




**THE STATE OF
THE HEARTLAND
FACTBOOK 2018**







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**METROPOLITAN POLICY PROGRAM AT BROOKINGS
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Executive Summary

Two years after a national election that experts say pitted the “American Heartland” against the rest of the nation, pinning the region down has only gotten trickier.

In fact, the proliferation of “red vs. blue” maps and apocalyptic talk-show punditry has if anything made it harder for the region to get a clear sense of itself and how it is doing.

Instead, the national debate purveys conflicting, distorted images that often portray the region either as a vast “flyover” interior where jobs have disappeared and anger is pervasive, or else as an idyllic expanse of wheat fields, reviving factories, and mid-sized cities filled with start-ups.

To be sure, some of the social media “hot takes” and journalistic quick hits have their truth, and even their use. But what Heartland changemakers really need now is a more clarifying look at the region. Such a chronicle—by the numbers, with an agreed-upon geography—might actually help in promoting understanding and bringing the conversation home.

Which is the point of this factbook: Prepared to support the Walton Family Foundation’s inaugural Heartland Summit, the ***State of the Heartland: Factbook 2018*** is intended to help Heartland leaders and citizens get on the same page about the region’s current condition and its trajectory at a crucial time.

To that end, this factbook adopts a new state-based definition of the region developed by the Walton Family Foundation (WFF) and then provides a series of 26 socioeconomic measures focused on how the defined region’s economy has been performing since the recent financial crisis. The geography employed consists of 19 inland states. The indicators, meanwhile, presume the fundamental importance of economic vitality to regional, social, and cultural health. As such, the factbook’s indicators first cover nine aspects of the region’s topline outcomes in the search for growth, prosperity, and inclusion. After that, 17 indicators are used to benchmark the region’s standing on four sorts of drivers of strong outcomes.

What do the indicators say about the region? Three major takeaways emerge clearly from the analysis:

1 **The Heartland economy is doing better than is sometimes portrayed.** Growth measured by job and output growth have been steady, if not stellar, since 2010 with all of the Heartland states adding jobs and 18 increasing their output. Prosperity has also been slowly rising as all 19 states enjoyed increased standards of living, all 19 posted increases in the average wage, and 12 saw productivity increases. Supporting all of this, meanwhile, is an impressive base of crown jewel export industries, in particular strong concentrations of advanced manufacturing in the eastern Heartland and of agribusiness in the western Heartland. Overall, the 19 Heartland states constitute a manufacturing super-region and export powerhouse that outperforms the rest of the country on a number of core economic indicators.

2 **The Heartland, however, is not monolithic: Its economy varies widely across place.** In this regard, the region is a checkerboard of sub-regions, states, and local communities where some Heartland places are thriving while others are deteriorating—just as in other regions. On multiple measures, for instance, a stark gap exists between the performance of the western Heartland and the eastern one. Labor force participation, for example, remains at crisis levels in the eastern section, while to the west labor markets are some of the tightest in the nation. Similar divides run north to south. For example, while most Northern states reside in the top half of states on measures of human capital and innovation, most Southern ones reside among the bottom 10. Likewise, when looking at Heartland sub-regions, the Plains in general is performing quite well, while areas such as the Black Belt (running through Louisiana, Mississippi, and Alabama), Appalachia, and Indian Country struggle with an emergency of elevated poverty (shared by minorities throughout the region) and high rates of obesity and addiction. Additionally, Heartland metropolitan areas are doing better in general than the region's rural areas. While large and medium-sized metro areas in the region grew slightly, small towns and rural areas lost population.

3 **Serious deficits in the region's human capital and innovation capacity pose the most serious challenges to improving future prosperity.** On this front the factbook's indicators depict a region that is—in most places—struggling to amass the human and technology capacity needed to support broad-based prosperity. Regarding the region's stocks of human capital, only the Dakotas added population as fast as the rest of the nation, meaning that slow population growth—including among prized young workers—limits the region's overall growth prospects. Worse, only three Heartland states exceeded the average B.A. attainment for the rest of the country, meaning that most places and populations in the region may be unprepared for an increasingly digitalized labor market. Turning to the region's innovation assets, weak R&D flows, a thin roster of top universities for tech transfer, and a near-complete dearth of venture capital (VC) investment outside Chicago leave Heartland firms starved of the new ideas, new practices, and funding leveraged by firms elsewhere to drive competitive breakthroughs. Finally, lower levels of urban dynamism and epidemics of obesity and opioid use represent substantial drags on productivity and output. In sum, these deficits represent the most challenging findings of the factbook and pose the greatest hurdles to changemakers.

