How Can Struggling Communities Make a Comeback?

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Executive Summary

The impressive growth of many cities including Raleigh, Charlotte, Denver, Phoenix, Austin, and San Diego juxtaposed with places in decline such as Pittsburgh, Cleveland, Detroit, McAllen, and Fresno have prompted many to ask why some cities prosper while others struggle. Is a comeback possible for declining cities and if so, how?

For a declining city to make a comeback, actions must be taken to improve the quality of life in the community, making it a nicer place to live and work. However, it is not simply a matter of issuing a press release declaring your community is great, but recognizing the real fundamentals necessary to support the firms and people deciding where to locate.

With the highest incomes in the world, U.S. residents are increasingly incorporating non-economic factors in their choice of where to live and work. Americans are seeking out the communities that are 'nice' places to live leaving others behind –i.e., people are voting with their feet choosing the places with the best amenities. The subjective concept of a 'nice' place to live can be estimated with these more objective measures:

- Population and employment growth
- Housing prices and levels of amenities
- Wages and workforce skill level

We find that all cities are not the same, but previous experience and research suggests that the policies in Table 1 are generally the best strategies to make a comeback to attract both jobs and people.

Ultimately, policymakers have been unable to pick 'winners' and should instead support all firms. This means improving goods and services that decrease costs or increase productivity for firms in an area making it a more attractive place to locate as a business.

Likewise, communities need to support their residents and their preferences. People need functioning markets with access to jobs, housing, and centers for consumption. This means improving goods and services that increase the quality of life in an area making it a more attractive place to live.

These strategies can't provide a guarantee. Some cities, for any of a number of reasons, may simply not be nice places to live, and as a result have lost their place in the U.S. economy. However, if these places take the right steps and find their niche, a comeback may be possible.

What Works	What Doesn't
Do what government does best-provide good public services	Do what the private sector does best
Lower crime rates, pollution, and other disamenities	Preferential tax cuts other than across the board tax cuts
Improve amenities such as parks and natural resources	Preferential financial incentives for firms
A supportive business environment for all firms	Financial incentives for industries
Investing in infrastructure and transportation	Cuts in public goods and services such as Infrastructure and job training
Encouraging innovation and entrepreneurship	
Investing in education and job training	
More efficient and transparent government	Inefficient and fragmented government

Table 1: Growth Strategies

Introduction

During the Great Recession, many cities across the U.S. experienced the most challenging circumstances they have faced for decades. As cities recover from recession, many are left struggling, wondering how they can recover not just from the recession, but also from decades of economic distress. Many are still struggling to recover from persistently high unemployment, but high unemployment is just one symptom of a region in distress. There is no diagnostic test available that can pinpoint a struggling region, just as there is no simple and guaranteed cure for struggling cities. However, a list of symptoms can help uncover the economic problems of a city and may also point to strategies which may be effective in helping a city make a comeback.

What factors are associated with cities in decline and in need of a comeback? Three important indicators of a city in such a position are relatively low population growth, low housing price growth, and low income or wage growth. Low population growth and low housing price growth are both signs of declining demand to live in a city. People 'vote with their feet' for locations that offer combinations of a higher quality-of-life and better economic conditions. Low income growth indicates that well-being is declining unless there are not offsetting factors improving the quality of life. As the indicators suggest, struggling cities need to turn around their desirability as a place to live and work.

Policies are generally made with the goal of attracting people which will attract jobs or attracting jobs which will attract people. Cities often focus policies on attracting new firms to create jobs. Many of the policies focus directly on recruiting firms by either lowering their costs or increasing their market opportunities. In an effort to lower firm costs, many cities focus on lowering taxes or other financial incentives to attract firms—i.e., the so-called race to the bottom approach (Goetz et al., 2011). However, the city's general infrastructure is also critically important. Thus, other policies focus on increasing investments in an attempt to raise the productivity of firms through labor or capital inputs. Education is also essential in raising the productivity of labor. Innovation and new technologies are especially important to raise the productivity of a firm's capital or labor.

