and banking industries has served to distance small and midsized cities in legacy counties from access to investment capital and other markets. In a profile of 24 small and midsized legacy cities in the Northeast and Midwest, Hollingsworth and Goebel show that only 11 were home to a Fortune 500 headquarters in 2015, versus 20 that had housed such a firm at some point in the previous 50 years. In many legacy cities, these long-term trends have eroded trust between the political and civic sectors who are defined by their place, and a shrinking or footloose business sector that may lack knowledge of, and commitment to, the local community.

Trends in professional, scientific, and technical services jobs—typically among the highest-productivity and knowledge-intensive in a regional economy—exemplify legacy counties' struggles in this regard. In 2016, small and midsized non-industrial and transitioned counties were home to roughly 2.7 million jobs in this sector, about 800,000 more than their 1970 industry structure would have predicted. Legacy counties, by contrast, were home to about 800,000 of those jobs, 400,000 fewer than their historical structure would have suggested.

As urban expert Alan Mallach observes in *The Divided City*, these issues of scale and reach also extend to the educational and medical anchors of these legacy cities, which are quite different than those in their larger counterparts. For instance, Carnegie Mellon University and the University of Pittsburgh Medical Center are major innovation centers and export industries for that city's economy. By contrast, local hospitals and Malone University in Canton, Ohio provide services and jobs for the community, but add little more to that city's economy.

Public sector disinvestment

Legacy counties' loss of middle-class jobs over the past few decades, coupled with public investments that fueled further suburbanization of population and employment, also took their toll on local finances. Many of the cities at the heart of these legacy counties have faced severe fiscal distress owing to a combination of declining tax bases, poor financial management (including very high bonded debt and retirement benefit liabilities), and intra-jurisdictional tax competition for households and businesses. "Small-box" governance structures in legacy counties have also reduced the fiscal and technical capacity of their local governments to engage in strategic economic development while also providing high-quality services to residents and businesses.

As Michael A. Pagano and Christopher W. Hoene document, a large number of legacy communities are in states—particularly in the Northeast and Upper Midwest—that greatly constrain cities' "fiscal policy space" for matching revenues with expenditure needs. At the same time, Good Jobs First has shown that states with many legacy cities such as Illinois, Michigan, New York, and Ohio routinely use business tax incentives in ways that diminish jobs in their urban cores. On top of those subsidies, states such as Ohio layer highway spending in ways that further draw economic activity away from older cities and into suburban and low-population areas. Not only has depopulation stripped legacy communities of needed fiscal resources, but also it has accelerated widespread abandonment of housing, destabilizing neighborhood safety and property values in its wake.

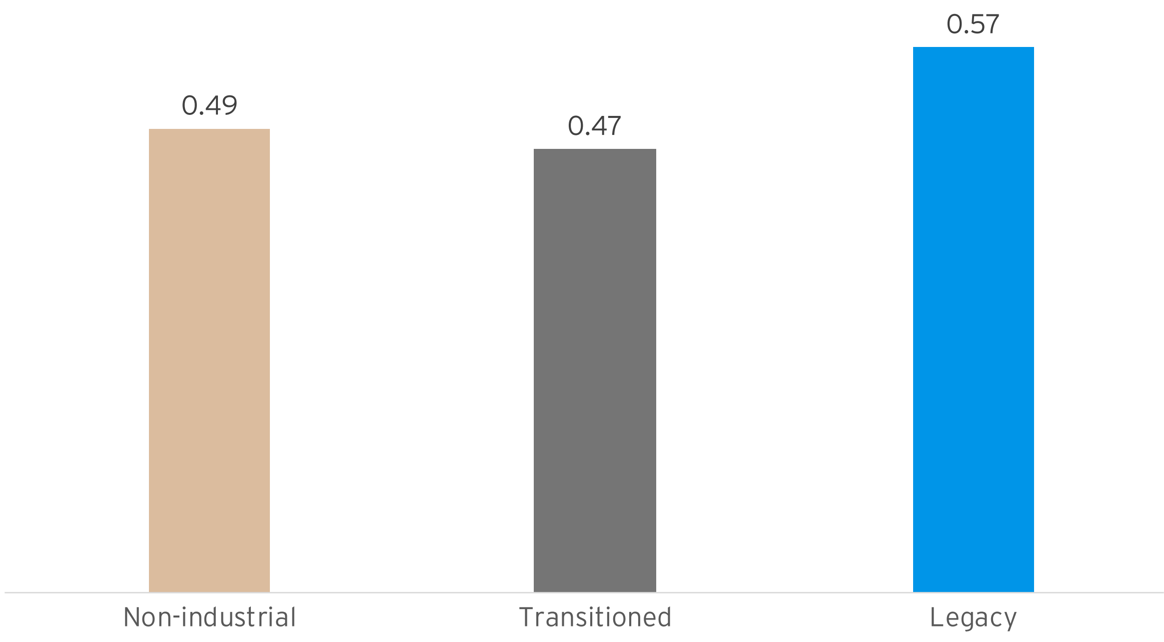
Racial segregation and animus

The economic decline of legacy communities has been further compounded by long-standing patterns of racial segregation and underlying racial animus. As their cities added factory jobs in the early to mid-20th century, legacy counties attracted migrants not only from abroad, but also from the American South. Millions of Black Americans fled poverty, Jim Crow, and racial violence for the promise of middle-class jobs in Northern cities during the "Great Migration."

In their destination cities, however, public policies relegated Black workers and families to segregated neighborhoods, excluded them from burgeoning suburbs, and systematically denied them opportunities to build wealth they could reinvest in their families and communities. Black Americans who remained in the South and gravitated to that region's industrial cities faced even more pronounced patterns of racial exclusion. For those legacy counties that contain significant Black populations, the vestiges of those patterns remain today, as they exhibit higher degrees of Black/white residential segregation than other urban counties with small and midsized cities (Figure 9).

