EIG.ORG/DCI

Distressed Communities Index

The Spaces Between Us

The Evolution of American Communities in the New Century

4th edition | October 2020

ECONOMIC INNOVATION GROUP

Contents

An affordable housing development in Seattle, Washington

Key Findings

The Distressed Communities Index (DCI) sorts U.S. communities based on seven complementary economic indicators into five even quintiles of well-being: prosperous, comfortable, mid-tier, at risk, and distressed. Comparing results from 2000 with those from 2018, we find that:

So far in the 21st century, national economic growth has failed to lift the country's most vulnerable communities.

- On measures of income, poverty, joblessness, and vacancy, the typical distressed zip code remained just as far behind the typical prosperous zip code in 2018 as it was in 2000.
- At 50.5 million, the number of Americans living in distressed communities held constant even as the country's population grew significantly.
- A plurality of Americans (82.4 million) call prosperous zip codes home, but population increased fastest in the mid-tier category.
- Zip codes that were prosperous in 2000 gained 8.7 million jobs between 2000 and 2018, generating nearly 62 percent of total U.S. job growth over the period.
- Meanwhile, zip codes that were distressed at the turn of the century lost jobs on net between 2000 and 2018. Numbers of jobs and businesses in distressed communities even fell from 2014 to 2018, deep into the national recovery from the Great Recession.
- Community-level advantages and disadvantages tend to perpetuate over time. Two-thirds of zip codes that ranked as prosperous in 2000 were prosperous in 2018. Likewise, two-thirds of zip codes that were distressed at the turn of the century remained so.

The geography of well-being has shifted as cities and the West gain ground.

- The total population of prosperous urban zip codes doubled from 2000 to 2018 as well-being improved in several cities and the country's urban geography expanded, especially in the West. These advances were uneven, however, as the number of prosperous zip codes flatlined or declined across 61 of the country's 100 largest cities.
- The share of the country's urban population residing in distressed zip codes fell from 34.3 percent to 21.7 percent over the period—still slightly edging out the other quintiles. Meanwhile, the share of rural Americans living in distressed zip codes rose to 23.6 percent.
- In the West, 53.4 percent of the population resides in a prosperous or comfortable zip code, a greater share than in any other region. It displaced the Midwest, which led in American economic well-being in 2000 but now trails even the Northeast.

In spite of significant progress, Americans' exposure to community prosperity and distress remains profoundly divided along racial lines.

- The minority share of the population in prosperous zip codes jumped from 16.3 percent to 26.9 percent between 2000 and 2018 and declined slightly in the distressed quintile to 56.4 percent, still leaving communities of color significantly overrepresented at the bottom.
- The share of the country's Black population living in distressed zip codes declined from 45.6 percent in 2000 to 35.3 percent in 2018. But in the Midwest, fully half of the Black population still lives in distressed communities.
- Racial inequality is observed at every level of community well-being, but especially in distressed areas, where the median household income (MHI) for the typical Black household was only 66 percent that of the typical white household. Across every quintile, the typical Black MHI fell as a share of white MHI between 2000 and 2018.
- An overwhelming 70 percent of majority-Black zip codes are distressed, compared to 20 percent of zip codes nationally and 16 percent of majority-white zip codes. Only 19 majority-Black zip codes rank as prosperous on the DCI.

Introduction

The nation's longest-ever economic expansion came to a grinding halt in 2020 as events put the unfinished business of the American project under a harsh and uncomfortable light.

The Distressed Communities Index (DCI) is an effort to provide a ground-level view of the divided landscape of American prosperity. It ranks zip codes on a variety of key measures of economic well-being, allowing us to examine how the U.S. population sorts across communities in terms of race, education, nativity, and more. Why does this matter? Simply put, communities exert enormous influence on the lives of their residents – most importantly for children. An individual's proximity to high levels of economic well-being and stable institutions is strongly associated with a host of positive outcomes throughout life. When we consider the health of the U.S. economy only in aggregate terms, we miss out on the textured – and deeply uneven – story of how national growth and prosperity lift up, or leave behind, individual communities and the residents who call them home. The DCI is, therefore, an attempt to understand the spatial distribution of U.S. economic well-being, and to examine how the national economy translates into local reality from one zip code or region to the next. It is a lens through which we can evaluate where and for whom the country truly lives up to its promise as a land of opportunity.

This edition of the DCI comes at a time of national introspection and upheaval. The COVID-19 pandemic has once again exposed deep fractures in our nation's social and economic well-being, disproportionately affecting the most disadvantaged Americans and hitting communities of color the hardest. The events of this year have provided brutal reminders that the terms of the American experience are still too often dictated by race, place, and inequality. Those themes form the heart of the analysis that follows.

This report covers the years 2000 to 2018 to examine the arc of community well-being in this young century. It finds that, leading up to the coronavirus pandemic, national growth largely failed to raise the floor of well-being for the country's most vulnerable people and communities. While some groups and regions have experienced meaningful progress since the turn of the century, chronic inequities remain a troubling feature of the American experience. Altogether, over half of the 50.5 million Americans living in distressed communities are people of color, and gaps between Black and white households have grown wider in consequential ways.

As the nation looks ahead to the monumental challenge of achieving robust, broad-based growth in the wake of the current crisis, we hope this report gives Americans a chance to step back, consider where we have been, and use those insights to inform our future.

Methodology

Calculating the index

The 2020 DCI is built from the U.S. Census Bureau's American Community Survey 5-Year Estimates covering the years 2014-2018 and the Census Bureau's Business Patterns datasets for the same years. This report refers to the findings as 2018 results. The index combines seven complementary metrics into a holistic measure of comparative community (defined at the zip code level) economic well-being. The components are:

No High School Diploma
Percent of the 25-year-old+ population without a high school diploma or equivalent

Housing Vacancy Rate
Percent of habitable housing that is unoccupied, excluding properties that are for seasonal, recreational, or occasional use

Adults Not Working
Percent of the prime-age (25-54) population not currently employed

Poverty Rate
Percent of the population living under the poverty line

Median Income Ratio
Median household income as a percent of metro area median household income (or state, for non-metro areas)

Change in Employment
Percent change in the number of jobs from 2014 to 2018

Change in Establishments
Percent change in the number of business establishments from 2014 to 2018

Each metric was chosen to capture a distinct aspect of economic distress. Combined, they provide a more complete assessment of a place than any single measure could in isolation. For example, a low-income community with a thriving small business sector where work is plentiful and homes are occupied and maintained is very different from a high-poverty neighborhood where attachment to the labor force runs low, homes are abandoned, and businesses are closing. Similarly, measures that rate success based on growth alone miss the established prosperity of regions such as New England.

Put together, the DCI is a relative measure, and each community's score on the index is equivalent to its percentile rank across all seven measures combined. To calculate the index, each community is ranked on each measure. Then each community's seven rankings are averaged, weighted equally, to create a preliminary score, which is in turn normalized into a final score that ranges from approaching 0 (most prosperous) to 100 (most distressed). Communities are then sorted into five even quintiles, or tiers, of economic well-being ranging from **prosperous** to **comfortable**, **mid-tier, at risk,** and **distressed**.

This report itself is built around a zip code-level analysis, but the same methodology can be utilized to compare economic performance across counties as well (that data is available online and via the associated interactive maps). In all, the zip code-level DCI captures 99 percent of the U.S. population and all 25,400-plus zip codes with at least 500 residents not in dormitories, group quarters, the armed forces, or other similar arrangements.

We also constructed a DCI vintage for the year 2000 to explore longer-term changes in local economic well-being in this report. The 2000 DCI was calculated in much the same manner using data from that year's Decennial Census, as well as Business Patterns data for the years 1996 and 2000 to calculate change in employment and business establishments over that five-year time period. The 2000 DCI was calculated against the country's zip code map as it stood that year.

For a full description of the methodology underlying the DCI, see eig.org/dci/methodology.

Static: Little change to the benchmarks of community distress and prosperity this century

Distressed zip codes lag far behind all others on key measures of economic well-being, and gaps have not meaningfully narrowed since 2000.

Little progress has been made improving key aspects of economic well-being across communities since 2000, especially in distressed ones, where 50.5 million Americans reside.

There are stark gaps between the different quintiles of the DCI, but the distressed tier lags far behind the other groups. Distressed communities represent an alternate, increasingly left-behind America. On average, 25 percent of the population lives below the poverty line, 35 percent of the prime working age adult population is out of work, and more than 20 percent of adults do not have a high school diploma. It is also the only quintile in which jobs and businesses are on average decreasing, highlighting just how removed distressed communities have been from the economic growth of the 2010s.

Figure 1. Performance of the average zip code in each quintile across the seven component metrics of the 2020 DCI

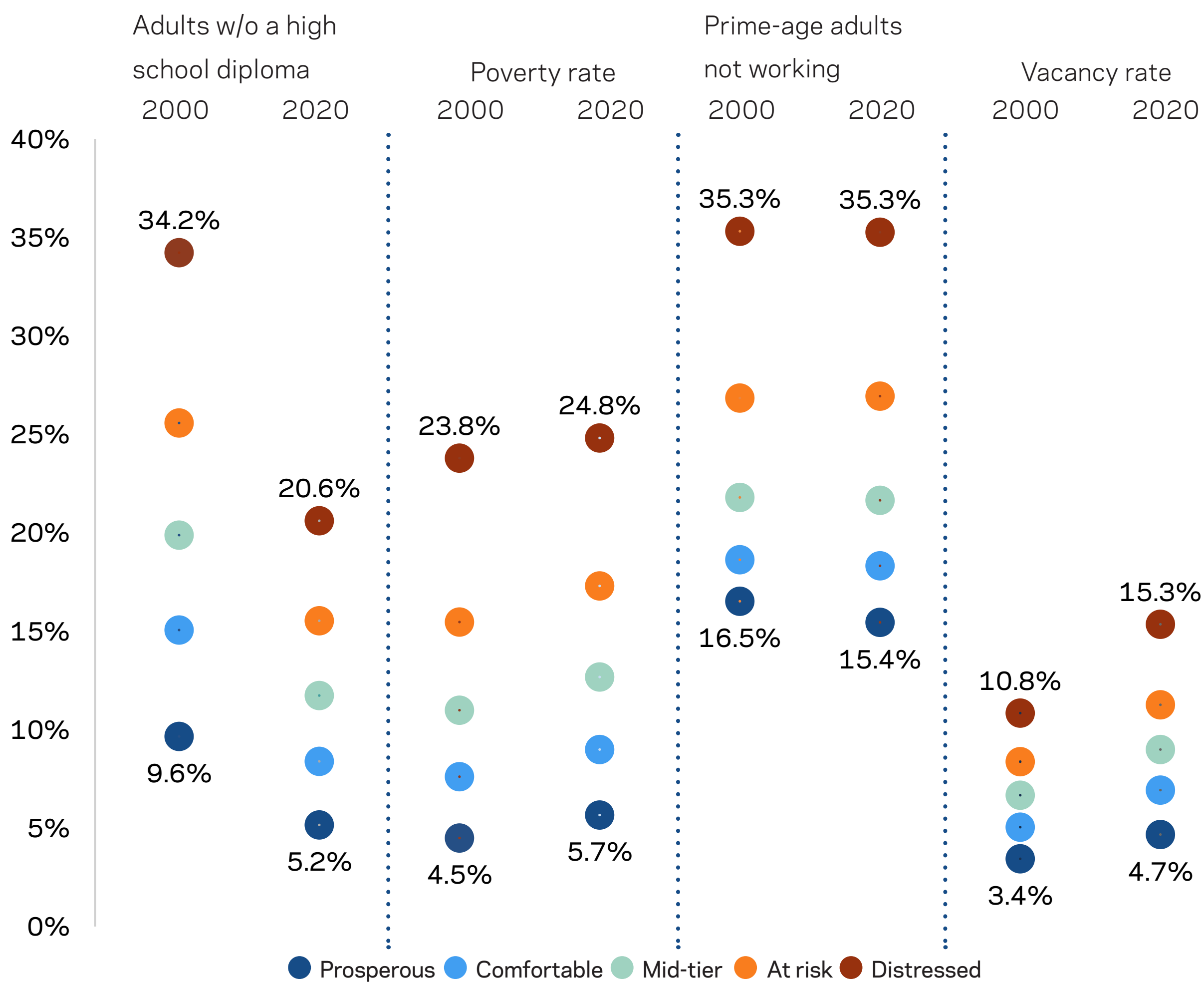
	Adults w/o a high school diploma	Poverty rate	Prime-age adults not in work	Housing vacancy rate	Median household income*	Change in employment	Change in establishments
Prosperous	5.2%	5.7%	15.4%	4.7%	$90,800	20.8%	11.8%
Comfortable	8.4%	9.0%	18.3%	6.9%	$69,600	10.5%	6.9%
Mid-tier	11.7%	12.7%	21.6%	9.0%	$56,500	8.3%	4.9%
At risk	15.5%	17.3%	26.9%	11.3%	$47,700	4.8%	3.0%
Distressed	20.6%	24.8%	35.3%	15.3%	$37,800	-4.4%	-4.2%

*Enters into the DCI as a share of metro or state median household income

A comparison of how the average zip code in each quintile performs on the component measures of the DCI in 2000 and 2018 reveals that communities along the spectrum of economic well-being have changed little in both absolute and relative terms, with few shifts in any quintile's averages and little to no sign of convergence across the quintiles. Even though the DCI is a relative measure of well-being that ranks zip codes against each other rather than against a fixed set of thresholds, it has retained surprisingly stable benchmarks over time. For America's most distressed communities, this finding offers an indictment of the scant progress that has been made since the turn of the century in addressing systemic issues in struggling communities, such as high poverty rates, troubled housing markets, and poor employment outcomes.

Reflecting the long-term trend of steadily rising educational attainment nationwide, the share of adults without a high school degree fell precipitously for all tiers and most steeply in the average distressed zip code. No significant national progress is discernible on any other metric, however. Poverty rates were slightly higher in 2018, although they likely improved in 2019 as the country enjoyed a brief spell of record income growth. Worklessness among prime working age

Figure 2. Select DCI metrics, 2000 and 2020 quintiles



adults showed no change. Vacancy rates rose across all zip codes, although distressed zip codes saw the sharpest uptick. Despite broad changes in the national economy during a tumultuous two decades, and ten years of record economic growth, there has been little convergence in prosperity across communities.

More Americans now live in higher well-being areas than did in 2000.

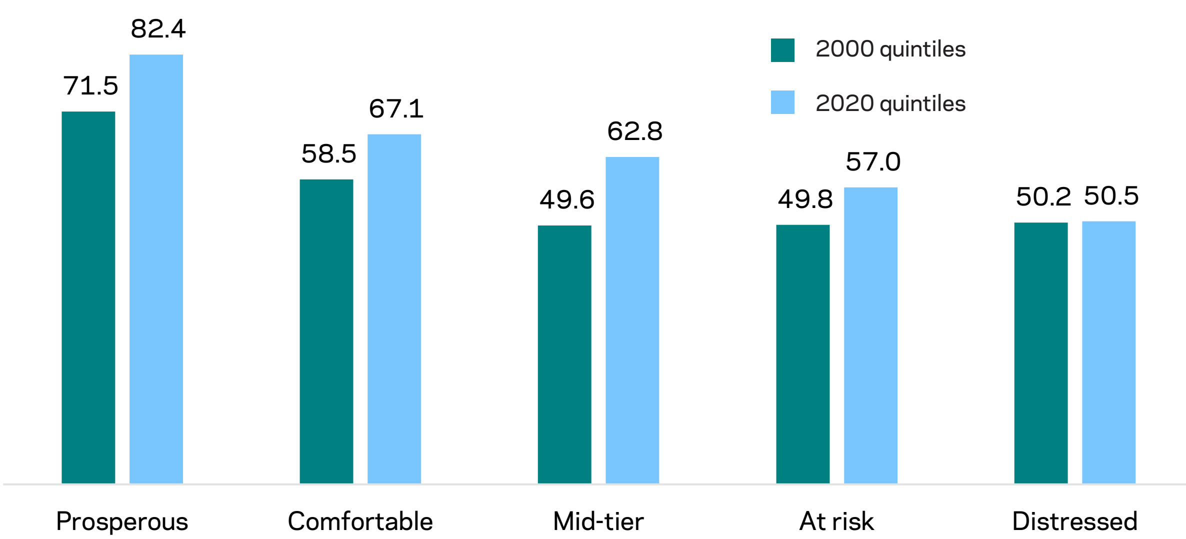
The share of the total U.S. population residing in economically distressed zip codes fell from 18 percent in 2000 to 16 percent in 2018, even as the total number of people exposed to such struggling neighborhood conditions—50.5 million in 2018—remained mostly constant. That

The share of the total U.S. population residing in economically distressed zip codes fell from 18 percent in 2000 to 16 percent in 2018.

decline was offset by an increase in the share of the population residing in mid-tier zip codes, which rose to 20 percent from 18 percent. The middle quintile of well-being added 13.1 million people over the period, more than any other quintile, as the nation's population swelled.