For most cities, resurgence is comprised of some form of transformation in an entirely new way. A comeback may require a realization that a city will not return to its former state, but will have to strategically emerge in the economy with some comparative advantage distinct from other cities. Conversely, strategies that focus on returning to a past glory by revitalizing industries that are long in decline are very unlikely to succeed and may be counterproductive.

Although there are generally effective policies that all cities should pursue, ultimately each city is unique and must pursue its own comeback path. It is simply not sound strategy to follow other cities in pursuing an identical strategy; particularly one that the data shows is likely to fail. Instead, it is better to follow a strategy that fits your community's needs not just to follow the pack.

Growing cities are attracting people from declining cities. Musterd (2006) suggests that resurgence entails a city being competitive, attracting new activities, and also becoming an interesting place to live. Although there are some basic aspects necessary to increase a city's quality of life, cities can also become nice places to live for very different reasons.

Previous examples of comeback cities provide a diverse set of lessons learned for a city's resurgence. Emerging cities and even revitalized city centers provide insight into how these areas have been able to increase their quality of life and attract people. Miami, San Francisco, and Denver have each been attracting people, but for very different reasons. Some of this is related to their industry specialization, but a large portion is due to their consumption mix and their specific amenities. Policymakers can focus on their unique amenities. These amenities may be natural resources such as beaches or mountains, but they can also be cultural, historical, or related to a city's production profile. Successful policies of this nature attract people to a city. Likewise, keeping and attracting highly skilled laborers is a method to attract jobs and firms.

Measuring Economic Decline and Revitalization

Many different measures can indicate whether a community is economically healthy or in need of a turnaround. Unfortunately, there isn't just one measure that can pinpoint a distressed city, but the confluence of many economic indicators can provide the insight necessary to identify these areas. Once these areas are identified, patterns emerge that provide a glimpse of the problems they are facing. Beyond identifying economically distressed areas, the measures themselves can both identify problems and diagnose potential policy fixes.

Ultimately, economically depressed areas usually experience decreasing relative levels of productivity in many or all spheres of life and have become unattractive places for people and firms. Unfortunately, in many cases, there may be little that can be done to change these dynamics. Glaeser and Gottlieb (2006) find three important measures of rising (or declining) productivity in a city are population growth, income growth, and housing price growth. Cities with poor quality of life will have a difficult time attracting people and hence firms. Current research that focuses on measuring the quality of life in cities incorporates both economic and noneconomic factors. This is especially important in the U.S. as these noneconomic factors have been shown to be more important in the U.S. than Europe and other areas (Faggian et al., forthcoming). There is significant overlap in all of these measures, though each can provide slightly different insight.

Using these measures to find a true comeback city is more difficult than finding economically declining areas. Simply finding the areas with healthy population and income growth will make no distinction between resurging areas and emerging areas. An emerging area never actually made a comeback, but is simply continuing on a healthy growing economic path. Resurgent areas have experienced significant decline and have been able to turn their economy around. However, these two concepts are not mutually exclusive. A city must experience some sort of emergence to become a resurgent city. Ironically, in a dynamic economy, what caused prosperity in a community just a few decades earlier can also cause its decline. Detroit is a good example of this. Using these measures, we will see that Detroit is clearly a declining area that is struggling to return to its former glory, so to speak. The significance of the domestic auto industry in Detroit which led to its rise and one of the highest average wages in 1980 (as shown in figures 7 and 8) may now be contributing to its decline. Detroit has been experiencing some of the largest population declines, rising unemployment, and high crime rates to name a few.

Resurgence for Detroit or any other area may mean letting go of what made them great in the past and emerging with a new strategy. It also means letting go of the idea that they can return to their former status. Thus, there can be lessons learned from both comeback cities and emerging cities. Similar to declining areas, we will see patterns surface in these emerging cities that will also provide insight.