Figure 9: Legacy counties exhibit higher levels of racial residential segregation

Average population-weighted Black/white dissimilarity index, small/midsized counties by type, 2013-17



Source: Brookings analysis of American Community Survey data. Dissimilarity index represents proportion of either group that would have to move to be distributed in same proportion as other group

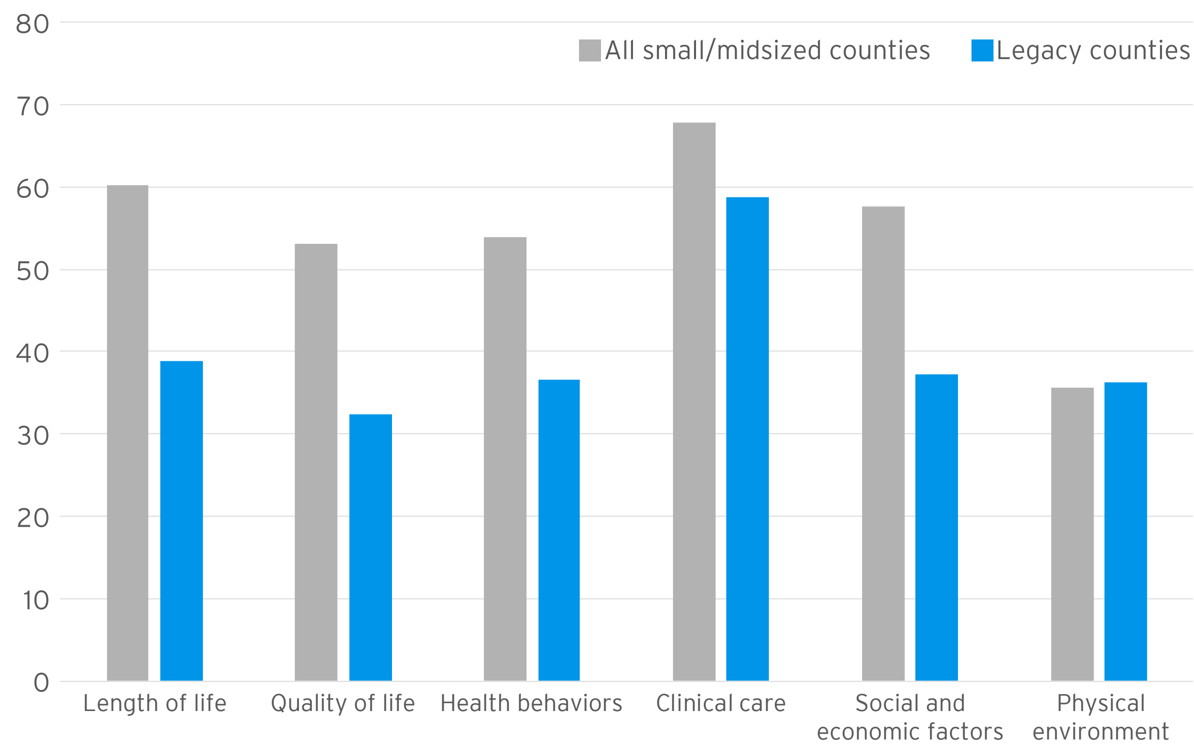
Relatively poor health outcomes and complex contributing factors

The economic, fiscal, and social challenges facing legacy communities impose significant costs on the health of their local populations. Compounding those costs are behavioral, environmental, and health care factors that may limit how long, and how well, legacy community residents live.

Data from County Health Rankings & Roadmaps portray these challenges. These data rank all U.S. counties on health outcomes (length of life and quality of life), and factors influencing those outcomes (e.g., health behaviors, access to care, socio-economic), within their respective states. The average U.S. county containing a small/midsized city ranked in the 58th percentile in its state for both health outcomes and health factors—slightly above the median (Figure 10). But legacy communities ranked much lower within their states: in the 35th percentile for outcomes, and in the 39th percentile for factors. Notably, the average legacy county registered a significantly above-average prevalence of low birth weight births from 2011 to 2017, which may in turn reflect the deep racial and economic disparities these communities exhibit. Above-average rates of adult smoking, adult obesity, physical inactivity, and teen births in legacy counties compared to urban counties overall likely contribute to reduced length and quality of life for their residents as well. These outcomes and factors may reinforce existing economic disadvantages by limiting the productive potential of legacy community students and workers, and placing added burdens on public programs that induce further fiscal strain.

Figure 10: Legacy counties perform below average on measures of health outcomes and health factors

Average county percentile rank within state on 2019 County Health subrankings area



Source: Brookings analysis of RWJF County Health Rankings & Roadmaps data

Putting it together: Challenges for legacy communities

A suite of challenges complicates legacy communities' pathways to inclusive economic prosperity. Many of these challenges reflect the very attributes that define these places—a slow and often painful shift away from a manufacturing-dominated economy, propelled by the forces of technological change and globalization. Others reflect realities of the modern economy, particularly the growing demand for scale and knowledge, where legacy counties face notable hurdles. And still others reflect the effects of active and passive public policy failures, such as antiquated fiscal structures, subsidies for sprawl, and the segregation of Black communities. These challenges contribute to, and are exacerbated by, health inequities that significantly limit length and quality of life for residents of legacy communities. Strategies to sustainably revitalize legacy cities must assess the extent of these challenges as they pertain to specific places.

V. What common and distinct assets characterize small/midsized legacy communities?

Notwithstanding their common challenges, legacy communities possess a common set of assets that can promote their adaptation to current economic and demographic trends. These assets can form the foundation for market-based revitalization in most any legacy county. Some legacy counties, particularly those enjoying stronger recent performance, have a further set of advantages that revitalization strategies can seek to exploit. As with their challenges, legacy communities should seek to inventory these assets to inform public, private, and civic efforts to accelerate inclusive economic growth.

Common legacy community assets: Distinctive quality of place

As Brookings observed in its recent report on older industrial cities, many such places benefit from a strong sense of community identity, often rooted in a rich history that has modern value. Legacy communities tend to possess what some urban experts call "quality of place," evidenced by:

- Significant architecture—historical buildings, warehouses—that attracts new and adaptive reuses
- Distinctive, human-scaled neighborhoods populated by diverse waves of immigrants, migrants, and local entrepreneurs
- Prestigious cultural institutions that draw visitors from around their regions and the globe
- Vibrant arts communities connected to legacies of industrial design and sustained today by affordable costs of living and space

In a 2007 study of 65 older industrial cities, Brookings's Jennifer S. Vey tallied nearly 300 museums and more than 4,000 properties on the National Register of Historic Places in these communities. Meanwhile, about four in five of the 141 legacy counties profiled in this report have a major body of water—a river, lake, or ocean bay—located in or near their major city's downtown. While historical industrial sites still separate many of those downtowns from the waterfront, their redevelopment can contribute greatly to the appeal and growth of these cities, as John Austin has observed in the Great Lakes states.

Admittedly, the housing stock and commercial infrastructure in many legacy communities has not kept pace with the demands of average modern consumers and businesses. Fully unlocking the value of these legacy assets often requires new public and private investment. But in the competition to attract and retain residents in a services-based economy, legacy cities arguably begin with an "urban advantage" over the sameness that has characterized much of America's suburban development over the past 60 years. As the evidence on job location below suggests, strategies focused on revitalizing downtowns show some signs of preserving or expanding the competitive position of the urban core in legacy communities for business investment.