What do these findings suggest for future discussion and action? Above all, the starkness of the region's human capital and innovation challenges underscores that **strategies to increase the region's education levels and expand its innovation activities should be top-of-mind** when Heartland leaders gather to talk about the Heartland's future. The reason for this is clear: The human and innovation capacities of places are now the core drivers of long-term performance. Or as the Walton Family Foundation's Ross DeVol notes, the states and regions that build human capacity and invest in and nurture innovation will establish ecosystems that create high-quality, broadly shared growth

for their citizens while attracting migrants from elsewhere, boosting growth further.

The good news is that even in its most challenging areas for improvement the Heartland boasts some of the most impressive and impactful collaborations anywhere of business, civic, and government changemakers working together to solve problems. And so the Heartland's leaders should **survey it all, assess what's working, and get to work.**

Notwithstanding its many challenges, the Heartland is large, varied, and full of communities already hard at work. These places are learning what's real, making big plans, and putting them in motion to make the Heartland better. In all of that there is surely grist for unlocking the Heartland's full potential—and in doing so unleashing America's.

“A Country Within the Country:” Defining the American Heartland

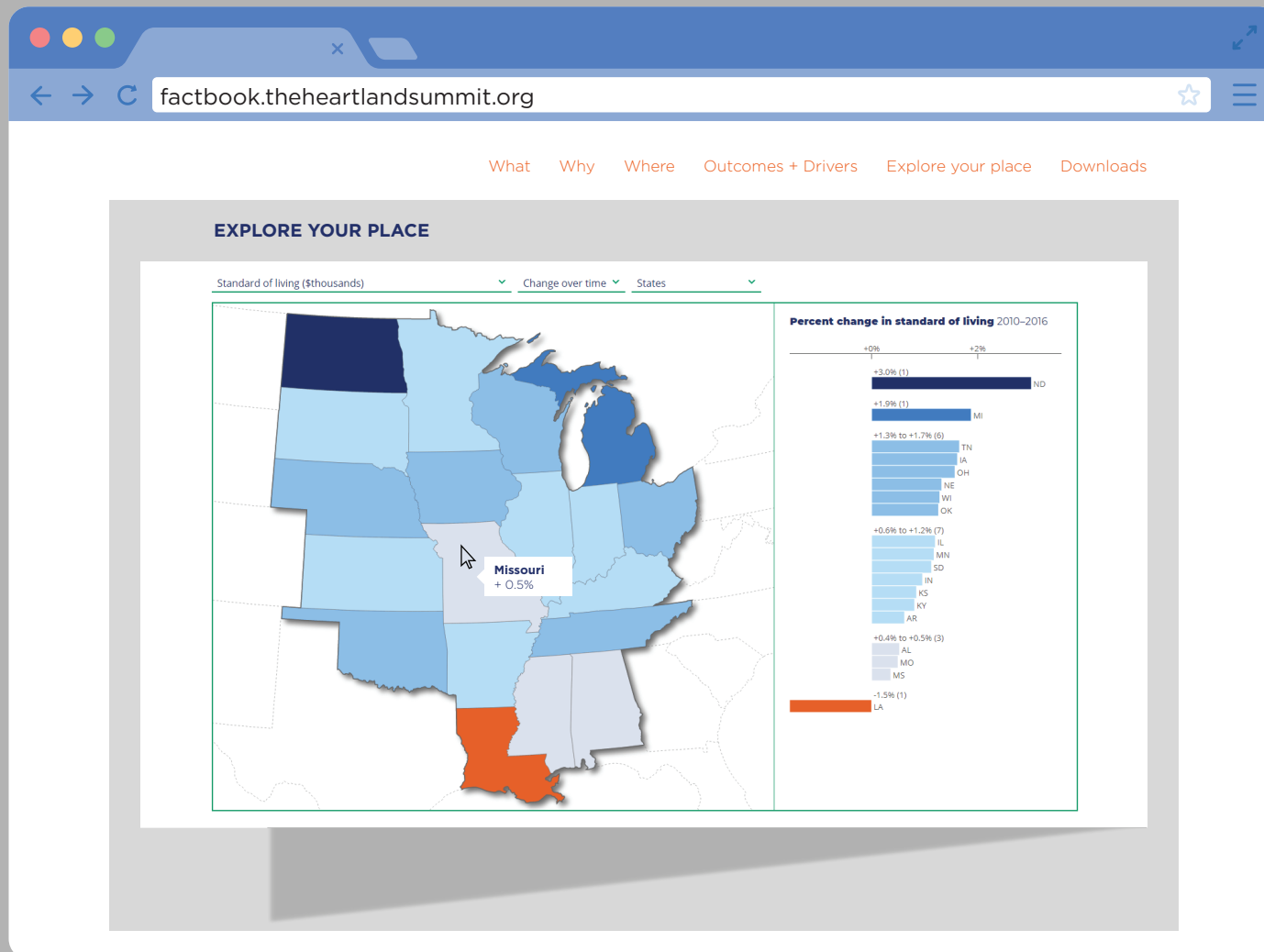
The Walton Family Foundation advances a modern, state-based definition of the Heartland that begins with the classic Midwest; includes parts of the South; but excludes both the original 13 American colonies and the Intermountain West (and so excludes West Virginia, once a part of an original colony: Virginia). Along these lines, the Walton Heartland is a mashup of all or most of four different U.S. Census Bureau regions: **East North Central** (Ohio, Michigan, Indiana, Illinois and Wisconsin); **West North Central** (Missouri, Kansas, Iowa, Minnesota, Nebraska, South Dakota and North Dakota); **East South Central** (Kentucky, Tennessee, Alabama and Mississippi); and **West South Central** (from which Arkansas, Oklahoma and Louisiana are included).