Population Growth

Because quality of life indices are often subjective and do not account for the heterogeneous preferences of people, Faggian et al. (2010) find that net migration (or population growth) is a more objective measure inherently allowing individuals to determine their own optimal levels of economic and noneconomic factors that contribute to their wellbeing. This follows the Tiebout idea of voting with your feet or picking levels of economic and noneconomic factors by choosing the location in which to live.

Figure 1 on the next page shows the population ranks of the top 20 metropolitan areas from 1790 to 2000. Although this graph shows only the top 20 metropolitan areas in a given year, it gives a good picture of some of the cities that have declined, many to the point that they are no longer among the top 20 metropolitan areas.

Figure 1 shows that a number of cities passed their population rank peaks and declined. The most significant recent examples among these top 20 metropolitan areas are listed below with the highest rank achieved and the year each achieved its highest rank.

Figure 1 also shows the population resurgences, an example of which can be seen inthe case of Washington D.C. Of the top 20 metro areas, few cities look like D.C. in terms of a comeback, though most recently D.C. has declined in population rank. Pittsburgh and Cleveland have had periods of resurgence that did not persist. What is more impressive is that in the last few decades, many cities have been able to emerge quite successfully. Notable recent significant emerging cities include L.A., San Francisco, Miami, Dallas, Houston, Seattle, Atlanta, San Diego, and Phoenix. Only time will tell if they are able to maintain this emergence.

City	High Rank Year	High Rank
Baltimore	1820	3
New Orleans	1840	5
Buffalo	1850	10
Cincinnati	1860	5
St. Louis	1870	4
Minneapolis	1890	9
Pittsburgh	1910	6
Cleveland	1920	7
Detroit	1930	4
Milwaukee	1930	14