Common legacy community assets: Dense employment clusters

Although jobs have declined or flatlined in many legacy counties over the past few decades, their urban form continues to promote higher employment densities than are present in suburbs and small towns. This may constitute an advantage for these cities in attracting and retaining industries and households seeking the economic and social benefits of urban life.

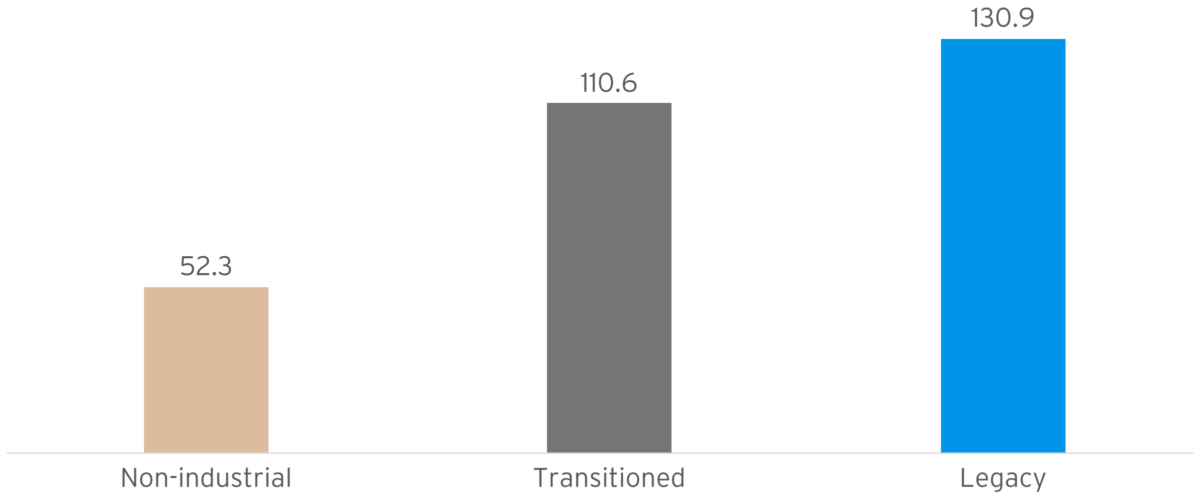
Today, legacy counties on average contain more jobs per square mile (131) than other urban counties with small and midsized cities (Figure 11). This reflects not only the continued importance of legacy counties' downtowns and urban cores, but also their concentrations in more densely developed areas of the country. Moreover, their very densest neighborhoods contain higher concentrations of jobs than other similar counties. The top 10% of census tracts by job density in legacy counties have at least 3,000 jobs per square mile, compared to 2,600 in non-industrial counties, and 2,200 in transitioned counties. One downtown census tract in Syracuse, N.Y., with more than 12,000 jobs in little more than one-tenth of a square mile, boasts a higher job density than almost any other small/midsized city neighborhood in the country.

Common legacy community assets: Housing affordability

Legacy communities generally possess older housing than similarly sized jurisdictions, making them more affordable places to buy a home. Compared to other counties with small/midsized cities, home values in legacy counties are considerably lower, according to Zillow estimates (Figure 12). This may make these communities more attractive places for first-time

Figure 11: Legacy counties have higher job density than other counties with small/midsized cities

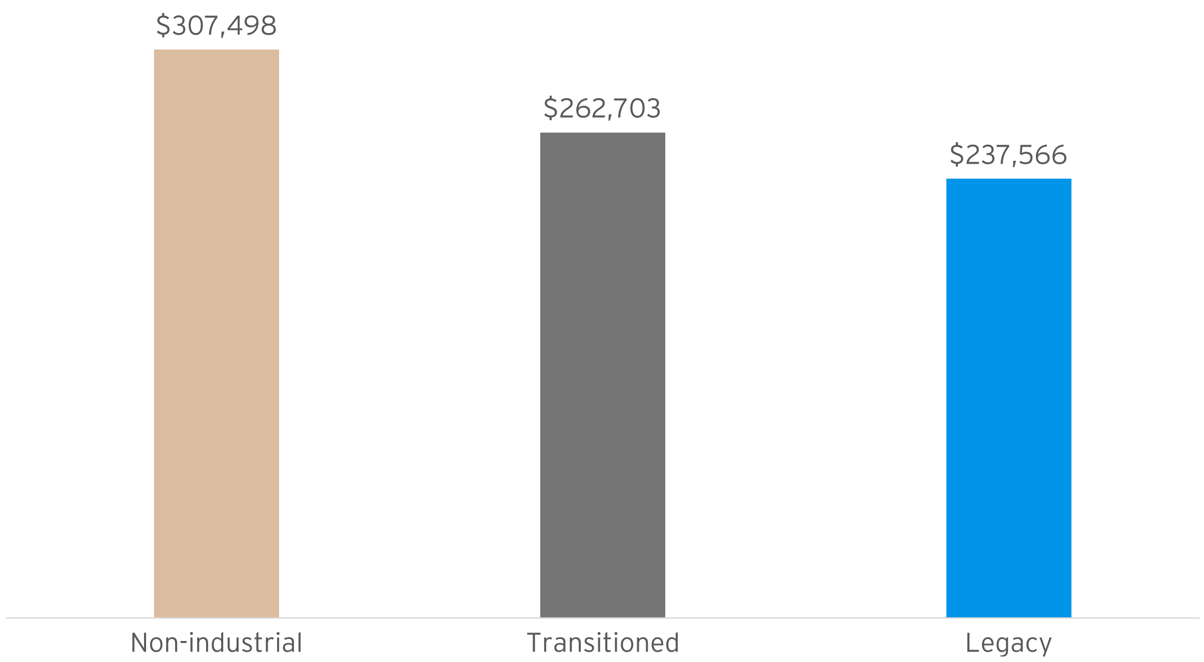
Average number of jobs per square mile land area, 2012-2016



Source: Brookings analysis of CTPP data

Figure 12: Single-family homes are more affordable in legacy counties than in other similarly sized counties

Population-weighted median home value by small/midsized county type, 2019



Source: Brookings analysis of Zillow data homebuyers, and/or provide buyers or owners with more room in their budgets to upgrade older housing. Of course, legacy communities are also more likely to have neighborhoods in which high vacancy rates and extremely low home values prevent owners from borrowing against equity to finance revitalization, as Alan Mallach describes in a study of Mid-Atlantic region legacy cities. Still, most legacy cities also boast considerable swaths of what Paul Brophy calls "middle neighborhoods," places with affordable housing and good quality of life, albeit where the medium-term economic trajectory may be uncertain.