As defined here, then, the Heartland consists of nearly **1.1 million square miles**—roughly one-third of the national landmass—sprawling across **19 mostly inland states**.



Visualizing the Heartland: Online Interactive

Want to dig deeper into the data on your place? Check out the accompanying State of the Heartland data and mapping tool. Designed to allow users to drill down or zoom out, the new interactive offers visual data on all nine outcomes, as well as nine drivers, for individual Heartland geographies. To explore the interactive, please visit factbook.theheartlandsummit.org.



The State of the Heartland: At a Glance

Outcomes	CURRENT		CHANGE	
	Heartland	Non-Heartland	Heartland	Non-Heartland
Growth				
Jobs	44,378,000	99,483,000	1.3%	1.9%
Output (Mil.)	\$4,904,518	\$12,801,808	1.4%	1.9%
Jobs at young firms	3,297,000	9,341,000	-0.3%	0.4%
Prosperity				
Productivity	\$111,000	\$131,000	0.1%	0.0%
Average wage	\$48,000	\$49,000	1.0%	0.8%
Standard of living	\$50,000	\$57,000	1.1%	0.9%
Inclusion				
Employment rate	72.8%	72.4%	3.2%	3.4%
Median wage	\$30,000	\$28,000	0.6%	-0.4%
Poverty rate	14.6%	13.8%	-1.2%	-1.3%

Note: Blue and red shading indicates positive or negative distance from the non-Heartland average, respectively. Change measures for indicators displayed as percentages reflect percentage point changes. For “Growth by community type,” change measure reflects the compound annual growth rate of large metro population. For all other indicators, change measures reflect compound annual growth rates.

Source: Brookings Institution / Walton Family Foundation “The State of the Heartland: Factbook 2018”

Drivers

	CURRENT		CHANGE	
	Heartland	Non-Heartland	Heartland	Non-Heartland
Tradeable Industries				
Adv. industries (employment share)	9.8%	9.5%	2.5%	0.6%
Exports (share of GDP)	12.3%	9.6%	1.8%	2.3%
Agriculture (output)	\$225,609,000	\$187,628,000	1.2%	0.5%
Energy (bn BTU)	21,300	47,700	2.0%	2.6%
Human Capital				
Population	98,828,000	226,891,000	0.3%	0.9%
Young adult population	21,998,000	49,870,000	0.4%	1.2%
Bachelor's degree attainment	28.1%	32.6%	2.9%	3.1%
Racial degree gap (black-white attainment ratio)	58.5%	59.3%	N/A	N/A
Adult obesity	32.5%	28.2%	2.8%	1.8%
Opioid prescription rate (per 100 residents)	81.0	60.2	-2.9%	-3.4%
Innovation				
R&D spending (% of GDP)	2.0%	2.9%	0.9%	3.2%
Top-100 tech commercialization universities	25	75	N/A	N/A
Venture capital spending (% of total)	5.2%	94.8%	-5.8%	5.9%
Metro area econ activity (large metro)	\$124,000	\$145,000	0.1%	0.1%
Infrastructure				
Growth by community type (share of pop. in large metros)	75.4%	90.4%	2.0%	0.8%
Housing values	\$135,000	\$215,000	0.2%	1.5%
Broadband access (% without)	6.6%	3.4%	N/A	N/A

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About the Walton Family Foundation

The Walton Family Foundation is, at its core, a family-led foundation. The children and grandchildren of our founders, Sam and Helen Walton, lead the foundation and create access to opportunity for people and communities. The foundation works in three areas: improving K-12 education, protecting rivers and oceans and the communities they support, and investing in its home region of Northwest Arkansas and the Arkansas-Mississippi Delta. In 2017 the foundation awarded more than \$535 million in grants in support of these initiatives.

To learn more visit: www.waltonfamilyfoundation.org