As a result of these dynamics, the preponderance of the country's population has shifted towards higher tiers of well-being. In 2000, mid-tier, at risk, and distressed communities each contained roughly the same number of people; by 2018, a steep gradient had opened up. Population now increases as economic well-being does. At the high end, prosperous communities have maintained their lead with 82.4 million residents as of 2018, stable at 26 percent of the country's total population. Yet even as the country's growing population filters into better-off tiers, the long-tail of increasingly detached and "left-behind" places shows no sign of shrinking in absolute terms.

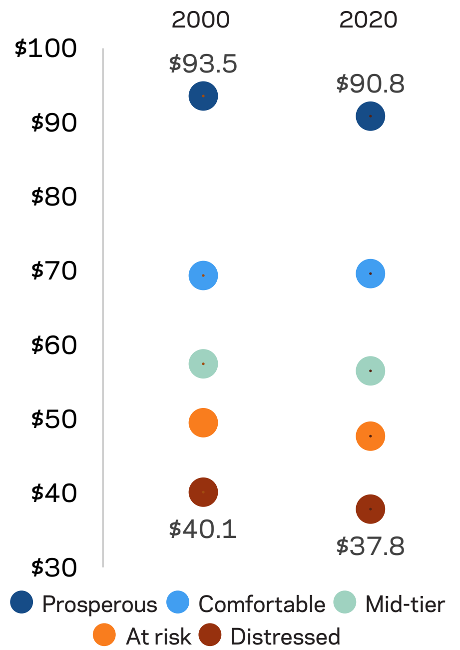
Figure 3. Total population in 2000 and 2020 DCI quintiles (millions)



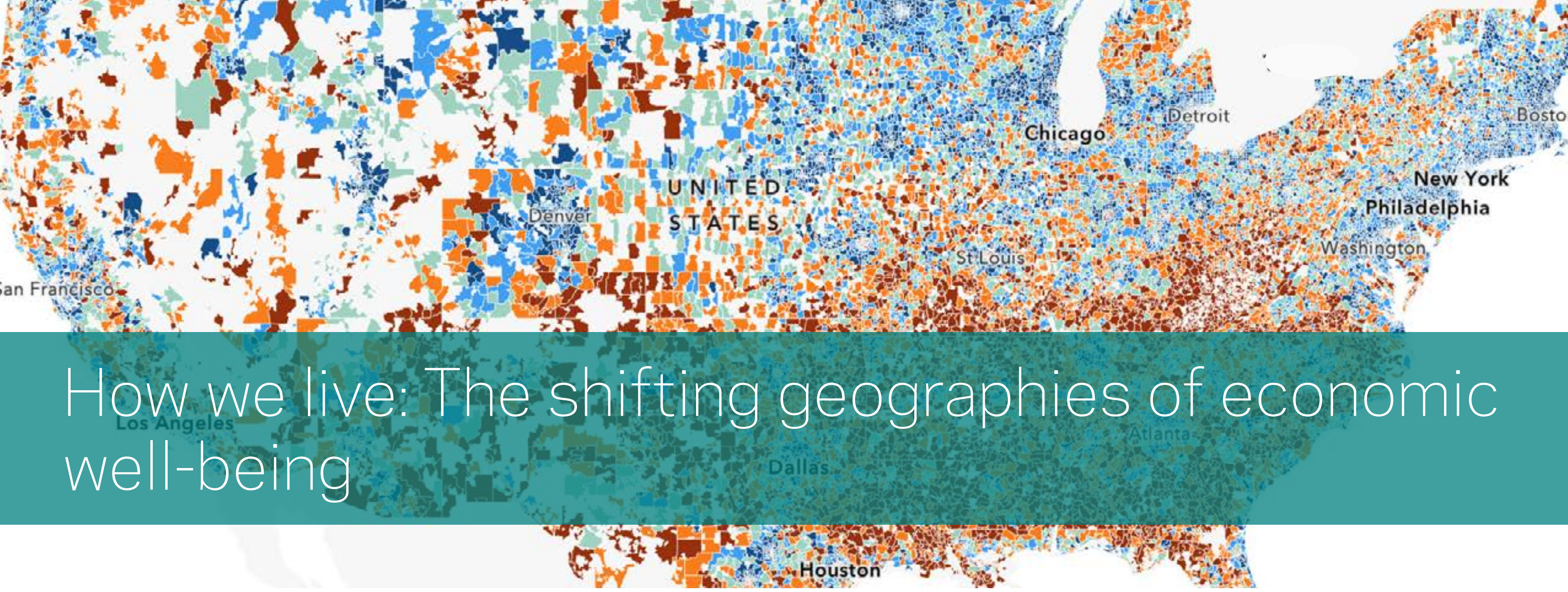
The country has spent nearly two decades trying to raise incomes back to 2000 levels.

The average zip code in every quintile on the 2020 DCI, with the exception of comfortable, posted lower inflation-adjusted median household incomes (MHI) than their corresponding peers in the 2000 DCI. While MHI growth accelerated significantly in 2019, most of the decade and all of the prior one was spent trying to restore incomes back to where they were in 2000. Such lack of progress in raising incomes and living standards over such a long time horizon is unprecedented compared to the previous century. The stagnation played out across communities, as well; a constant $53,000 gap in median household income separated the typical prosperous and distressed community in both periods. Across quintiles, there has been no convergence in incomes since 2000 even as national economic output and asset prices have soared.

Figure 4. Median household income, 2000 and 2020 DCI quintiles, thousands



Despite the record-setting national economic growth of the past few years, the country has made little progress in raising the floor of economic well-being for its most vulnerable communities. Worse, the pandemic-induced recession is likely already eroding away any modest improvements racked up at the tail-end of the 2010s expansion. Since 2000, the nation's economic gains have been largely disconnected from many communities and households, showing up on paper but not in the factors that define economic well-being locally. The brightest spot—that Americans are better educated than they were twenty years ago—failed to translate into higher average incomes. Yet underneath the surface, the U.S. population and economy has changed considerably since the turn of the century. Even as the thresholds that define distress and prosperity stayed the same, more Americans now live in higher well-being areas than in the past. As the country changes and grows, the geography of well-being evolves as well. We explore that shifting geography in the next section.



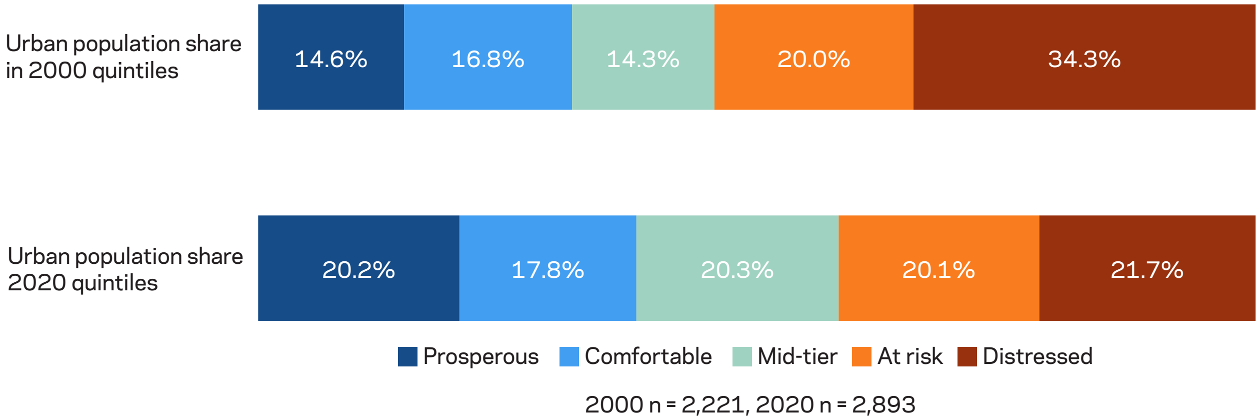
How we live: The shifting geographies of economic well-being

Although the DCI is designed to measure prosperity and distress at the zip code level, it also reveals clear patterns in metro areas, states, and regions across the nation. In the last two decades, there have been significant shifts in the geography of economic well-being, with many small towns and rural areas declining while urban areas improved their standing and suburbs held their own. Individual states have risen and fallen in the rankings—some considerably—as the tectonic plates of the country's economic geography shifted broadly in favor of the West. Underneath the churn, the long expansion following the Great Recession only drew starker lines between successful places and those with mounting challenges. In the United States today, geography is closely tied to economic well-being, and place seems to matter more than ever.

Urban America has become much less associated with economic distress.

Urban zip codes have seen substantial advances in well-being since the turn of the century. More than one-third of the country's urban population lived in a distressed zip code in 2000, but only 21.7 percent did by 2018. The number of distressed urban zip codes fell by 5.5 percent over the period, while the number of prosperous ones increased by two-thirds. In 2000, 9.6 million people lived in prosperous urban zip codes, whereas by 2018 that number had doubled to 18.6 million, or 20.2 percent of the country's total urban population. The share of urban Americans now living

Figure 5. Share of the urban population residing in the 2000 and 2020 DCI quintiles



in mid-tier zip codes also increased considerably. This reshuffling towards prosperity was driven in part by an expanding geography of Americans living at urban densities, especially in the West, combined with improvements in well-being in some urban areas in other parts of the country.

Cities, like Washington, DC, and New York City, saw increased counts of prosperous zip codes and steep declines in distressed ones (the number of distressed zip codes in DC fell from eight to two and in New York City from 48 to 17). Other cities, like Denver and Seattle, ended up with no distressed zip codes in the 2020 DCI. This urban renaissance is far from universal and even as some cities have seen remarkable success over since the turn of the century, many continue to struggle. Among the country's 100 largest cities, 61 saw a decrease or no change in prosperous

37.9 percent of urban residents (35.0 million) live in prosperous or comfortable zip codes versus 41.8 percent who live in distressed or at risk zip codes.

zip codes from 2000 to 2018. 37.9 percent of urban residents (35.0 million) live in prosperous or comfortable zip codes versus 41.8 percent who live in distressed or at risk zip codes (38.6 million). This gap between urban residents living in better off and worse off zip codes has narrowed in population terms from 15.0 million in 2000 to only 3.6 million in 2018. However, large pockets of chronic distress persist, especially in the Midwest and Northeast.

Incremental improvements in cities like Philadelphia, PA, and Baltimore, MD, translated to increases in the middle-tiers of well-being but no toeholds in the prosperous tier. Such modest improvement is still positive, but indicates that the larger trend of urban upward mobility was mediated by local conditions. Other cities and neighborhoods were bypassed completely by the young century's urban turnarounds. This is especially true in the Midwest, where the highest share of urban communities are distressed (40.7 percent, almost double the national rate). The

Among the country's 100 largest cities, 61 saw a decrease or no change in prosperous zip codes from 2000 to 2018.

Chicago, IL, area, for example, contains the longest continuous stretch of distressed urbanity in the United States. One can travel nearly 60 miles from the Belmont Cragin neighborhood northwest of downtown to Lake Station, IN, at the very base of Lake Michigan, without ever leaving a distressed zip code. Chicago's count of both prosperous and distressed zip codes increased over the years, attesting to rising spatial inequality locally. Other Midwest cities fared worse. Indianapolis, IN, saw its count of distressed zip codes climb from nine to 15 with a corresponding decrease in prosperous zip codes. The spread of distress in many of these cities into more outlying urban and suburban neighborhoods tended to outweigh any modest improvements that took place closer to downtown.

Figure 6. 2020 DCI zip codes in the Indianapolis area

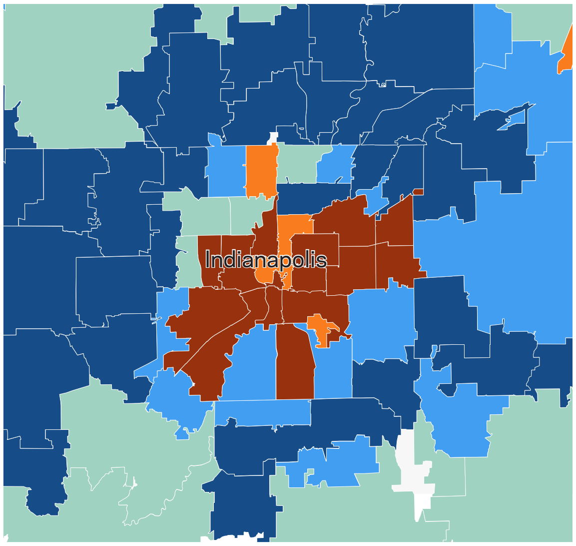
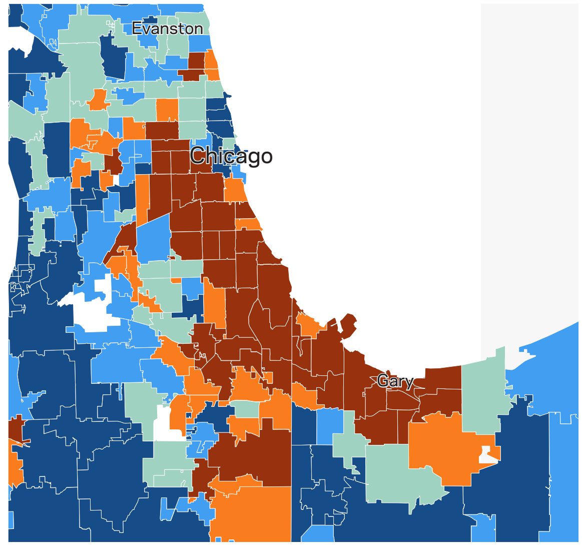


Figure 7. 2020 DCI zip codes in the Chicago area



Prosperous Comfortable Mid-tier At risk Distressed

These mixed fortunes can be seen in other parts of the country as well. The West contains half of all prosperous urban zip codes nationwide, but in Las Vegas, NV, the population residing in distressed communities increased by one-quarter from 2000 to 2018. Similarly, the benefits of the economic booms in sprawling Sun Belt cities such as Houston, TX, and Phoenix, AZ, were channeled outwards and did little to lift many chronically distressed urban neighborhoods. In the South, Nashville, TN, experienced an 87 percent decline in its population living in distressed communities, while Memphis, TN, experienced a 43.3 percent increase.

Figure 8. 2020 DCI zip codes in the Phoenix area

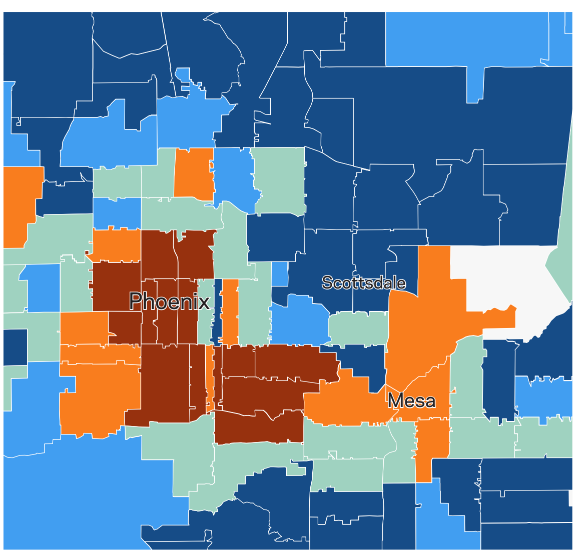
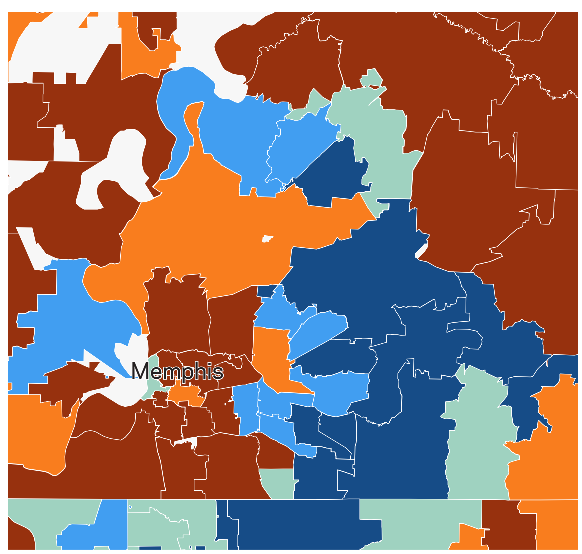


Figure 9. 2020 DCI zip codes in the Memphis area

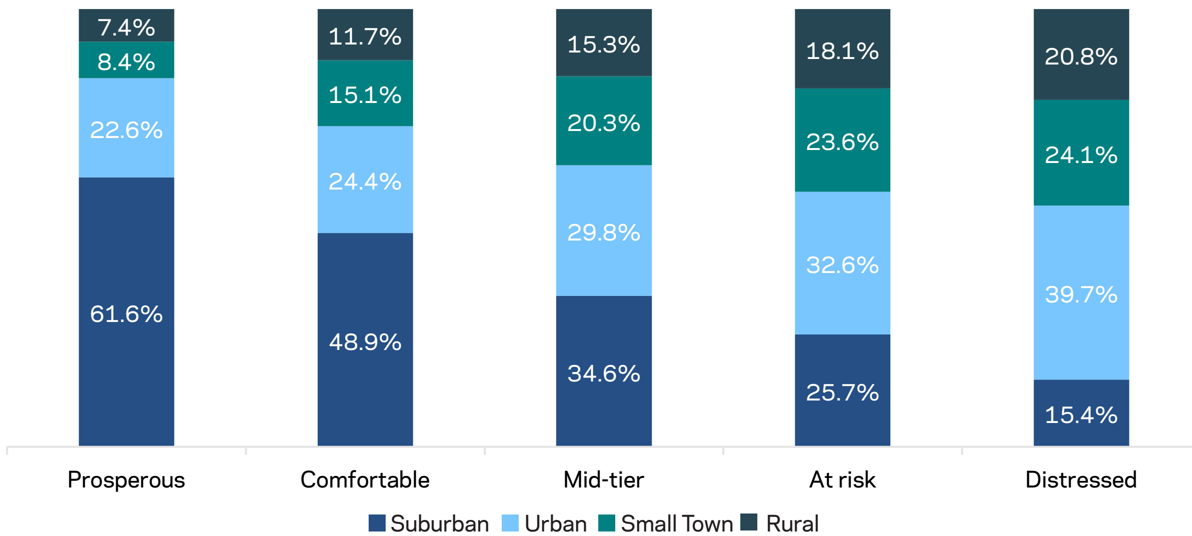


Prosperous Comfortable Mid-tier At risk Distressed

Despite urban improvement, suburbs maintain their grip on American prosperity.