Distinctive assets: Higher education institutions

Legacy communities boast a larger number of higher education institutions, which—unlike the manufacturing plants that used to dot their landscape—tend to be "sticky." Overall, the 141 legacy counties contain 322 public and private four-year colleges and universities. That is actually more than can be found in small and midsized transitioned counties, even though those counties have a combined population nearly 50% greater than their legacy counterparts. Collectively, legacy counties' colleges and universities enrolled 1.4 million full- and part-time students in 2017-18, the equivalent of about 4% of their total population. Higher education institutions thus provide critical contributions to economic and residential activity in legacy communities, and should thus play an important role in any strategies to revitalize these places.

Of course, not all colleges and universities are created equal in their local economic impact. Perhaps the most valuable institutions for seeding innovation, entrepreneurship, and human capital growth are research-intensive universities. Of the 322 four-year colleges and universities in legacy counties, just 23 are doctoral-granting institutions with "higher" or "highest" research activity, according to the Carnegie classification system. Most of these are in midsized legacy counties, and include well-known private research powerhouses such as Yale University in New Haven, Conn., and University of Notre Dame in South Bend, Ind. Still, several regional public universities—such as the University of Akron in Ohio, Binghamton University in New York, Western Michigan University in Kalamazoo, and Northern Illinois University in DeKalb—also rate as research-intensive institutions in legacy communities. Of the 110 legacy counties that contain a four-year college or university, 17 house at least one with a significant research focus.

Distinctive assets: Proximity to larger markets

As noted above, some legacy counties contain cities that effectively serve as satellites to nearby larger urban areas. At one time, they were industrial centers in their own right, but the growth and suburbanization of their larger neighbors over the past several decades have made them part of a wider regional economy from which they can draw economic vitality. Geographers call this "borrowing city size" and benefiting from "agglomeration shadows." Essentially, these legacy cities can serve as bedroom communities for larger nearby urban areas, especially if they possess robust transportation linkages.

Altogether, 24 of the 141 legacy counties are part of a metropolitan area with at least 1 million people, but not the county containing the primary urban center. These legacy counties include Massachusetts gateway cities such as Lowell, Lynn, and Quincy in Boston's orbit; Elizabeth and Paterson in Northern New Jersey just outside New York; the older cities of Camden, Chester, and Norristown/Pottstown near Philadelphia; and Griffin, Ga., in Spalding County outside Atlanta. Many of these counties are linked by transit to their global-city neighbors. Other satellite legacy counties, however, are part of somewhat less economically vibrant metro areas, such as Lorain, Ohio (Cleveland), Anderson, Ind. (Indianapolis), and Petersburg, Va. (Richmond). Still, their proximity can provide those cities with access to larger consumer markets and modern infrastructure (e.g., international airports) that provide opportunities for growth and prosperity that may not exist in more remote legacy communities. Overall, these large-metro legacy counties outperformed others on this report's index of economic growth, prosperity, and inclusion from 2000 to 2016.

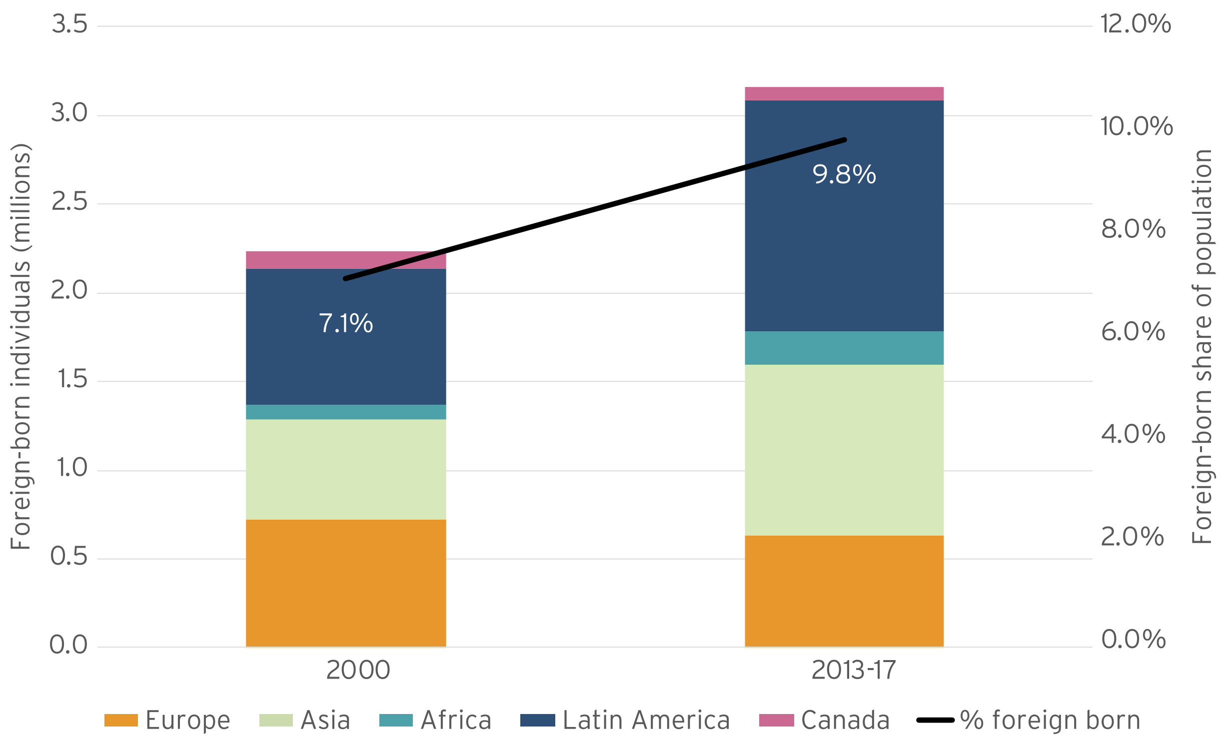
Distinctive assets: Rising immigrant diversity

Many legacy communities were centers of U.S. immigration in the early 20th century, largely from Europe, but those flows waned along with their economic prowess. In the last couple of decades, however, the foreign-born have begun to comprise a growing share of some legacy county populations. Overall, a little under 10% of legacy county residents were foreign-born in 2013-17, up from 7% in 2000 (Figure 13). That share continues to vary greatly across communities, however, from nearly 30% in and around Elizabeth, N.J. and Liberal, Kan. to less than 1% in Ashland, Ky. and nearby Portsmouth, Ohio.