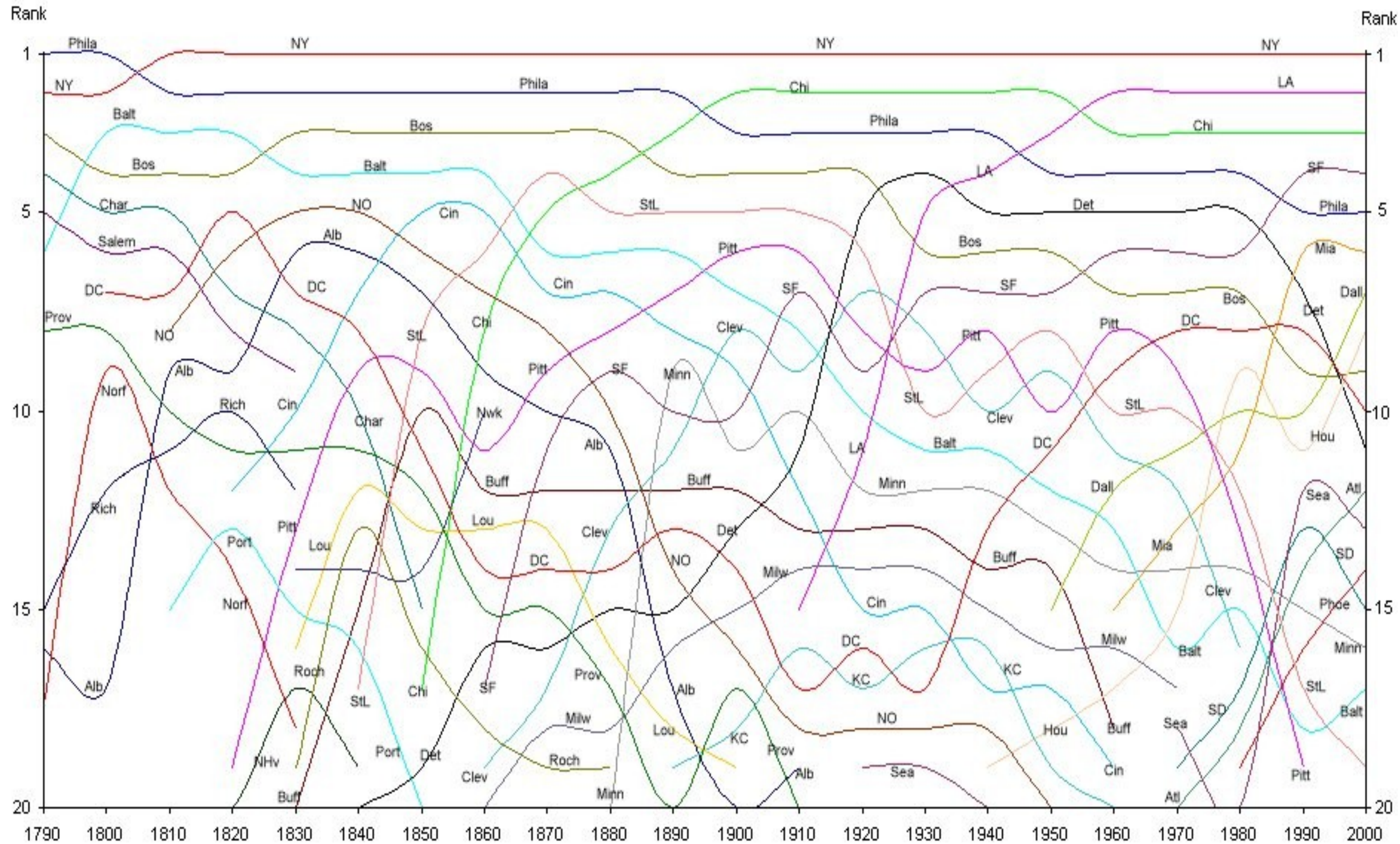
Source: Peakbagger.com

Table 2: Metropolitan Peaks

Considering more recent changes in the population rank of the top 100 urban areas from 1950 to 1990 gives a broader look at struggling cities. The following cities are the highest ranking cities that were among the top 100 cities in 1950 but are no longer ranked in the top 100: Providence, Syracuse, Worcester, Hartford, Youngstown, New Haven, Flint, Springfield (MA), and Bridgeport. The cities that experienced the largest drop in population rank, but remain in the top 100 urban areas from 1950 to 1990 include: Dayton, Buffalo, Newark, Rochester, Akron, Spokane, Arlington, Jersey City, and Richmond. Population rank changes are highly correlated with population growth, though population growth rates can provide distinct information. The cities that experienced the lowest growth rates (all negative) from 1950 to 1990 are St. Louis, Pittsburgh, Cleveland, Detroit, Buffalo, Newark, Rochester, Minneapolis, Boston, and Cincinnati. (U.S. Census Bureau)

Similarly, Beauregard (2009) finds that the following large cities have persistent and prevalent population shrinkage issues from 1980 - 2000: Baltimore, New Orleans, Buffalo, Cincinnati, Cleveland, Detroit, Milwaukee, Philadelphia, Pittsburgh, St Louis, Toledo, and Washington D.C.

Of the largest 100 metropolitan areas, Phoenix, San Jose, El Paso, Austin, and San Diego



Source: Peakbagger.com

Figure 1: The Top 20 Metro Areas in the United States Population Rank Over Time

have had the most impressive rank changes in population from 1950 to 1990. Tucson, Virginia Beach, Albuquerque, Honolulu, and Fresno are all now in the top 100 metros that didn't make the list in 1950. Similarly, of the top 100 areas, Phoenix, Fort Myers, Boise, Raleigh, Austin, and Charlotte have had some of the highest employment growth rates (Kiplinger, 2010).