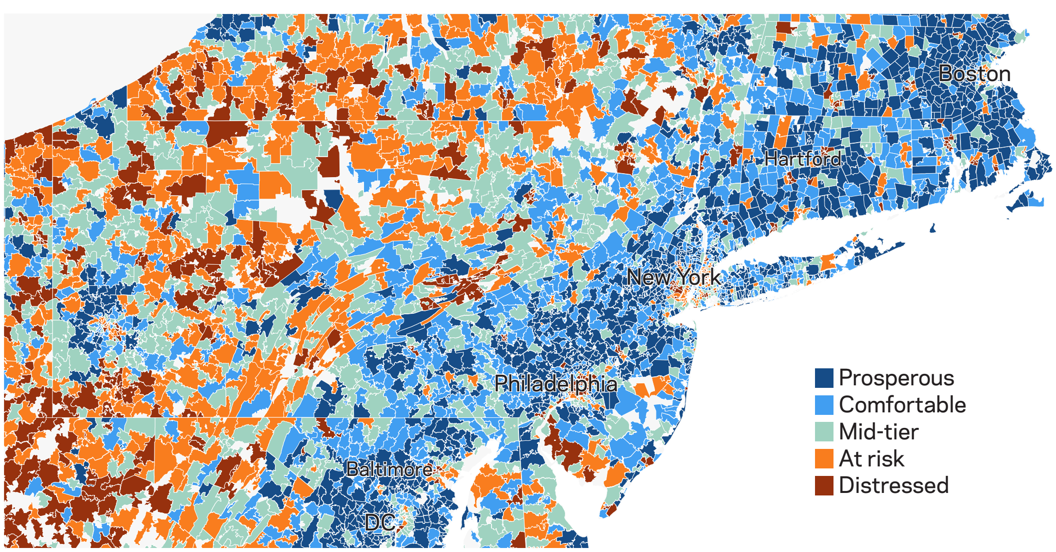
Prosperous communities are overwhelmingly suburban in nature: 61.6 percent of the population in this quintile lives in a suburban zip code. These zip codes capture much of the wealth generated in the country's metropolitan hubs. Fully two-thirds of all suburban zip codes in

Figure 10. Urban-rural population share by 2020 DCI quintile



the United States rank as prosperous or comfortable on the DCI. A near-continuous stretch of suburban prosperity hugs the interior Eastern Seaboard, for example, arcing from the west of Washington, DC, to the north of Boston, MA. In the Midwest, many cities may be beleaguered

Figure 11. 2020 DCI zip codes along the Eastern Seaboard



but 68.4 percent of suburban zip codes are prosperous or comfortable. The prosperity belt surrounding Minneapolis-St. Paul, MN, for example, consists of 130 different zip codes, home to 2.2 million people. In the West, 71.8 percent of suburban zip codes are prosperous or comfortable. In the Denver, CO metro, 52.7 percent of the population lives in a prosperous community with none of its population living in a distressed community.

Figure 12. 2020 DCI zip codes in the Minneapolis area

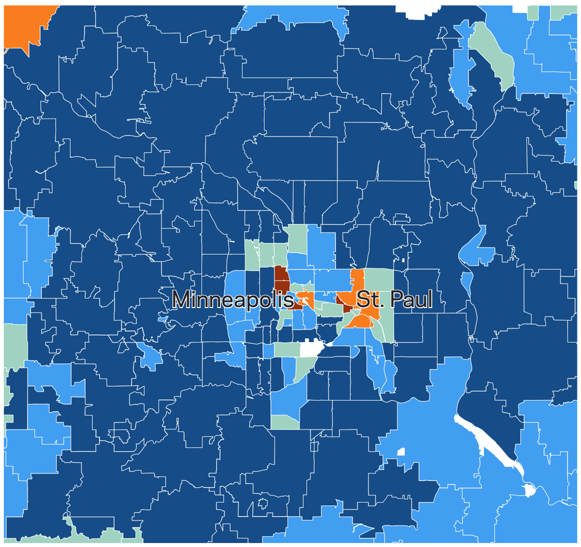
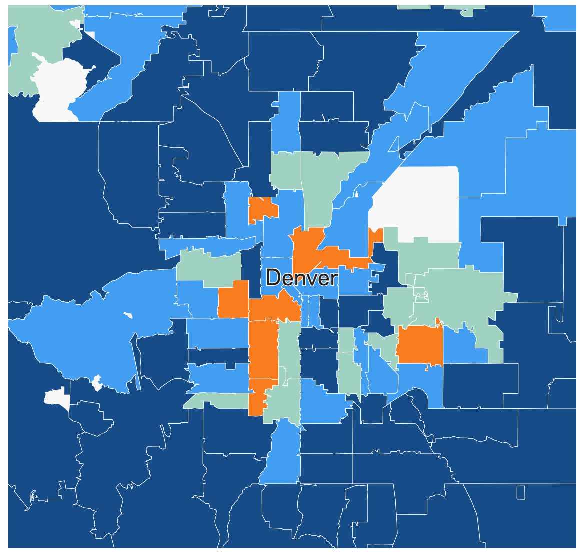


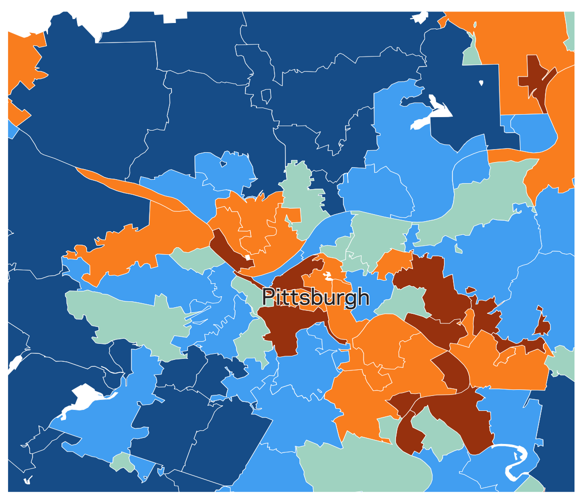
Figure 13. 2020 DCI zip codes in the Denver area



Prosperous Comfortable Mid-tier At risk Distressed

Only 17 percent of suburban zip codes rank as at risk or distressed on the index. As a group, these struggling suburbs are most likely to be in the South, but corners of the Rust Belt contain many of the deepest concentrations of them. Large numbers of distressed suburban zip codes can be found near legacy cities such as Pittsburgh (Allegheny County, PA), where prospering northern and western suburbs leading the region's reinvention now diverge significantly from deeply distressed eastern ones with greater holds on the region's industrial past.

Figure 14. 2020 DCI zip codes in the Pittsburgh area



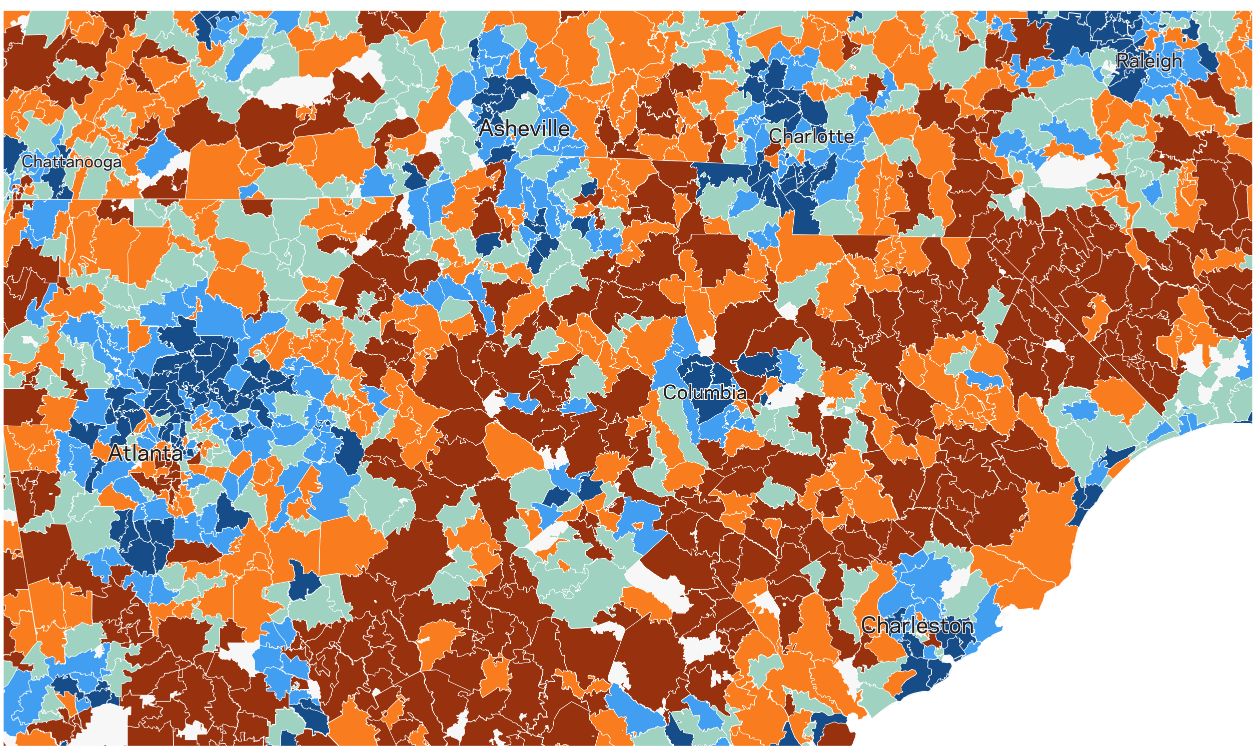
Broadly speaking, suburbs may tend to be bastions of well-being, but they are not immune from history or the conditions of their broader metro areas.

Many small towns and rural areas have experienced relative decline since 2000.

Relative to the rest of the nation, economic well-being has ebbed for small towns and rural areas since the turn of the century. The number of rural zip codes decreased nationally by 6.8 percent from the 2000 DCI to the 2020 DCI as the country grew and sprawled. Reflecting that evolution, the rural population in each quintile fell, except for the distressed category. The population living in distressed rural zip codes increased by 12.7 percent as more rural zip codes fell into the bottom tier, symbolizing the loss in relative economic standing many rural areas have suffered this century. Meanwhile, a plurality of the small town population (those living in urban areas with populations under 50,000) falls into the at risk quintile, close to double the number that live in prosperous zip codes in the category.

Economically struggling rural areas are concentrated in the South. The region contains 35 percent of all U.S. zip codes but more than two-thirds of the country's distressed rural zip codes and 44 percent of at risk rural ones. Just 5 percent of rural zip codes in the region were ranked as prosperous. The Midwest, for its part, leads the country on rural prosperity, not only urban distress. The region contains 30 percent of all U.S. zip codes but close to half of the country's prosperous and comfortable rural zip codes. In the West, distressed and at-risk rural zip codes tend to cover isolated areas or tribal lands. They are slightly more prevalent than prosperous and comfortable rural zip codes, which tend to cover recreation areas.

Figure 15. 2020 DCI zip codes in Georgia and surrounding states



Exploring DCI Quintiles: Community Snapshots

PROSPEROUS

75023 – Plano, Texas

This diverse urban zip code in the booming Dallas area contains over 50,000 people, 22 percent of whom are foreign-born and 50 percent of whom hold a bachelor's degree.

DCI Score	7.2	Housing vacancy rate	3.6%
Adults without a HS diploma	5.5%	Median household income	$86k
Poverty rate	6.2%	Employment change 2014-18	12.1%
Prime age adults not working	17.6%	Establishment change 2014-18	9.1%

COMFORTABLE

89509 – Reno, Nevada

This relatively well-to-do urban residential zip code in Reno has 35,000 residents but is slower growing than many of its peers and has a slightly elevated poverty rate.

DCI Score	31.1	Housing vacancy rate	4.9%
Adults without a HS diploma	7.3%	Median household income	$58k
Poverty rate	9.8%	Employment change 2014-18	2.2%
Prime age adults not working	15.7%	Establishment change 2014-18	2.9%

MID-TIER

54220 – Manitowoc, Wisconsin

This small town, predominately white zip code along Lake Michigan has 39,000 residents. Nearly 30 percent of the workforce works in manufacturing.

DCI Score	48.8	Housing vacancy rate	6.7%
Adults without a HS diploma	9.3%	Median household income	$49k
Poverty rate	13.7%	Employment change 2014-18	1.8%
Prime age adults not working	15.4%	Establishment change 2014-18	1.2%

AT RISK

06708 – Waterbury, Connecticut

This diverse urban zip code across the river from downtown has 29,700 residents, 46.5 percent of whom are non-white. College attainment lags far behind the state average.

DCI Score	74.2	Housing vacancy rate	11.0%
Adults without a HS diploma	13.2%	Median household income	$51k
Poverty rate	18.4%	Employment change 2014-18	4.7%
Prime age adults not working	24.9%	Establishment change 2014-18	2.9%

DISTRESSED

30032 – Candler-McAfee, Georgia

This suburban zip code east of Atlanta is 84 percent Black. 20 percent of the population lacks health insurance and the community has lost businesses in recent years.

DCI Score	93.4	Housing vacancy rate	13.3%
Adults without a HS diploma	16.6%	Median household income	$38k
Poverty rate	23.9%	Employment change 2014-18	0.5%
Prime age adults not working	31.9%	Establishment change 2014-18	-2.9%

Population is concentrated in prosperous communities in half of all states.

Attesting to the fact that high levels of well-being can be found across the entire country, more people reside in prosperous zip codes than in any other quintile in half of all states. New Hampshire leads the nation with 47.5 percent of its population living in a prosperous zip code and just 4.1 percent in distressed. On the other end of the spectrum, 45.4 percent of Mississippi's population lives in a distressed zip code, the highest in the country, and only 5.9 percent live in a prosperous zip code. It is joined by five other states—Alabama, Kentucky, Louisiana, New Mexico, and West Virginia—with more than one-third of their population living in a distressed community. Hawaii had the smallest share of its population living in a distressed community, 0.6 percent, and West Virginia had the smallest share living in a prosperous zip code, 3.3 percent.

Looking at absolute numbers, California had the largest number of people living in a prosperous community, 10 million, and Texas had the largest number living in a distressed community, 6.8 million. Mid-tier communities predominated in rural and mining-dependent Alaska, North Dakota, and Wyoming. Comfortable communities were the most populous in Washington, DC, Montana, and Rhode Island.