In general, the legacy counties that experienced the strongest growth in immigrants during this period were located in the Northeast, and proximate to major cities such as Boston, New York, and Philadelphia. That noted, smaller communities such as Austin, Minn., Beaumont, Texas, and Fremont, Neb. also experienced large upticks in foreign-born population share. New immigrants to legacy counties are predominantly from Latin America, Asia, and Africa, and represent a mixture of high-skilled foreign professionals, lower-skilled labor migrants, family members of existing residents, and resettled refugees. Overall, the larger increases in foreign-born representation in economically stronger legacy counties signal both immigrants' attraction to these healthier local economies and the contributions they make to local economic growth.

Figure 13: Legacy county immigrant populations have grown and diversified

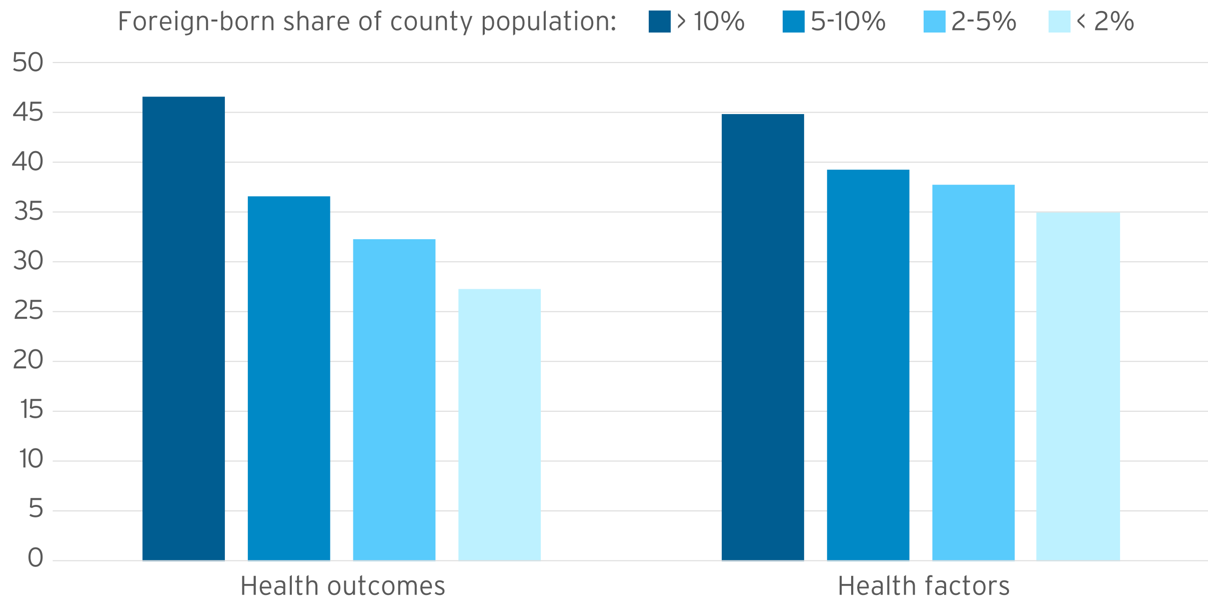
Foreign-born share of population and region of origin, legacy counties, 2000 and 2013-17



Source: Brookings analysis of U.S. Census Bureau data

Figure 14: Legacy counties with higher immigrant population shares exhibit better health measures

Average county percentile rank within state, legacy counties by foreign-born share of population, 2013-17



Source: Brookings analysis of 2019 RWJF County Health Rankings & Roadmaps and 2013-17 American Community Survey data

Notably, legacy counties with significant foreign-born populations also exhibit more positive health outcomes and factors than those with smaller such populations (Figure 14). In addition to capturing the economic vitality immigrants can contribute to these communities by increasing population, labor force, and entrepreneurship, this relationship also likely reflects immigrants' younger age profile, which may serve to improve population-level health measures.

Putting it together: Legacy community assets

At the same time that history poses great challenges for legacy counties, it also endows many of them with important assets that could spur future prosperity. These include a distinctive, human-scaled, affordable quality of place that helps differentiate them from the dominant American development patterns of the past half-century. Their very urban-ness may also provide them with opportunities for growth in new sectors that value those environments. Legacy counties with the strongest prospects, though, possess both those common assets and access to other markers of successful modern urban economies—global reach (via nearby cities), higher education institutions with strong research functions, and an ethnically diverse populace. Many of the counties with these distinguishing assets are those that have posted stronger economic performance in recent years.

As such, strategies to improve outcomes in legacy communities should differentiate between those places with a significant stock of these assets and positive momentum, where real potential exists for renewed growth; and those places with more limited assets and momentum, where providing an improved quality of life for existing residents—rather than pursuing growth—is a key priority. To that end, this report frames the goal for legacy communities as the pursuit of *inclusive prosperity*.

VI. What principles inform efforts to achieve inclusive prosperity in small/midsized legacy communities?

As the subject of more than a decade of dedicated study in the United States, legacy communities do not lack for smart revitalization agendas authored by academics, think tanks, and public policy advocates. Where these places fall short is not necessarily in knowing what to do, but in marshaling the capacity—fiscal, political, institutional—to act, and to do so at a scale commensurate with the challenges they face.

Rather than offer a list of discrete ideas or models for legacy communities to adopt, this report concludes with a set of principles for pursuing inclusive prosperity in legacy communities, and examples of that approach in practice. Importantly, legacy cities do not have the luxury of choosing among these approaches; most need an "all of the above" strategy if they hope to provide better opportunities for all their residents. Still, how they prioritize those efforts can and should be informed by a clear assessment of their assets and challenges on the dimensions outlined in this report.

The role of economic development in legacy communities

Many, if not most, of the principles described below for pursuing inclusive prosperity in legacy communities implicate the role of local actors that operate under the umbrella of "economic development."

UNC-Chapel Hill scholars Maryann Feldman and Nichola Lowe define economic development as "a transformative process that contributes to qualitative improvement of economic actors and organizations within a regional economy…[resulting] in improved quality of life and, where economic benefits extend across society, benefits those with more limited economic resources and power." Feldman and Lowe describe that most economic development interventions seek to build the capacity of firms and industries, entrepreneurs, and/or specific geographic communities to support these improvements.

The institutions that carry out economic development in legacy communities come in various shapes and sizes. Most cities and counties possess a public sector agency charged with carrying out economic development programs, which typically include business tax incentives to support job creation and retention; certain types of infrastructure improvements to support business growth; and direct assistance to small- and medium-sized businesses to improve their productivity and access to markets. Some of these agencies also oversee workforce development programs that aim to meet the hiring needs of local businesses. Others oversee efforts to revitalize neighborhoods under the banner of "community development," working with neighborhood organizations to upgrade affordable housing, increase business density, and train local populations for jobs. These public programs generally involve a mix of local, state, and—to a lesser extent—federal funds.