Figure 16. Share of each state's population residing in prosperous zip codes (2020 DCI)

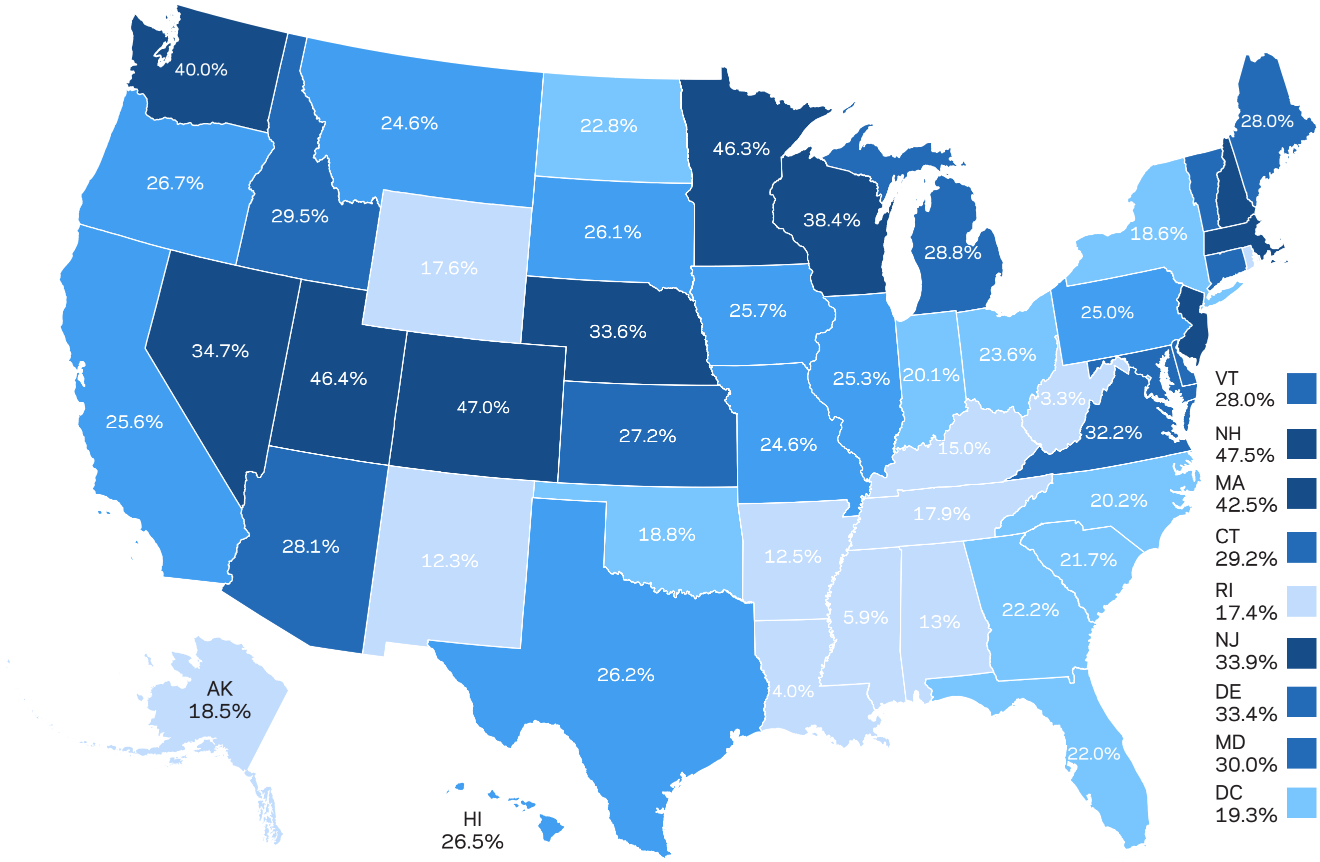
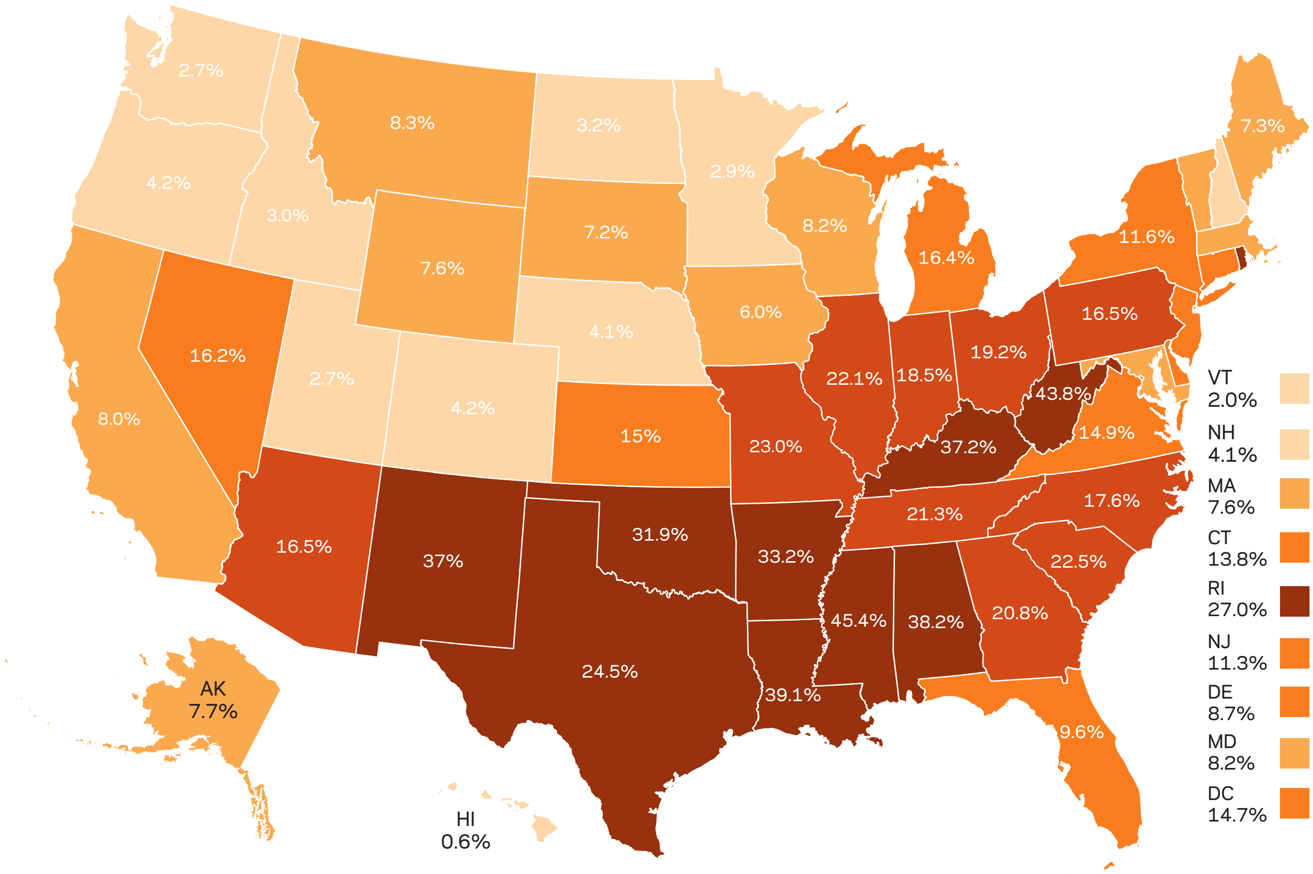


Figure 17. Share of each state's population residing in distressed zip codes (2020 DCI)

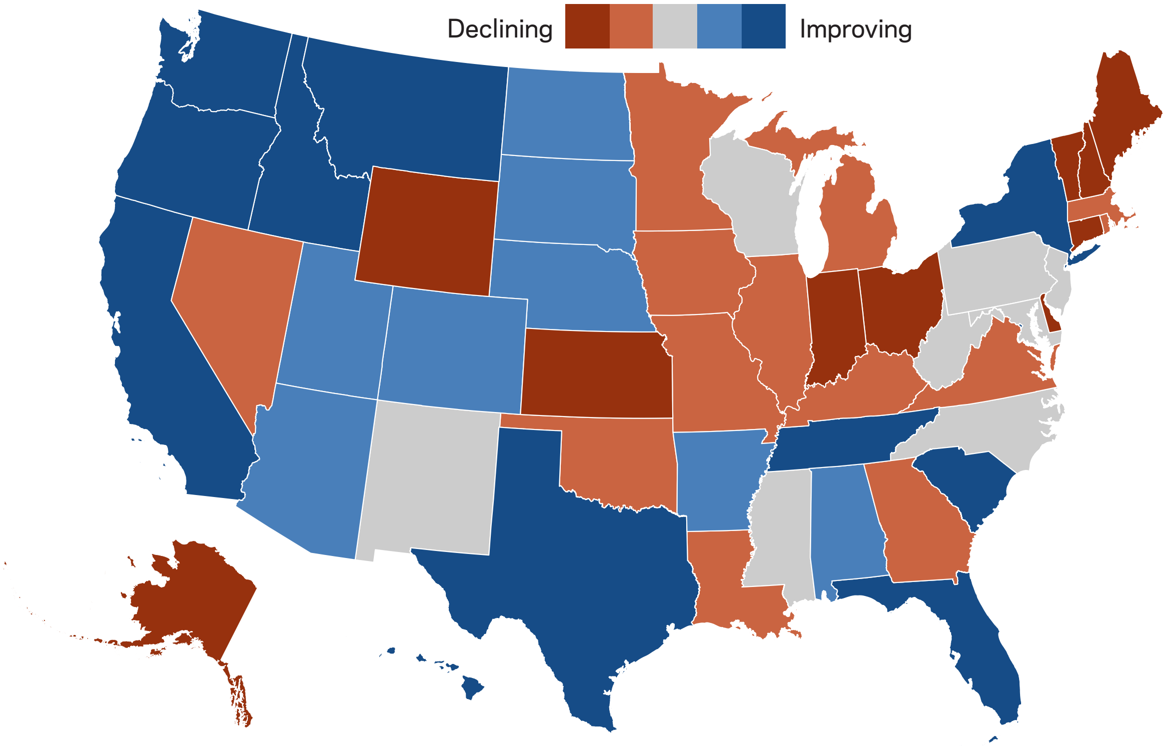


High population states and communities in the Northwest have experienced the greatest increase in standing since 2000.

The picture painted by 2018 data hides considerable churn in the rankings of American communities across states over time. Since the DCI is a relative measure, any zip code's advance up the index is matched by another zip code's fall. By evaluating change in the population-weighted average distress score for each state, we can identify the states whose relative standing increased or decreased the most between 2000 and 2018.

The center of gravity of American prosperity has shifted to the Northwest and towards big cities since 2000. Idaho and Montana join Washington and Oregon with some of the most significant improvements on the index. Elsewhere, large states with large cities such as California and Texas, and to a lesser extent, New York, also climbed overall, reflecting the major metro dominance of economic growth since the Great Recession and broader city revivals since 2000. Within the Southeast, South Carolina, Florida, and Tennessee jockeyed ahead of their peers. In South Carolina, movement into prosperous and comfortable quintiles powered the rise, while in Florida and Tennessee, more of the progress was from the distressed tier moving into the middle quintile.

Figure 18. Change in the population-weighted average community distress score by state, from the 2000 DCI to the 2020 DCI



Those advances came at the expense of gradual erosions in stature across New England, the Great Lakes, and some rural states. Levels of economic well-being generally remained very high in the Northeast, but typical communities in Vermont, New Hampshire, and Connecticut saw their scores deteriorate by five or more points on the index, the equivalent of a five-point fall in percentile of American communities. In Vermont, growth in employment and business establishments slowed dramatically, placing it near the bottom of states on both metrics. Since 2000, the share of prime working age adults out of work increased in neighboring New Hampshire, while marginal upticks in several metrics including the poverty and housing vacancy rates contributed to the average decline in Connecticut. Three other very rural states—Alaska, Kansas, and Wyoming—also struggled to maintain position. In the Great Lakes, Indiana and Ohio communities ceded the most ground, followed by those in Iowa and Minnesota.

In sum, even though prosperity continues to be concentrated in suburbs across America, many cities have recently enjoyed rising levels of relative economic well-being, with urban areas especially in the West leading this trend. In the Northeast, advances in some parts of the region have been offset by erosions in others. In the Midwest, a sense of gradual decline weighs more heavily. For most Southern states, distress is still widespread. In every region of the country, the geography of economic well-being is closely wrapped up with demographic factors, specifically race and ethnicity. The next section addresses disparities facing communities of color and the persistent challenges they face.

Unequal: Progress and stagnation for communities of color

The five quintiles of the DCI allow for a convenient way to summarize the enormous disparities between communities across the country. Unmistakably, communities of color are disproportionately likely to be economically distressed. However, “distress” is not homogeneous and manifests differently in communities depending on its root causes, the underlying strengths and weaknesses of the affected community, and the available pathways to greater prosperity. It is important to note that “distress” is not synonymous with communities of color and many distressed communities are complex places that are rich with economic potential. A distressed, majority-white, small town zip code struggling with the fallout of the opioid crisis is different from a distressed, majority-Hispanic, rural zip code where many residents are migrant workers, which in turn is different from a distressed, majority-Black, urban zip code that bears the burden of a long legacy of structural racism. Thus, to fully understand the nature of economic well-being on a broader scale, it is necessary to consider how individuals fare within and across quintiles based on race.

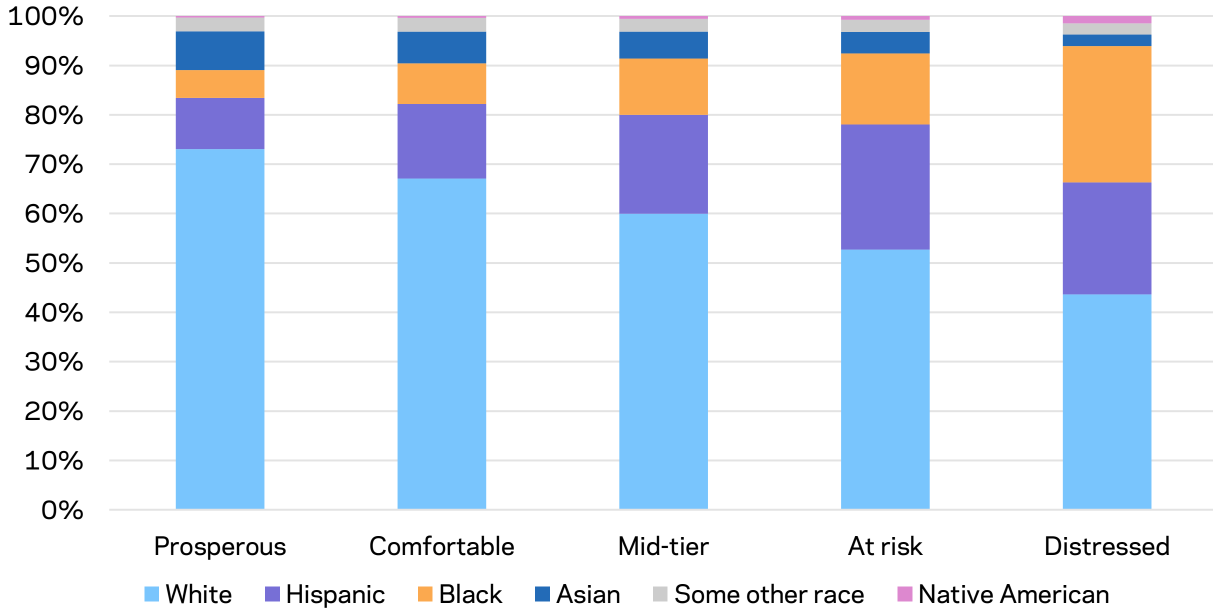
Blacks, Hispanics and Native Americans are much more likely to live in a distressed zip code than whites.

Minorities (Blacks, Native Americans, Hispanics, Asians, and individuals of another or multiple races) made up more than half of the population of distressed communities—56.4 percent—during the 2014-2018 period, even though they represented only 39 percent of the population nationwide. Communities of color are therefore significantly overrepresented in the country’s most vulnerable and struggling zip codes. In prosperous zip codes, by contrast, only 26.9 percent of residents were minorities. Attesting to the deep racial divisions that still define how we live, the Black, Hispanic, and Native American shares of the population steadily rise in each quintile as economic well-being declines, whereas the white and Asian shares of each quintile’s

> Minorities make up more than half, 56.4 percent, of the population of distressed communities.

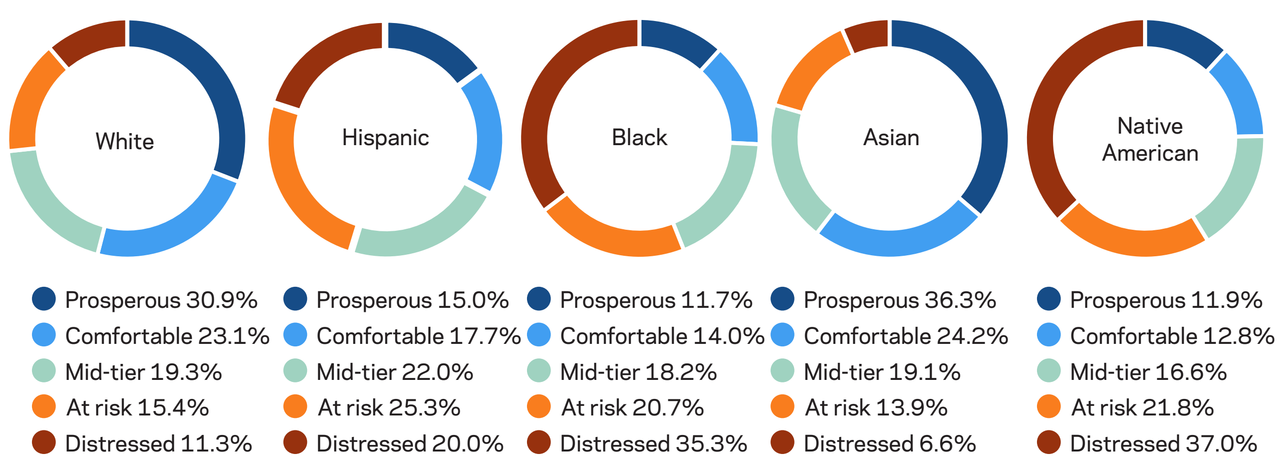
population increase as well-being rises. Mid-tier American communities most closely resemble the racial and ethnic composition of the country as a whole.

Figure 19. Race and ethnicity composition of the 2020 DCI quintiles



Looking at each group separately, Asian-Americans were the only non-white group with a lower likelihood to live in a distressed community than whites. Asian-Americans were six times more likely to live in a prosperous than a distressed community. Hispanics were most likely to live in an at-risk community, while Blacks and Native Americans were far more likely to live in a distressed community than any other type. All together, over one-third of Blacks and Native Americans live in a distressed community.

Figure 20. Distribution of population grouped by race and ethnicity across the 2020 DCI quintiles

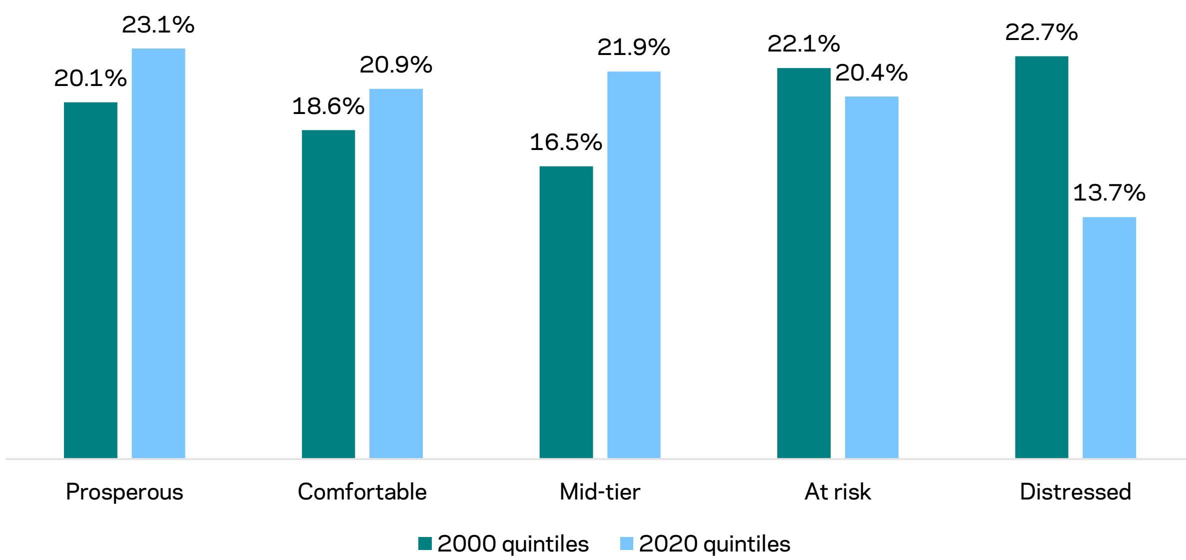


The country's foreign-born population has become much less likely to live in a distressed community.

The change in the share of foreign-born population—a group that crosses racial and ethnic distinctions—living in each quintile over time hints both at the upward economic mobility of immigrants over time and at their likelihood of living in places that rose on the index, notably big cities and diverse states. In 2000, 22.7 percent of the foreign-born population resided in distressed communities, nearly 10 percentage points higher than the share living in them by 2018. The foreign-born population is now less likely to live in a distressed community than the native-born.

The share of the foreign-born living in at risk communities also decreased, while their ranks in higher quintiles all rose. Prosperous communities now contain more foreign-born residents than any other quintile, 10.1 million in total or 23.1 percent of the country's 43.4 million immigrants. The group's representation increased most sharply in the mid-tier quintile.

Figure 21. Distribution of the foreign-born population across the 2000 and 2020 DCI quintiles



The nation's leading zip codes are gradually becoming more diverse.

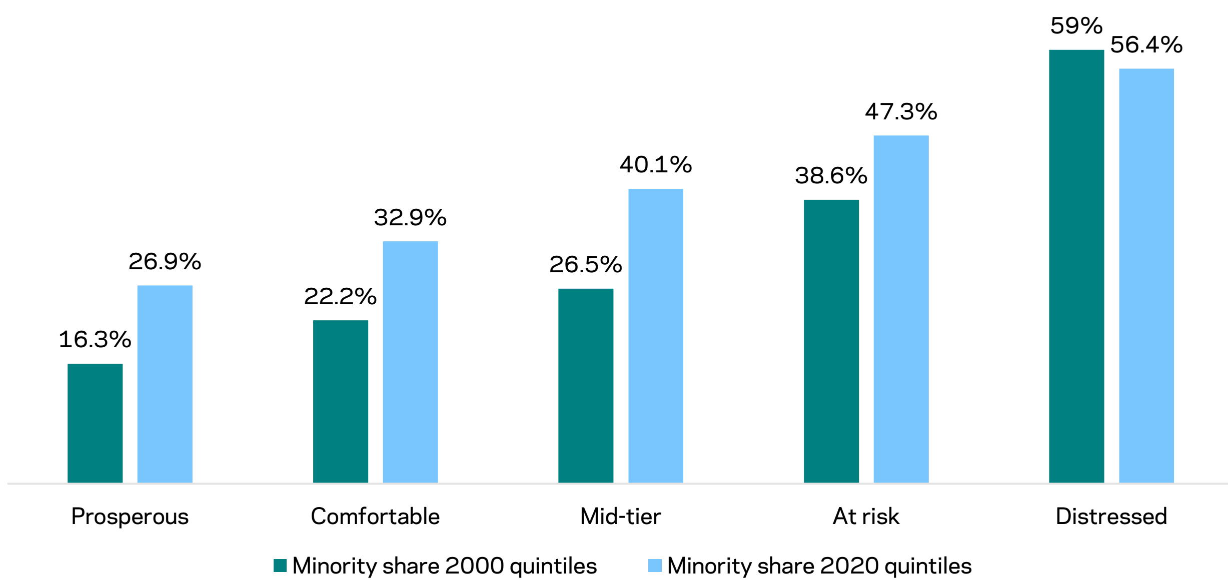
Prosperous communities have become more diverse since 2000, tracking the increasing diversity of the country. The non-white population share of prosperous zip codes jumped from 16.3 percent to 26.9 percent, slightly surpassing the growth of the non-white population nationally, which climbed from 30.9 percent to 38.9 percent. Despite that progress, minorities remain significantly underrepresented in prosperous communities. There would have to be 10 million more minority residents in prosperous communities for their share of the quintile's population to match their share of the national population.

Hispanics were the main contributors to the increasing diversity of prosperous and comfortable communities. The number of Hispanics living in each of those quintiles doubled between the two iterations of the DCI, even as their numbers in distressed communities held steady. No other race or ethnicity showed such a dramatic change, although the Black population in prosperous

> There would have to be 10 million more minority residents in prosperous communities for their share of the quintile's population to match their share of the national population.

zip codes also rose by over 50 percent, from 3 million to 4.6 million. These shifts are the results of migration patterns, population growth rates, upward economic mobility of individuals and families, and the nature of the different places (e.g. the West and big cities generally) that moved up the index.

Figure 22. Minority share of the population in the 2000 and 2020 DCI quintiles

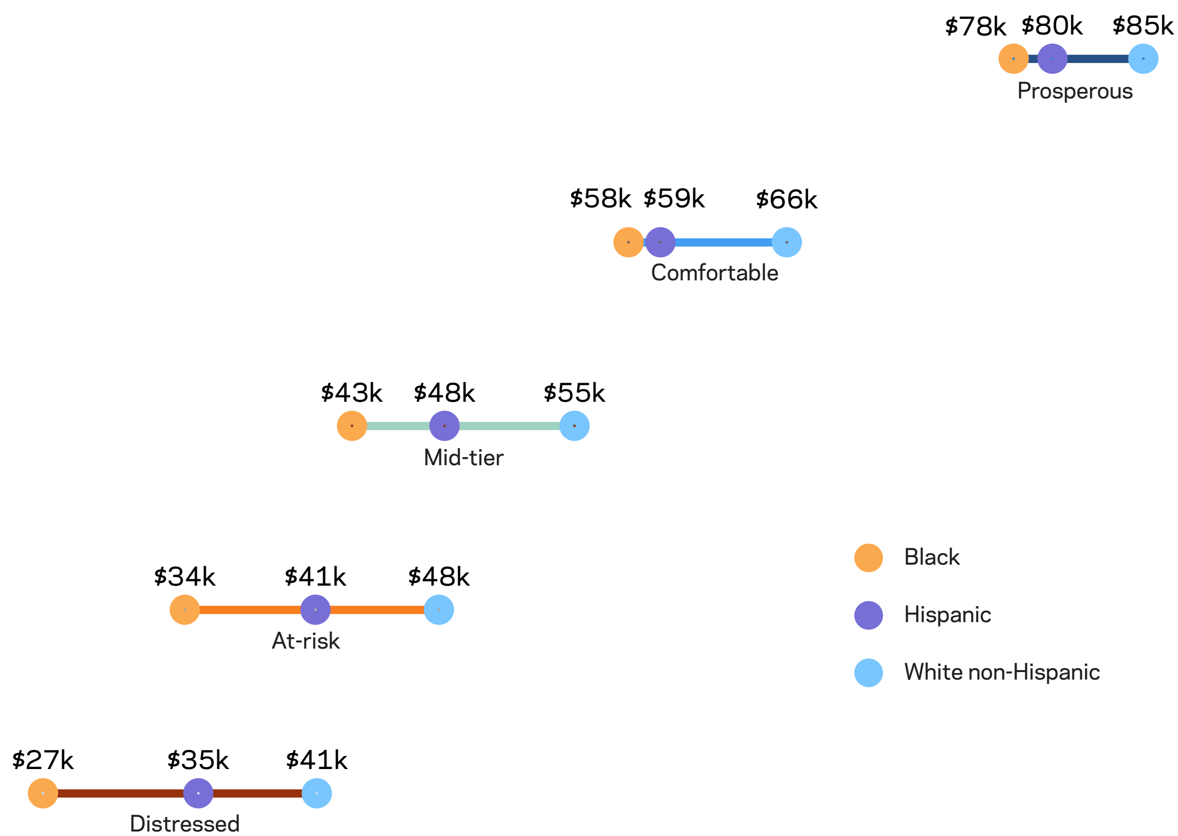


Racial gaps persist in every tier of economic well-being.

Disparities are prevalent in every quintile but widest at the bottom, as even economic distress is experienced inequitably across races in the United States today. Looking at median household income (MHI) by race and ethnicity, the average Black household in a prosperous zip code had an income that was $7,000 less than the average white household. Hispanic households performed only slightly better. These gaps generally widen for Blacks the less prosperous a zip code is. The

MHI for the typical Black household in prosperous zip codes was 92 percent that of the typical white household. In distressed zip codes, it was only 66 percent.[1]

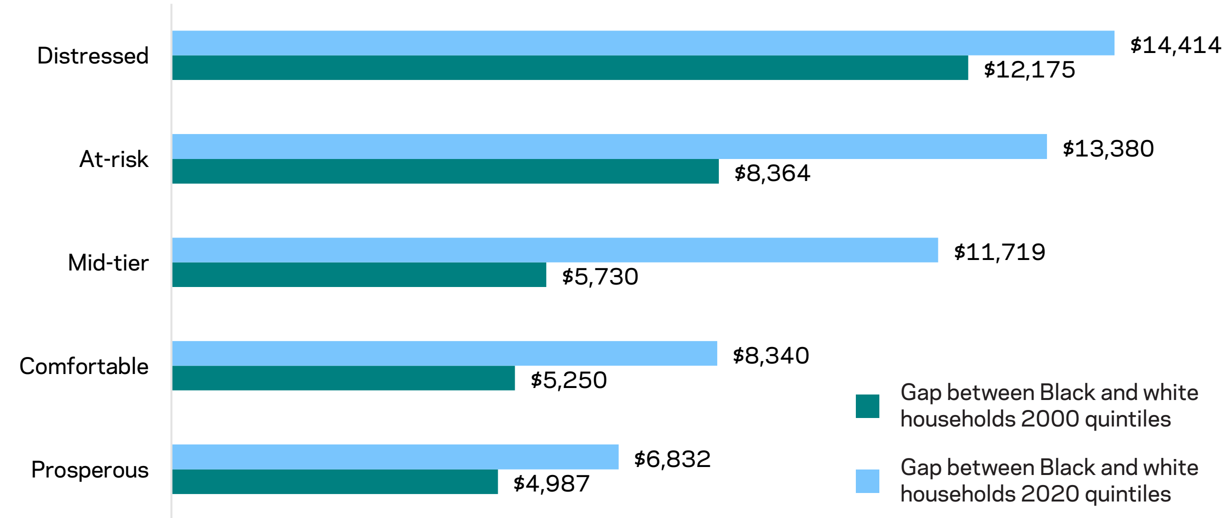
Figure 23. Average median household income by race or ethnicity of householder and 2020 DCI quintiles



These racial disparities have not only persisted but widened at every tier of economic well-being since 2000. Across every quintile, the typical Black MHI fell as a share of white MHI between 2000 and 2018, as white households pulled ahead and Black households struggled to keep up and fell behind. The Black-white income gap remains widest at the bottom, but it has increased most steeply since 2000 in the mid-tier set of zip codes where the Black share of the population also increased the fastest. In the typical mid-tier community in 2000, the average Black MHI was 90 percent of the average white household. By 2018, it was only 78 percent. In real dollar terms, the $5,700 income gap that separated Black from white households in mid-tier American communities in 2000 had widened to $11,700 by 2018. Even though community well-being improved for many Black households over the period, shifting goalposts meant that their incomes still fell farther behind their white counterparts.

1 This aligns with research showing that nationally, per capita Black income in 2010 was 64 percent of per capita white income, with the median earnings gap between whites and Blacks in 2010 being comparable to 1950. Collins, William J. and Marianne H. Wanamaker. "African American Intergenerational Mobility Since 1880." NBER working paper (2017). http://www.nber.org/papers/w23395.

Figure 24. Gap in average median household income between Black and white households in the 2000 and 2020 DCI quintiles, 2018 $



Legacies of segregation and discrimination persist.

A long history of structural inequality defines the terms of upward mobility and wealth building for majority-Black communities, in particular, and in which nearly one-third of Black Americans still live today. The average distress score in 2018 for a majority-Black community, defined as a zip code in which Blacks constitute more than half of the population, was still 1.8 times higher than a majority-white community, 82 versus 46. The average median household income in a majority-Black zip code that was ranked as distressed in the 2000 DCI was $36,210 (inflation adjusted to 2018 dollars). On the 2020 DCI, that same average fell to $31,053, a 14.2 percent decline. By comparison, incomes declined by only 4 percent for distressed majority-white communities and by 5 percent for distressed majority-Hispanic ones between the two periods.

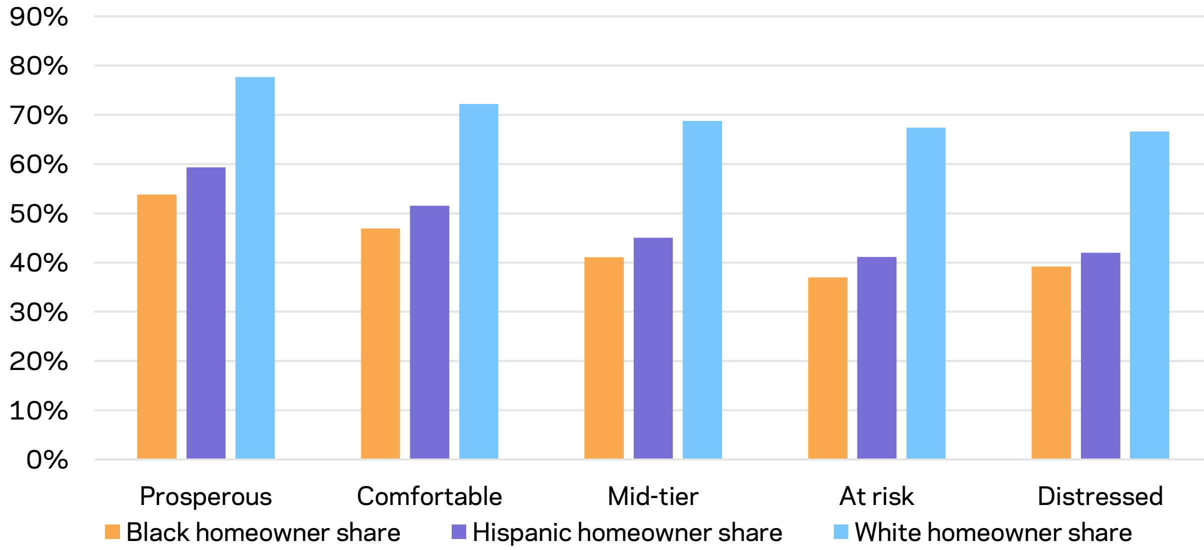
Home ownership is a critical pathway for wealth building. Not only does it allow families to bolster their financial security,[2] but it is an important source of wealth that can foster entrepreneurship and upward mobility. Yet long and ignominious histories of discrimination in

> Strikingly, white households in distressed zip codes are more likely to own their homes than Black or Hispanic households in prosperous ones.

local housing markets continue to shape communities and outcomes today such that the benefits of homeownership disproportionately flow to whites. In prosperous communities, the share of Black residents who are homeowners is around two-thirds that of whites, 53.8 percent vs. 77.7 percent, and this gap persists across all DCI quintiles. The widest gap is in at risk zip codes where

2 See Goodwin, Laurie and Christopher Mayer. "Home Ownership and The American Dream." The Urban Institute, (2018). https://www.urban.org/research/publication/homeownership-and-american-dream

Figure 25. Share of Black, Hispanic and white residents who are homeowners, grouped by 2020 DCI quintiles



the share of whites who own homes is 1.8 times the share of Blacks who own homes and 1.6 times that of Hispanics. Strikingly, white households in distressed zip codes are more likely to own their homes than Black or Hispanic households in prosperous ones.