As the definition above suggests, economic developers seek improved quality of life and public benefit largely through efforts to shape private market activities. As a result, in some places, public-private organizations such as chambers of commerce oversee the functions of economic development. Other civic entities that interact extensively with local businesses, such as universities, utility companies, and special-purpose organizations (e.g., downtown business alliances) may also become actively involved in economic development efforts.

Traditionally, economic development has construed its goals rather narrowly, measuring success in terms of jobs it has helped create or retain, and capital investment it has helped facilitate. This has led economic developers to focus disproportionately on "attraction" efforts, working to lure footloose businesses to their community with tax incentives and—in some cases—cash grants. (The Amazon HQ2 competition in 2017-2018 arguably reinforced these "bad habits," although Wisconsin's largely failed attempt to lure the manufacturer Foxconn with billions of dollars in subsidies represents a clear cautionary tale.) Many legacy communities were on the losing end of this economic development arms race early on, as states and cities in the American South lured their manufacturers with generous incentives. And governments that award these incentives don't clearly benefit, either; economist Tim Bartik concludes that "…at least 75 percent of the time, the same local job creation would have occurred without the incentive."

Today, however, many legacy cities and counties have begun to adopt a more expansive—and ambitious—view of economic development, focused not only on growing the local economy, but also on raising job quality and ensuring that under-resourced populations and communities benefit from new opportunities. Those goals are reflected in several of the example efforts described below.

Principle 1: Engage all sectors

The public sector in legacy communities is often stretched far too thinly for financial and human resources—and too beholden to short-run political cycles—to make the sustained long-term investments necessary to change the trajectories of their places. Leadership in legacy communities must involve the private and civic sectors as well in visible efforts that build trust and capacity for public problem-solving.

In Northeast Ohio, the Fund for Our Economic Future—a collaboration between philanthropies, corporations, universities, and health care systems from across an 18-county region—has worked over the past 15 years to strengthen regional economic resilience. The Fund's members support organizations and initiatives that work region-wide to create jobs in new and existing industries, prepare residents for those jobs to support their advancement and the competitiveness of the region's businesses, and make jobs more accessible to improve employment opportunities, particularly for under-resourced communities. While headquartered in Cleveland, the Fund develops tailored strategies with the region's midsized legacy cities as well, including Akron, Canton, Lorain, and Youngstown.

One of the Fund's most important avenues for engaging cross-sector leadership is through establishing goals and measures to guide strategies and track progress toward growth and opportunity. In 2018, the Fund launched The Two Tomorrows, which identifies eight indicators across three priority areas that help gauge the region's progress against similar metro areas, and benchmark the success of the Fund's goal to promote a continuously regenerating economy (through traded sector growth and entrepreneurship) with good jobs and rising incomes (increasing productivity, standards of living, and wage and employment growth) for everyone (eliminating economic disparities by race and place). These indicators, in turn, form the backdrop for customized cross-sector efforts—often undertaken in close collaboration with local community foundations—such as Elevate Akron, Strengthening Stark (Canton), and Extraordinary Communities of Lorain.

The Fund's super-regional reach is also important for helping the small and midsized legacy cities of Northeast Ohio "borrow city size" from one another and Cleveland. By taking a bold cross-sector and multi-jurisdictional approach, the Fund is helping to repair frayed ties in the region, with explicit attention to closing the racial disparities that hold back the potential of each of its older cities.

Principle 2: Leverage anchor institutions

It is difficult to imagine a sustainable approach to legacy community revitalization that does not meaningfully engage local anchor institutions, particularly colleges and universities. The term "anchor" connotes not only their central role in the local economy as employer, purchaser, educator, and developer, but also their rootedness in place, unlikely to pull up anchor like so many private-sector employers before them. Fortunately, after decades in which "town-gown" frictions bedeviled relations between legacy cities and their higher education institutions, closer partnership between these entities has moved into the mainstream of revitalization practice, as Kleiman and coauthors have documented.

One promising example of partnership, first profiled by Hollingsworth and Goebel, is found in South Bend, Ind., home to the University of Notre Dame. A historic home of auto manufacturing, South Bend has struggled to regain its economic footing since the shuttering of its Studebaker plant and loss of 7,000 jobs in 1963. Meanwhile, Notre Dame was growing into a Tier I research university, with world-class specializations in science and technology. Now, the enFocus fellowship program aligns the talents of the university's STEM graduates with the needs of local businesses, nonprofits, and government through consulting projects. Over the course of one year, fellows oversee teams of interns to work on sponsored "innovation" projects, while they also pursue their own entrepreneurial ventures. One project helped a local health system use predictive analytics to improve strategic planning and performance for community health enhancement. The fellowship adds much-needed problem-solving capacity to local organizations, while building deeper affinities between young graduates and the local community. enFocus has recently expanded to Elkhart, another Indiana legacy county, to take advantage of aligned statewide (Indiana Regional Cities) and local philanthropic energy.

Effective anchor institution partnerships need not involve a Tier I research university, however. As Kleiman and his co-authors chronicle, two local higher education institutions have been critical to revitalization efforts in downtown Wilkes-Barre, Penn. King's College and Wilkes University abut Public Square in the heart of Wilkes-Barre, which for decades had suffered the ravages of job loss and disinvestment. In the mid-2000s, the city engaged the two campuses in creating a shared vision for downtown development. Subsequently, they purchased and redeveloped numerous properties around Public Square. Census Bureau data indicate that by 2015, the core of the downtown had about 1,200 more jobs than it did a decade prior, and about half those jobs paid middle-class wages, up from one-third in 2004. Not coincidentally, Luzerne County (which contains Wilkes-Barre) ranked among the stronger-performing legacy counties on this report's index from 2000 to 2016. The efforts of King's and Wilkes have been so significant that city officials have begun to market Wilkes-Barre as a "college town."

What works in diversifying legacy economies?

Legacy communities share a history of specialization in manufacturing that, given trends in the late 20th and early 21st centuries, exposed them to significant job loss and economic distress. In response, many of these communities have sought to diversify their economies into growing sectors and industries, developing new specializations along the way that could improve their competitiveness, and boost the quantity and quality of local jobs. Unfortunately, there is no recipe book for regional economic diversification. Achieving a sustainable recovery in legacy communities appears to involve some mix of intentionality (in both the private and public sectors) and luck.