In 2020, separate is still unequal.

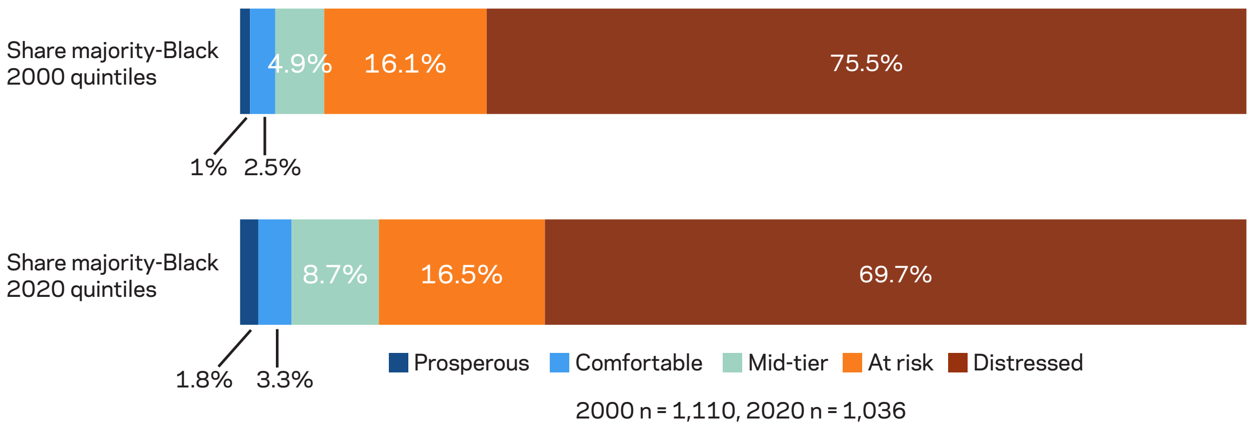
There are some indications that Black communities across America did become less segregated between 2000 and 2018. The 1,036 majority-Black communities scattered across the United States in 2018 were home to 32.5 percent of the country's Black population, down from 39.5 percent in 2000, as many majority-Black communities experienced population loss or became more integrated. Just over 12.8 million Blacks lived in a majority-Black community in 2018, down from 13.4 million in 2000. The number of distressed majority-Black communities also declined from 838 in 2000 to 722 in 2018, and the share of the total Black population living in a distressed zip code also declined from 45.6 percent in 2000 to 35.3 percent in 2018.

It is important to note that the DCI tracks neighborhoods, not individuals. Improvements on the index for many Black Americans may be partially explained by exposure to increasingly mixed-income and mixed-demographic neighborhoods in urban areas. Even then, the fact that community economic conditions—vital contributors to individual social and physical well-being and powerful forces for upward economic mobility within generations and across them—improved for many Black Americans over the time period is important. Their share of the population rose in all of the top four quintiles, and most rapidly in the mid-tier one.

Despite this progress made since 2000, race and place still divide many Americans. Segregation itself continues to amplify inequalities in well-being. An overwhelming 70 percent of majority-

Black zip codes are distressed, compared to 20 percent of zip codes nationally and 16 percent of majority-white zip codes. This unequal distribution has seen little improvement since 2000. 1.8 percent of majority-Black communities in 2018 were prosperous compared to 1 percent in 2000.

Figure 26. Distribution of majority-Black zip codes in the 2000 and 2020 DCI quintiles



Only 19 majority-Black zip codes rank as prosperous on the DCI. Eleven of them are located in the Washington, DC, metro area alone.

Figure 27. The country's 19 prosperous and majority-Black zip codes

Zip code	City	County	Total population	Black share of the population	Distress score
20720	Bowie	Prince George's County, MD	23,500	67.1%	0.9
20769	Glenn Dale	Prince George's County, MD	7,400	58.9%	4.2
20695	Waldorf	Charles County, MD	7,924	57.6%	5.5
90056	Ladera Heights	Los Angeles County, CA	7,800	69.1%	7.5
20721	Lake Arbor	Prince George's County, MD	29,800	84.0%	7.6
39272	Byram	Hinds County, MS	12,600	69.7%	9.2
20607	Accokeek	Prince George's County, MD	11,200	64.6%	9.5
20613	Brandywine	Prince George's County, MD	13,900	63.1%	10.0
38125	Memphis	Shelby County, TN	37,500	74.0%	12.0
20012	Washington	District of Columbia, DC	16,400	53.7%	12.7
11422	New York	Queens County, NY	32,100	82.5%	13.5
20716	Bowie	Prince George's County, MD	22,100	62.0%	13.5
77489	Missouri City	Fort Bend County, TX	36,500	70.5%	15.4
20774	Kettering	Prince George's County, MD	46,800	88.4%	15.5
77545	Fresno	Fort Bend County, TX	25,000	60.3%	17.3
33025	Miramar	Broward County, FL	71,800	50.7%	17.5
20601	Waldorf	Charles County, MD	26,400	51.4%	18.1
29229	Columbia	Richland County, SC	50,900	55.2%	18.1
20772	Marlboro Village	Prince George's County, MD	44,900	78.9%	19.3

COMMUNITY PROFILE

Zip Code 48075, Southfield, Michigan

Southfield, Michigan, is in many ways an economic success story that showcases the potential and the durability of the Black middle class. Located on the edge of Detroit, it also reflects the demographic and economic instability of inner ring suburbs that cannot completely escape the changing fortunes of legacy cities. In 1980, the community was 58.3 percent white and just 18 percent Black, the early signs of a demographic shift from being almost entirely white in 1970. This "reverse white-flight" accelerated in the 1990s, and by 2000, the zip code was 70.4 percent Black. Anchored by the Northland Center shopping mall and a bustling office park, this inversion of its racial mix did not dampen the prosperity of the community.

In 2000, the zip code was ranked as "comfortable" with a median household income above the average for the metro, a poverty rate of 8.6 percent, and a vacancy rate of just 3.4 percent. Since 2000, Southfield has struggled to hold on to that prosperity. The Northland Shopping mall closed for good in 2015 and was demolished several years later, leaving a gaping hole in the middle of the community. The office park was battered by the Great Recession and has been saddled with vacancies. These economic challenges explain its falling in the DCI rankings. In the 2018 DCI it was ranked as "at risk." Its vacancy rate has climbed to 9.2 percent, its poverty rate increased to 11.9 percent, and its median income is now 93.9 percent of the metro area, compared to 106.8 percent in 2000.

Southfield was on the ropes going into the current economic crisis but has many assets that may yet be the building blocks for its recovery. It has held onto most of its population over the past 20 years, and there are many opportunities for investment in the community. This is a zip code that stands to benefit from targeted policy interventions and may be a proving ground for efforts to protect and expand the Black middle class.

Such social and economic segregation comes at great cost. To consider just one way in which it perpetuates disadvantage by limiting wealth accumulation for Black households: In the typical majority-Black urban zip code in the United States, the average median home value was $150,800 in 2018 compared to $360,700 in a comparable majority-white community.

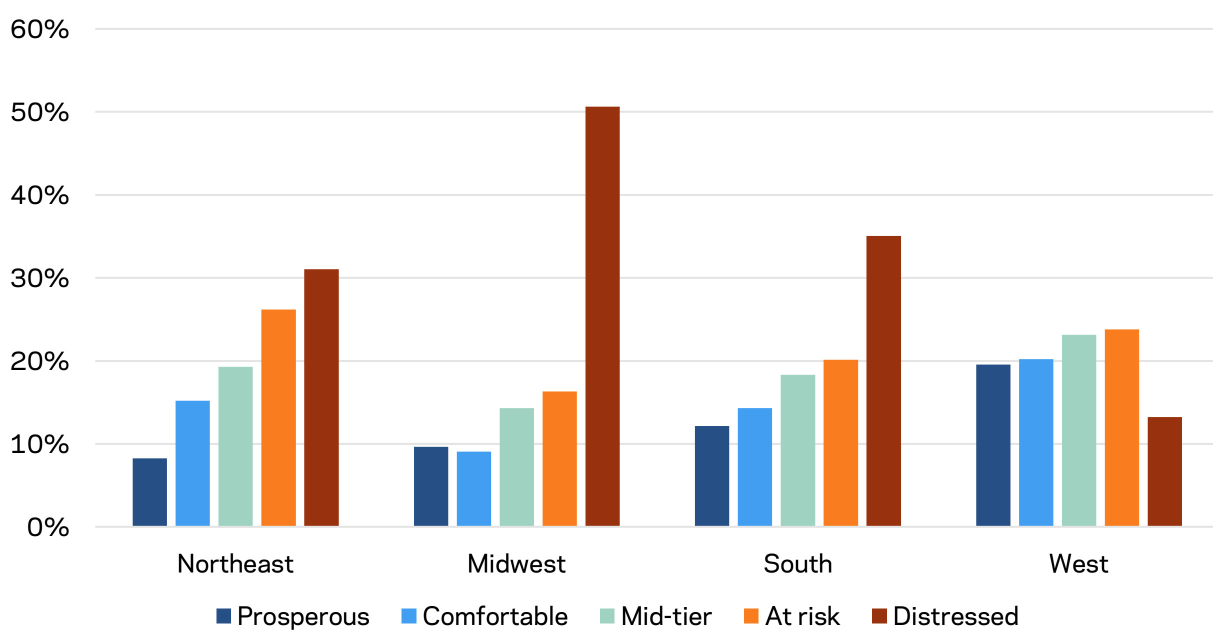
The geography of distress and communities of color.

Regional disparities are especially stark for Black Americans. In the Midwest in particular, Blacks are disproportionately urban, and urban areas are disproportionately distressed, leaving segregated communities of color bearing the brunt of economic decline across many of the nation's legacy cities. More than half of Black Americans in the Midwest live in a distressed community, much higher than the South where 35 percent of Black Americans live in a distressed zip code. A shocking 82 percent of the region's majority-Black zip codes are distressed. The

> The average median home value in a majority-Black urban zip code is $150,800 compared to $360,700 in a majority-white urban zip code.

Northeast also struggles to offer Black Americans very many economic opportunities and has the lowest share of Black Americans living in prosperous communities, just 8.3 percent. Although far fewer Blacks live in the West (3.4 million) versus the Midwest (7.0 million) and the South (22.9 million), those who do tend to enjoy much higher prosperity. Only 13.2 percent of Black Americans living in the West are in a distressed zip code while one-fifth live in a prosperous zip code and another one-fifth live in a comfortable zip code.

Figure 28. Black population share by Census region and 2020 DCI quintile



Some modest progress over the past several years notwithstanding, minority populations and communities lag far behind whites and predominantly white communities in terms of economic well-being. Gaps in household income and home ownership for Black and Hispanic communities makes it especially difficult for these groups to build wealth, a necessary first step for creating stable communities and fostering entrepreneurship and upward mobility. As the next section will show, prosperous communities attract high-paying, clean industries and more growth in jobs and businesses overall, while distressed communities suffer from a low quality industry mix and a stark lack of economic opportunity, further evidence of how difficult it is for an already struggling community to build prosperity.

Industry, education, and growth: How prosperous communities sustain their advantage

Economic disparities drawn along lines of geography and race can become even further stratified by occupation and industrial mix. As digital, knowledge-based, and high-end services industries surge, the prosperous zip codes home to those jobs and workers, most of whom have college or advanced degrees, do too. Yet the DCI also shows that modern prosperity is broadly generated, if not broadly shared, and not the sole domain of so-called superstar cities. Indeed, many modest mid-sized metro areas in the Midwest, where prosperity and its drivers are firmly established, lead the nation on well-being. It seems that prosperity, once achieved, has a tendency to perpetuate itself. The same holds true for economic distress, however, locking places into community decline.

High tech industries and white collar workers prevail in prosperous communities.

There are stark differences between the types of businesses found in a distressed zip code versus a prosperous community. Heavy industries, natural resource mining, and oil and gas-related industries are some of those that are predominantly located in distressed communities. Nearly half of coal mining establishments are in distressed communities, as are 35.4 of apparel manufacturing establishments (more than half of which are in Los Angeles's distressed fashion district), and around one-third of logging operations, another quarter of which are in at-risk

Heavy industries, natural resource mining, and oil and gas-related industries are some of those that are predominantly located in distressed communities.

communities. By contrast, nearly half of computer systems design companies are located in prosperous communities, followed closely by management and technical consulting services (43.7 percent) and software publishers (43.5 percent), reflecting the white collar orientation of prosperity today. Across the five quintiles, religious organizations, credit lenders, and gas stations were some of the most evenly distributed industries.

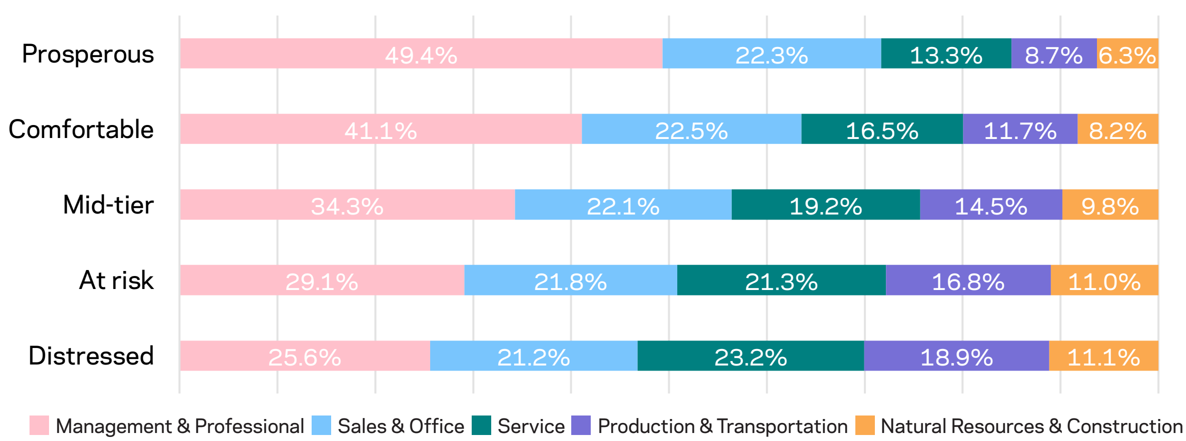
Figure 29. Industries most likely to locate in prosperous and distressed zip codes, 2016*

Top prosperous industries	Share of all establishments	Top distressed industries	Share of all establishments
Computer Systems Design and Related Services	46.6%	Coal Mining	46.5%
Management, Scientific, and Technical Consulting Services	43.7%	Cut and Sew Apparel Manufacturing	35.4%
Software Publishers	43.5%	Logging	31.5%
Wholesale Electronic Markets and Agents and Brokers	42.5%	Sawmills and Wood Preservation	30.6%
Computer and Peripheral Equipment Manufacturing	42.0%	Pipeline Transportation of Natural Gas	29.9%
Business Schools and Computer and Management Training	41.1%	Pipeline Transportation of Crude Oil	29.2%
Offices of Real Estate Agents and Brokers	41.1%	Oil and Gas Extraction	27.9%
Other Financial Investment Activities	41.0%	Support Activities for Mining	27.8%
Other Schools and Instruction	40.5%	Support Activities for Rail Transportation	27.7%
Independent Artists, Writers, and Performers	39.0%	Individual and Family Services	26.2%

*2016 data is used here due to a methodological change implemented by the Census Bureau in 2017 that suppress establishment data for zip codes with fewer than three establishments.

The distribution of occupations maps closely onto the industry data. Prosperous zip codes are disproportionately home to the country's professional class. Fully half of adults work in management and professional occupations in prosperous communities, nearly double the share in distressed communities. Inversely, the share of adults working in service occupations—those suffering most from the pandemic and its economic fallout—is 10 percentage points higher in distressed communities than in prosperous ones. Typical "blue-collar" jobs like construction and production also make up a significantly higher share of jobs in distressed communities.