Economist Harold Wolman and co-authors examine metropolitan regions' susceptibility to job and GDP loss—and their recovery from those downturns—between 1978 and 2007. They pay particular attention to regions suffering what they call "chronic distress," which include many metropolitan areas surrounding legacy counties. Some factors predisposed these regions to distress, including low levels of educational attainment, high relative wages, longer distance to a major metro area, and income inequality. Other factors were associated with emergence from distress, including lower levels of manufacturing employment, and greater numbers of economic specializations, indicating that diversification can help propel recovery. In the end, Wolman and co-authors suggest that policies to spur diversification, entrepreneurship, and innovation in chronically distressed regions—such as cluster policies and small business technical assistance—have some potential to help, but should not obscure a focus on investing in longer-term assets such as education and training institutions and critical infrastructure.

Cluster initiatives are a common tool to promote economic diversification, including in legacy communities. These initiatives seek to help groups of local firms within a related field become more competitive and grow. In a Brookings report, Ryan Donahue, Joseph Parilla, and Brad McDearman examine the rationale and success factors for cluster initiatives. They find that successful cluster initiatives are able to spur continuous innovation, develop dynamic entrepreneurship systems that replenish economies with good jobs, and engage strong local academic, civic, and public institutions that can facilitate these processes. As they explain, however, many regions—particularly smaller and more economically distressed places—face narrower pathways to success and more limited investment capabilities when it comes to diversifying via clusters. They suggest that these places may do better to focus on assisting local companies with process innovation (e.g., through Manufacturing Extension Partnership programs) and product innovation (e.g., by connecting them to researchers and early-stage investors), and investing in customized job training and specialized infrastructure to help groups of businesses, particularly small and midsized businesses that have limited ability to invest in these assets on their own. They point to several examples in states such as Michigan, Pennsylvania, and Wisconsin, and regions including Akron, Providence, and Upstate South Carolina that are executing emerging and proven non-cluster interventions to grow and diversify their legacy economies.

One emerging approach in economic development strategy recognizes that regional economies vary rarely develop new specializations out of thin air. Rather, they diversify into those specializations off an existing and related base of knowledge embedded in industries or other institutions. Their likelihood of success in that area depends both on their own capabilities *and* how unique those capabilities are in the wider economic system. For instance, in the early 2000s, many U.S. regions concluded that they should seek to become the next center of biotechnology. Yet only a small handful—places such as Boston, Philadelphia, Raleigh-Durham, and San Diego—possessed the necessary ingredients to grow and nurture that industry, and offer a distinctive "niche" to companies, researchers, workers, and investors. These realities have given rise to new approaches in economic development that, particularly in Europe, exist under the banner of smart specialization. As Brookings scholars describe in two recent reports (one on Canada, and the other on U.S. regions), regional economic development officials can use complexity analysis to understand the types of innovations and industries that are feasible and valuable targets for diversification from their base of research and industry assets.

Principle 3: Partner to help underserved communities

As noted above, the most important factor contributing to long-run economic growth and opportunity in cities and regions is human capital. The challenge for legacy communities in this respect is not only the absolute quantity of their labor and skills, but also the distribution of educational and economic opportunity among their populations, particularly for people of color. In many legacy cities, lack of that opportunity for younger people of color is arguably the central challenge, linked in turn to long-standing patterns of residential and educational segregation and racial animus. While repairing those deep divides is the work of a generation or more, legacy-city leaders can begin to make meaningful progress by putting often-excluded communities at the center of strategies to spur inclusive prosperity.

Traditionally, efforts to improve prospects for lower-income neighborhoods and communities of color in cities have traveled under the banner of "community development," which focused predominantly—if not exclusively—on affordable housing development. For legacy cities, however, housing affordability is a function not of high housing costs, but of low incomes. And issues of educational equity, job preparedness and access, and public safety inevitably trump housing affordability as barriers to progress in their low-income neighborhoods. As Alan Mallach describes, the $200 million spent on affordable housing in Baltimore's Sandtown-Winchester neighborhood ultimately did very little to change the community's reality.

None of this is to say that higher-quality, ideally mixed-income, housing development cannot form a critical part of the toolkit for closing income and racial divides in legacy communities. Indeed, national intermediaries such as Purpose Built Communities anchor their partnerships with local community organizations around such developments. But housing is only part of the holistic solution they help communities devise and execute, which also includes investment in the education pipeline (often involving new, more rigorous schools), and in community amenities (green space, retail, recreation) that improve wellness. To implement the model, Purpose Built works through a local "quarterback" organization that drives the initiative and ensures that people in the neighborhood are included and served in the process. In the legacy city of Rome, Ga., Purpose Built partnered with the South Rome Redevelopment Corporation across eight historically Black neighborhoods to develop new mixed-income apartment homes, launch a new elementary school with onsite early learning and adult literacy programs (in collaboration with nearby Berry College), and open a new Boys & Girls Club and nearby community garden.

As evidence above on economic vitality and population health indicate, immigrant communities may represent another key leverage point for legacy city revitalization efforts. In St. Louis, the Mosaic Project is a regional initiative embedded within local economic development organizations that seeks to promote regional prosperity through "immigration and innovation." It works through major businesses, local entrepreneurs, universities and student bodies, and immigrant advocacy organizations to make St. Louis city and its wider metro area attractive and welcoming environments for foreign-born populations. Dayton, Ohio has also embraced the value of immigration—particularly via significant local refugee resettlement—for economic revitalization. Among other efforts, Welcome Dayton works to train immigrant entrepreneurs, and to provide credentialing pathways for foreign-trained professionals to obtain professional licenses in the United States. In 2017, national nonprofit Welcoming America certified Dayton as the nation's first "welcoming city."

Engaging national organizations that add financial capacity and expertise to often thinly capitalized local legacy city organizations—but do so in ways that empower local leadership to address multiple challenges at once—should be a central part of any holistic revitalization effort in legacy communities.

Principle 4: Work at the state level

Ultimately, U.S. cities are creatures of their states. Their local powers—and an inordinate amount of the funding to carry out those powers—derive from decisions in their state capitals. For legacy communities facing a complicated set of interconnected challenges with limited funding and capacity to tackle them, small changes in state policy can either exacerbate or mitigate those pressures. Thus, even the smartest and most forceful local revitalization strategies can founder on the shoals of disconnected or sometimes hostile state policy regimes.

Throughout the Northeast and Midwest, groups that originated in the environmental justice movement have, since the advent of "smart growth" thinking in the 1990s, begun to advocate for their states' older cities. 10,000 Friends of Pennsylvania, GrowSmart Maine and Rhode Island, New Jersey Future, and Greater Ohio Policy Center are examples of organizations that advance land use, housing, and transportation policies in their state capitals toward the benefit of small and midsized legacy communities.