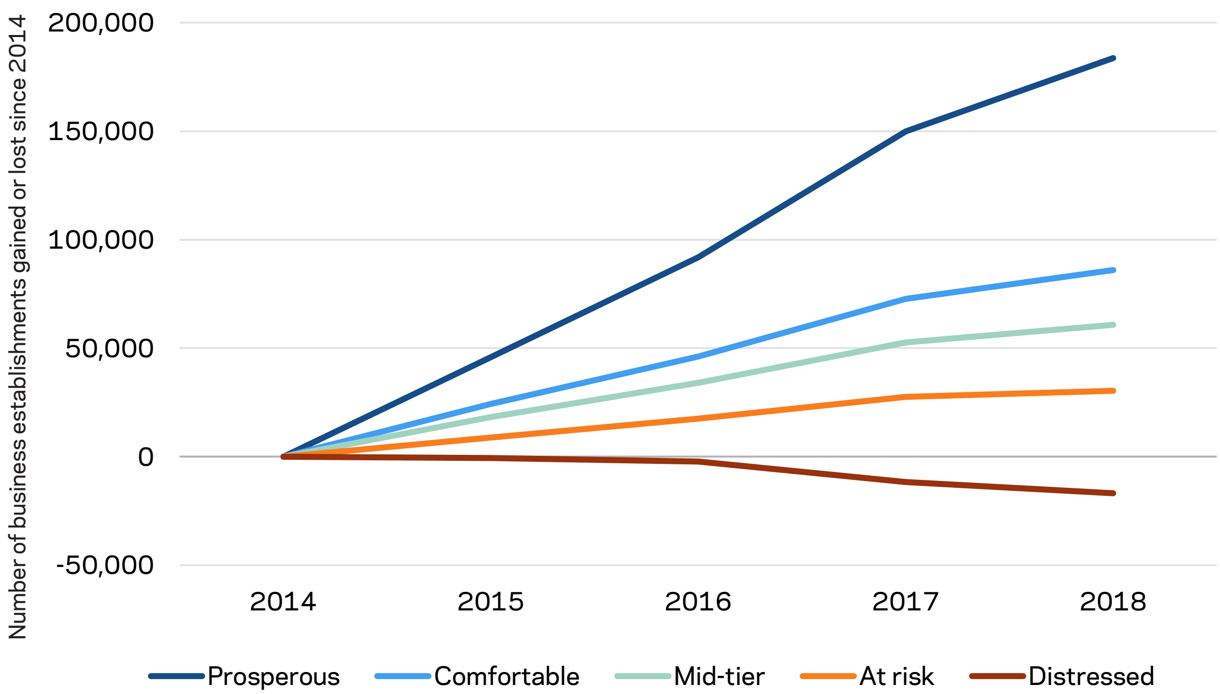
Figure 30. Occupation breakdown of employed adults across 2020 DCI quintiles



Growth in jobs and businesses has surged in prosperous communities, while distressed communities have stagnated or even declined.

Prosperous communities added more net new businesses than the other four quintiles combined between 2014 and 2018.[3] In 2014, prosperous zip codes had 298,000 more businesses than comfortable zip codes, the next quintile below prosperous; by 2018 that gap had widened by almost 100,000 businesses to 396,000. Distressed communities actually lost business establishments from 2014 to 2018, despite the strong national economy. Together, zip codes in the quintile shed 16,865 businesses, after having lost nearly the same amount from 2010 to 2014, for a total of 32,612 businesses lost from 2010 to 2018. Meanwhile, the country itself gained around a half million businesses over the time period.

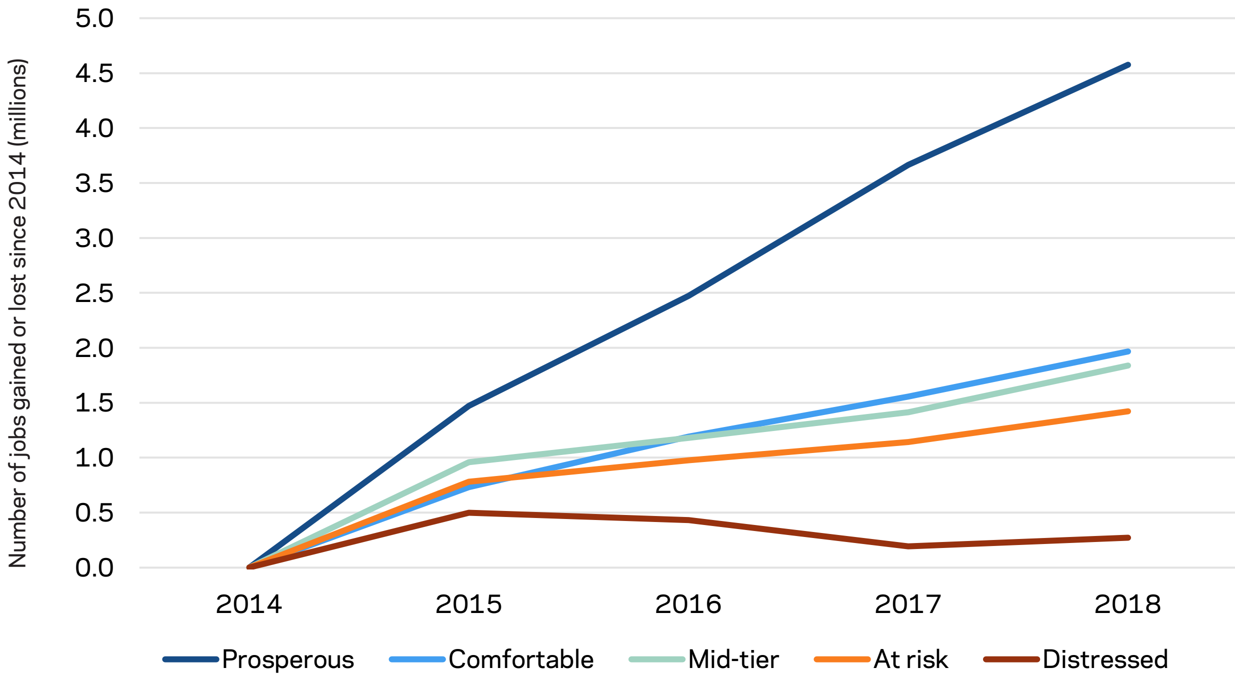
Figure 31. Cumulative change in establishments by 2020 DCI quintile since 2014



Similar disparities emerge tracking changes in employment between 2014 and 2018. Prosperous zip codes added 17 times more jobs than distressed ones over the four-year period and double those added in comfortable communities. Such disparities in good times have left distressed zip codes in a particularly vulnerable state in the face of the novel coronavirus, which is battering low-income communities with the least to fall back on the hardest. Meanwhile, the middle three quintiles added between 1.4 million and 2.0 million jobs each over the study period.

3 The changes in employment and establishments from 2014 to 2018 are two of the seven metrics used to score communities in the index.

Figure 32. Cumulative change in employment by 2020 DCI quintile since 2014



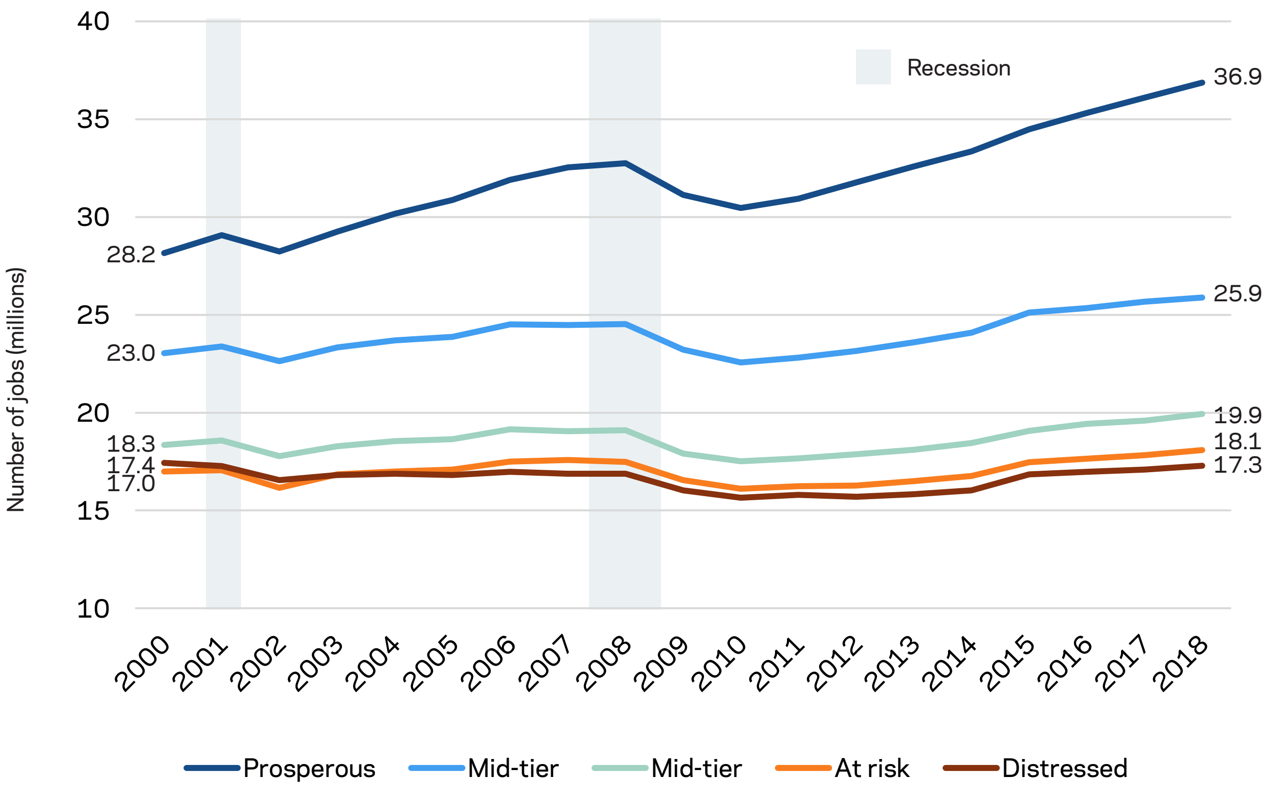
Prosperous zip codes have powered the country's economic growth over the past decade. Four-fifths of prosperous zip codes added business establishments from 2010 to 2018, and 87.5 percent added jobs. Less than half of at risk and distressed zip codes experienced growth in business establishments even as the national economy boomed. Distressed zip codes were the only quintile in which less than half of zip codes gained jobs, although it is also noticeable that, over eight years of national economic expansion, more than one-third of at risk communities still experienced job losses as well.

Figure 33. Share of zip codes gaining or losing establishments and jobs, 2010-2018, by 2020 DCI quintile

	Establishments		Employment	
Quintile	Gained	Lost/No change	Gained Jobs	Lost/No change
Prosperous	80.4%	19.6%	87.5%	12.5%
Comfortable	64.9%	35.1%	76.9%	23.1%
Mid-tier	54.8%	45.2%	71.2%	28.8%
At risk	45.3%	54.7%	65.2%	34.8%
Distressed	28.2%	71.7%	49.5%	50.4%

As a general rule, communities that are prosperous or distressed tend to remain locked into trajectories that can span decades. Nearly two-thirds of zip codes that were prosperous in 2000 were still prosperous in 2018, and vice versa for distressed. The compounding returns to prosperity can be seen by looking at the subsequent job growth of zip codes that were considered prosperous in 2000. Such zip codes gained 8.7 million jobs between 2000 and 2018, more than all other quintiles combined and even three times the jobs gained by the comfortable quintile. Put another way, zip codes that were already prosperous in 2000 went on to capture 61.8 percent of all job growth through 2018. Over the same nearly two-decade time period, 2000's distressed zip codes saw no net employment growth at all as a group.

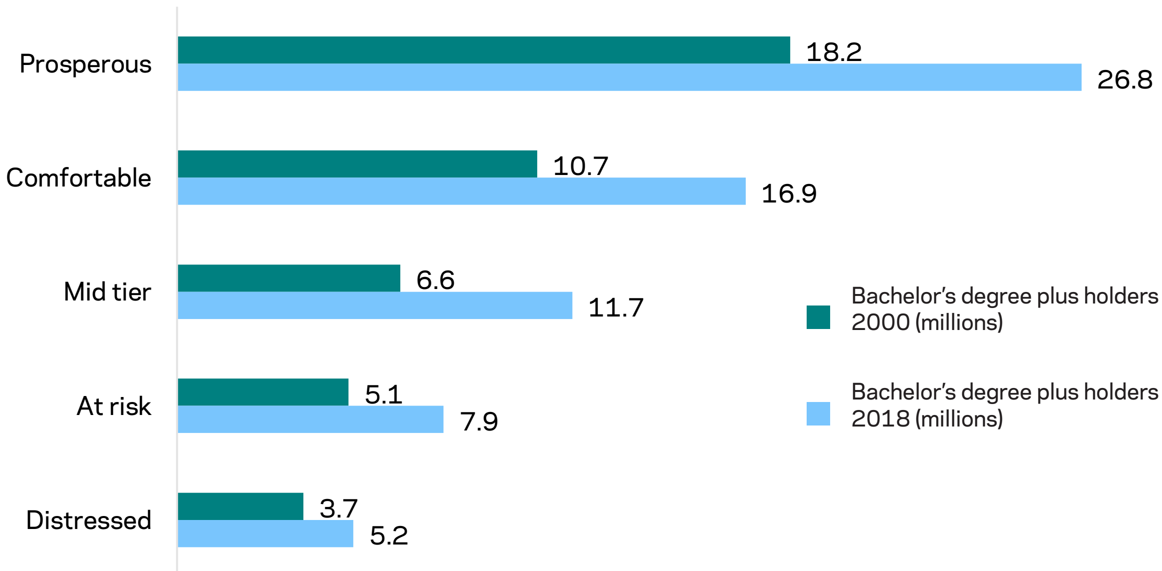
Figure 34. Job growth for 2000 DCI quintiles, 2000-2018



Nearly half of adults in prosperous communities now have college degrees.

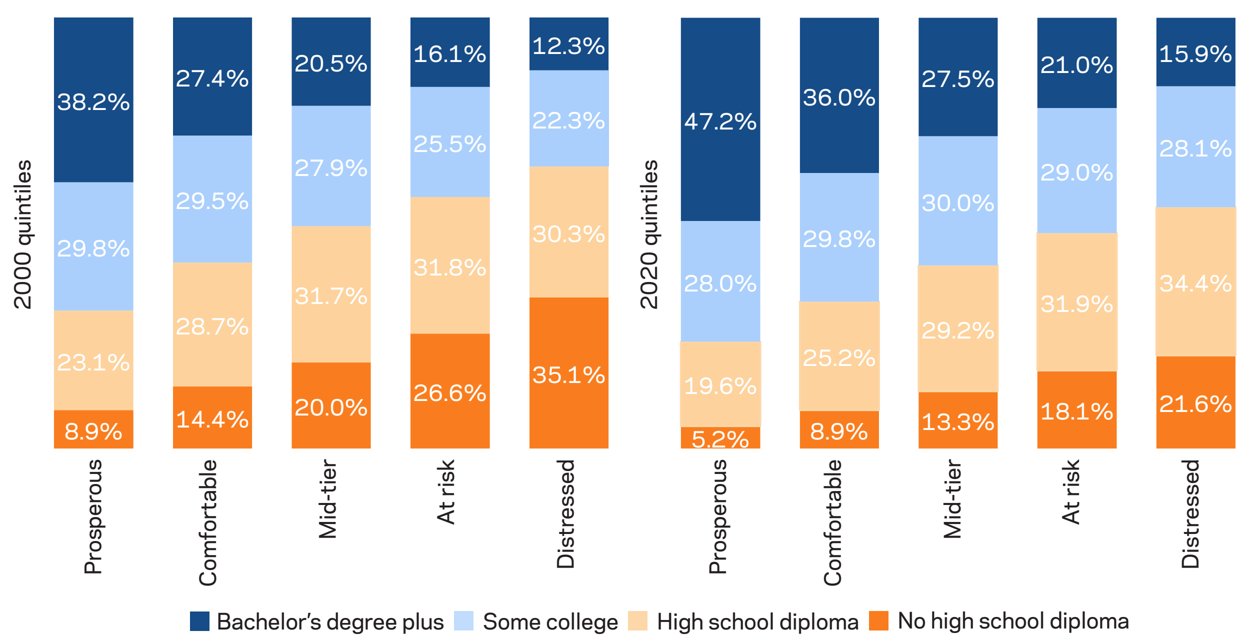
Differences in the geography of community well-being map closely with differences in the geography of educational attainment. Prosperous zip codes now contain roughly 40 percent of the country's college-educated population, compared to 26 percent of total population. This share has remained relatively constant since 2000, but that constancy translates into a huge surge in highly-educated residents in absolute terms that maintains these communities' advantage. Prosperous zip codes in 2018 were home to 8.6 million more residents with a bachelor's degree or higher than their counterparts in 2000. That is nearly six times the 1.5 million-strong increase in the distressed tier over the same time period. Put another way, the gap between prosperous and distressed zip codes in the number of bachelor's degree-plus holders increased from 14 million in 2000 to 22 million by 2018.

Figure 35. Number of bachelor's degree plus holders in the 2000 and 2020 DCI quintiles, millions



As these figures show, progress has been made in boosting educational attainment across the board since the turn of the century, but gaps remain wide and there has been little convergence across quintiles as prosperous and comfortable communities increase their lead in college attainment. Nearly half of all adults in prosperous zip codes (47.2 percent) have obtained at least a college degree, up from 38.2 percent in 2000. By contrast, 56 percent of adults in distressed zip codes are striving to find opportunity in the modern economy with only a high school diploma or less in hand.