Perhaps the most fully realized state-based organization focused on legacy cities is the Massachusetts Institute for a New Commonwealth (MassINC). Starting in 2006, MassINC worked with Brookings to launch a state policy agenda focused on Massachusetts's traditional mill communities, which it termed "gateway cities." Since that time, the state launched dedicated funding programs and priorities for these cities; Beacon Hill legislators created a Gateway Cities caucus; and MassINC launched the Gateway Cities Innovation Institute to design research, policies, and partnerships with more than a dozen small and midsized cities statewide. Importantly, the group's efforts extend beyond the traditional domains of housing and transportation, and include key legacy city issues such as education reform, criminal justice, and workforce development. Among many other successes, the Institute partnered with the Massachusetts state economic development agency to create the Transformative Development Initiative, which builds capacity in gateway cities for sustainable and inclusive local economic development. As it develops and advocates for smart state policies on behalf of Gateway Cities, MassINC also convenes and develops cross-sector leaders in the cities themselves, who support one another and occasionally become state policy leaders themselves.

More recently, some states have seized on the advent of a new federal tax incentive to adopt and propose additional investments in lower-income Opportunity Zones (OZs). In some parts of the country, these OZ communities are heavily concentrated in legacy cities and counties. The state of Connecticut, for instance, is expediting permit reviews for projects in its OZs, most of which can be found in and around legacy cities such as Bridgeport, Hartford, New Haven, New London, and Waterbury. The state of Arkansas aligned its state income tax law with federal OZ provisions, creating additional incentives for investment in legacy communities such as Pine Bluff/Jefferson County. Massachusetts lawmakers have proposed prioritizing OZs in the state's gateway cities for marketing and technical assistance. And lawmakers in Ohio, where nearly all of the state's legacy communities include at least one OZ, have proposed an additional state tax credit for qualifying OZ investments. These emerging tactics represent a new potential front for legacy community partnership with states, but as Michael Mazerov of the Center on Budget and Policy Priorities counsels, much remains unknown about the efficacy and legality of additional state incentives for OZ investment.

VII. Conclusion

Legacy cities should be an important focal point for efforts to reduce inequality and promote more widespread prosperity in the United States. Not only does one in ten Americans live in and around these cities, but also these places represent critical pathways for achieving sustainable economic growth and making much-needed progress on racial equity.

For the near term, the leadership to realize the full potential of legacy cities will not come from Washington, D.C. Local and state leaders must seize the mantle. As they do so, the specific strategies and tactics they adopt to pursue inclusive prosperity in legacy communities must be informed by an honest assessment of their assets, challenges, and current trajectory. For all their common history, legacy communities inhabit different state policy environments, are endowed with community and anchor institutions with different capacities, may be close to or far from a global city, and house populations facing different types of barriers and opportunities. The assessment offered here of legacy communities' economic position and potential, and principles to undergird smart and sustainable revitalization strategies, aim to offer a common roadmap for designing a better future for their residents.

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Brookings Metro thanks the Robert Wood Johnson Foundation for its support of this report, and the members of the Funders Network for Smart Growth for their support of Brookings Metro's original report on older industrial cities, on which this analysis draws.

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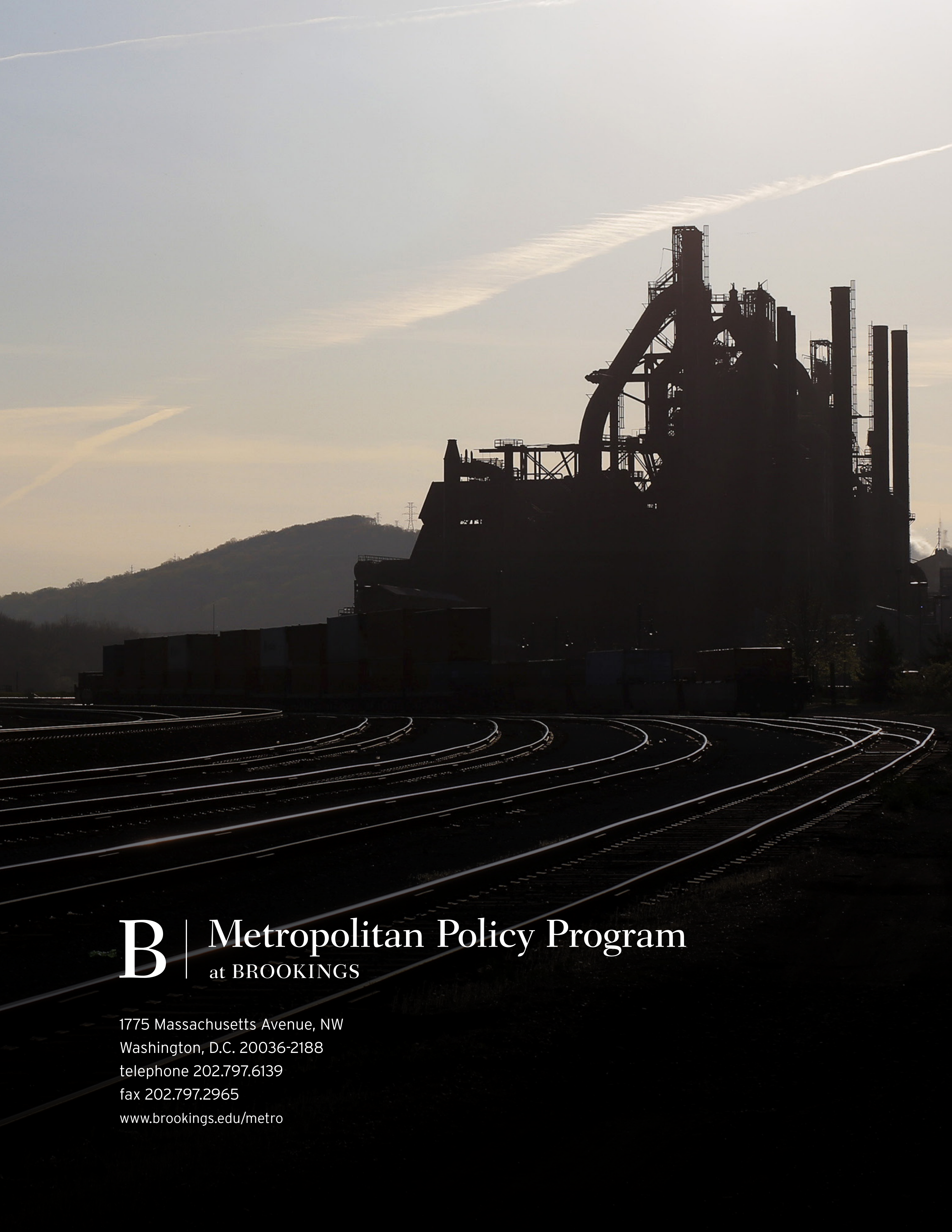

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