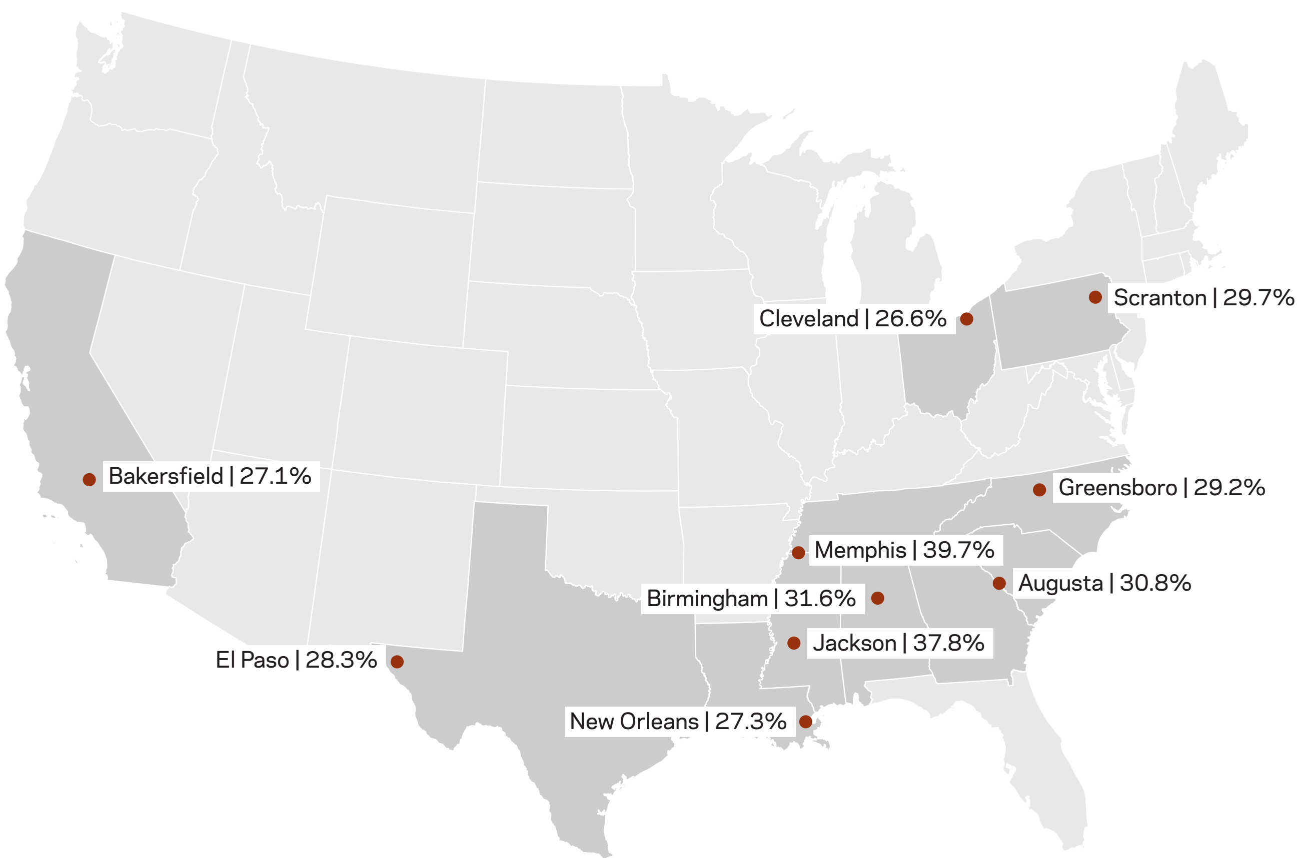
Figure 36. Distribution of adults by educational attainment in the 2000 and 2020 DCI quintiles



Metro areas magnify many of the trends and inequalities observed at the national level.

Themes highlighted throughout this report are reflected in metro areas, which capture many of the country's extremes in well-being. The 10 major metro areas (with a population of 500,000 or more) with the largest proportions of their residents in distressed zip codes are concentrated in the southern United States. Cleveland, OH, and Scranton, PA, two classic legacy areas that have undergone wrenching deindustrialization, were the only two metro areas in northern states to make this list. Metro areas with relatively pervasive distress tend to be quite diverse demographically. Four of the bottom 10 on this measure (Memphis, TN; Jackson, MS; El Paso, TX; and Bakersfield, CA) are majority-minority, and on average across them, 47.9 percent of residents are non-white. That figure compares to 22.6 percent of residents across the 10 metro areas where prosperity is most pervasive.

Figure 37. The 10 major metro areas with the largest proportion of residents in distressed zip codes

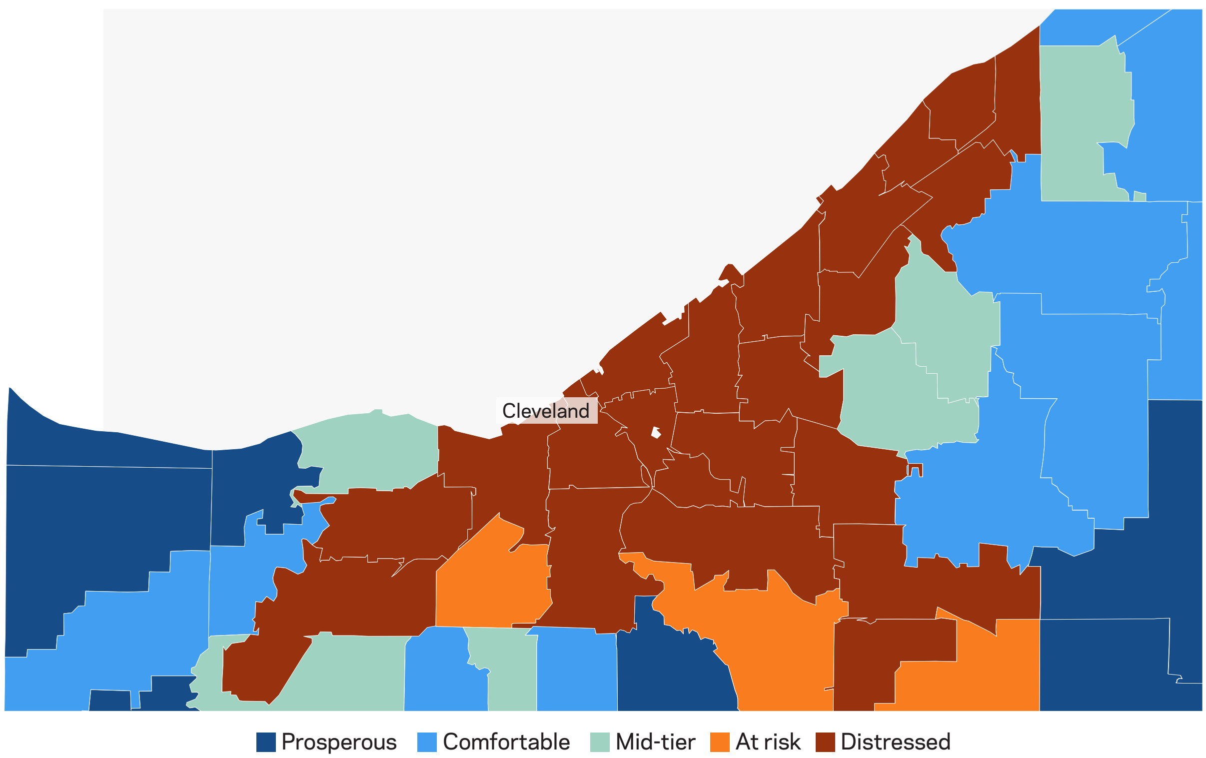


While these metro areas contain some of the country's highest relative concentrations of economic distress, many contain prosperous and middle neighborhoods too—microcosms of the national inequalities discussed throughout this report. In the 2 million-strong Cleveland, OH, metro area, for example, nearly as many residents live in prosperous neighborhoods (24.1 percent) as distressed ones (26.6 percent). The metro area is one with above-average educational attainment, a large professional class, and a burgeoning knowledge economy, but also a place

The average prosperous neighborhood in metro Cleveland is 92 percent white; the population of the average distressed zip code 63 percent Black or Hispanic.

in which long legacies of segregation and economic decline still weigh heavily on the present. Tellingly, the population of the average prosperous neighborhood in metro Cleveland is 92 percent white; the population of the average distressed zip code 63 percent Black or Hispanic.

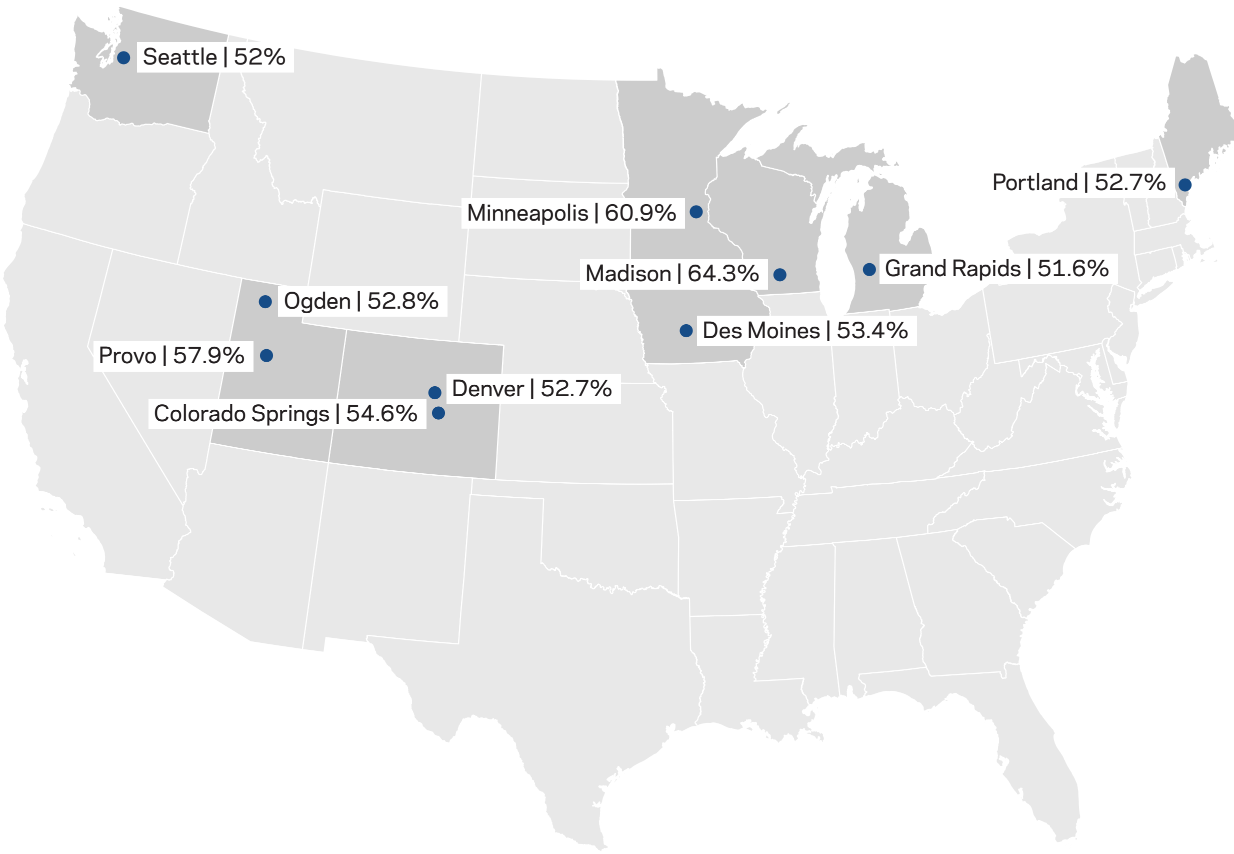
Figure 38. 2020 DCI zip codes in Cleveland and surrounding areas

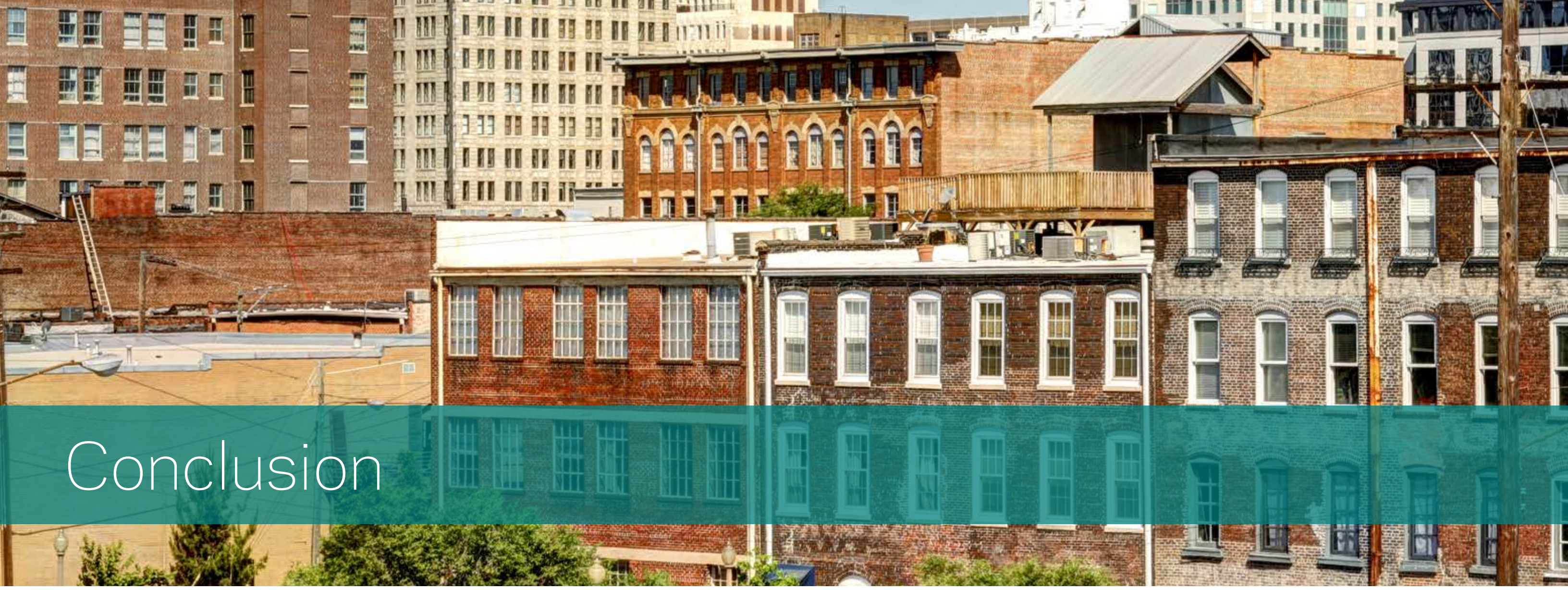


Even in the most distressed metro areas, low-levels of economic well-being are relatively concentrated in clusters of urban zip codes where legacies of segregation and red-lining live on. Community prosperity, by contrast, surrounds at least half the population in leading metro areas. In Madison, WI, and Minneapolis, MN, over 60 percent of the population lives in a prosperous community. The figure is above 50 percent in all of the top 10 metro areas on this measure. Importantly, a cohort of mid-sized places—few exclusively focused on tech or the digital economy and many based in the heartland (and affordable)—outcompetes its major metro peers in sustaining high levels of prosperity for majorities of their residents. While a few well-known tech hubs such as Seattle, WA, and Denver, CO, rise to the top, metro areas such as

Des Moines, IA; Grand Rapids, MI; and Portland, ME, challenge the narrative of superstar city primacy. All leading metro areas share high levels of educational attainment and advanced industry orientations, but their diversity highlights the existence of many alternate pathways to prosperity for communities across the country.

Figure 39. The 10 major metro areas with the highest proportion of residents in prosperous zip codes





Conclusion

The American economy is now entering the uncharted waters of a new kind of recession with low-wage service industries and the people of color predominantly employed in them at its epicenter. Places and households that were finally beginning to benefit from a long economic growth cycle now face a slew of new challenges, from housing insecurity to business failures and immense uncertainty about what the future may hold. The pandemic will test the fragility of the more equitable, more diverse prosperity that was taking shape across the country and threaten the modest progress made in Black communities since the turn of the century.

The DCI shows why seemingly abstract forces that should be color blind, all else equal, such as deindustrialization in the Midwest or a national pandemic, end up not being so when they map on top of pre-existing inequalities. In that sense, the current crisis should be a wake up call that the magnitude of our current divides leaves our economy and society more vulnerable in the face of outside shocks.

Since the turn of the century, Americans have become more divided. The American Dream of upward mobility and an equal chance at opportunity seems as far from us now as at the turn of the century, despite significant topline economic growth. As Americans turn to their leaders and ask where exactly all that prosperity went, they find themselves with a particular question on their lips: How did the country arrive at a place where the vital statistics of a lifetime—from how much an individual can expect to earn in the future to when they will likely die—are better predicted by zip code than aspiration or ability?

Make no mistake, there is much to celebrate about the past decade and the breadth and duration of the economic expansion that followed the Great Recession, which demonstrated the positive impact tight labor markets can have for low-income families. Yet, now that the music has stopped, it is clear that modest gains briefly enjoyed can slip away in an instant, while the foundations of prosperity for well-off people and places stand on much firmer ground. In retrospect, the 2010s looks like a grievous missed opportunity to invest in a more inclusive future that narrows the gaps between communities, rather than preserves them.

As the country navigates its third recession of the new century and continues its transition to a more digital and more knowledge-based economy, efforts to realize prolonged and inclusive growth will have to swim upstream. Success is only achievable if we commit to empowering a wider array of people and places as true stakeholders in national prosperity.

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END NOTE

We hope others will use the DCI as a base on which to build additional research and are committed to making the data available to academics and non-profits. For inquiries, please visit eig.org/dci/get-the-data.

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