Employment and Unemployment

Levels of employment (and unemployment) can also be used as indicators of economic vitality; however, employment growth is highly correlated with population growth. Thus, we would not expect to see employment growth providing much additional information. Among the top 100 largest metropolitan areas, the areas with the lowest employment growth are New Orleans, Youngstown, Dayton, Buffalo, Baltimore, Toledo, Sarasota, Cleveland, Syracuse, and Rochester. As expected, these measures are pointing to many of the same cities. Although employment is a significant concern for policymakers, population change captures many of the same aspects that employment changes are capturing. (Kiplinger, 2010)

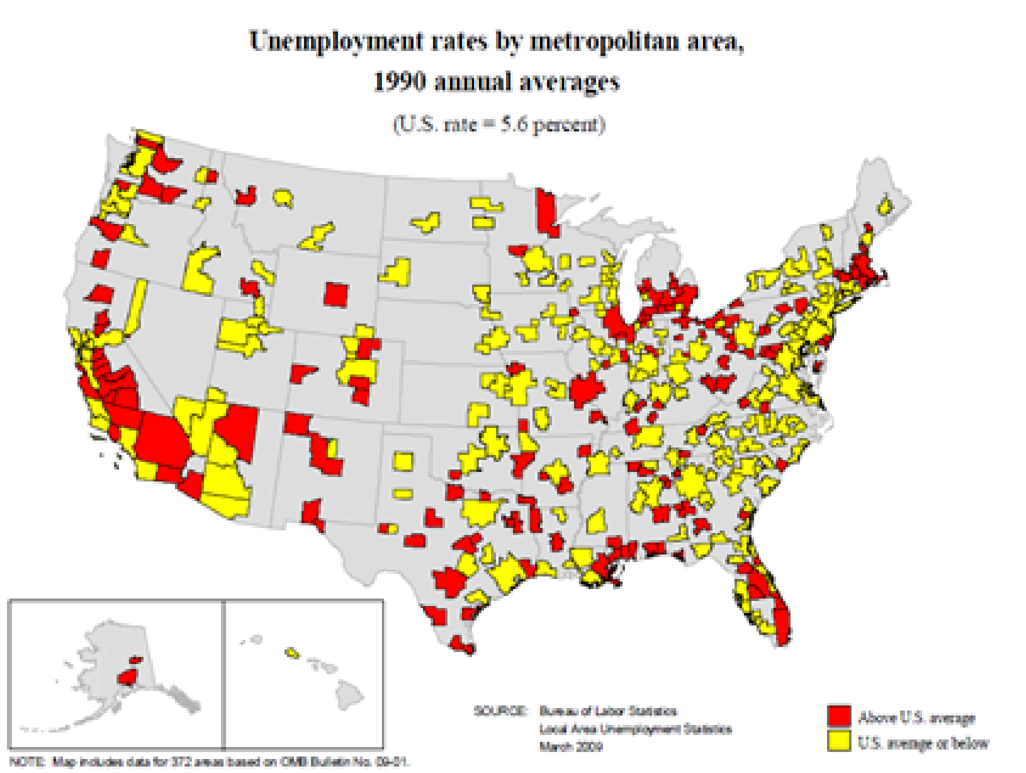
Employment growth is one of the main concerns for policy makers in part because of its correlation with unemployment rates. Figures 2 and 3 on the next page displays the unemployment rates in metropolitan areas in a spatial context compared to the U.S. unemployment rates in 1990 and 2009.

From 2000 to 2009, the areas that experienced the largest increases in unemployment rates among the largest 100 MSAs include: Detroit, Cape Coral, Stockton, Charlotte, Riverside, Modesto, Sarasota, Grand Rapids, San Jose, and Greensboro. It is somewhat surprising to see Detroit and San Jose in the same category of the largest increases in unemployment rates, though information technology employment has been stagnate. Unemployment rates as indicators are not as clear as population growth or employment growth. The underlying causes of unemployment can be vastly different for cities. Pittsburgh, for example, has maintained relatively low unemployment from 2000 to 2009 and has actually improved their unemployment rank. However, with recent negative growth rates, Pittsburgh's low unemployment rates may imply that when workers can't find jobs, they simply move to another city. Conversely, San Antonio has also maintained relatively low unemployment rates and significantly improved their unemployment ranking, but it has experienced impressive population and job growth rates. Thus, in these two examples unemployment rates can be indicative of a weak or strong economy. Because the unemployment rate is associated with so many factors, employment and population growth rates are far more indicative of a city's economic environment than unemployment rates.

Housing Prices and Wages

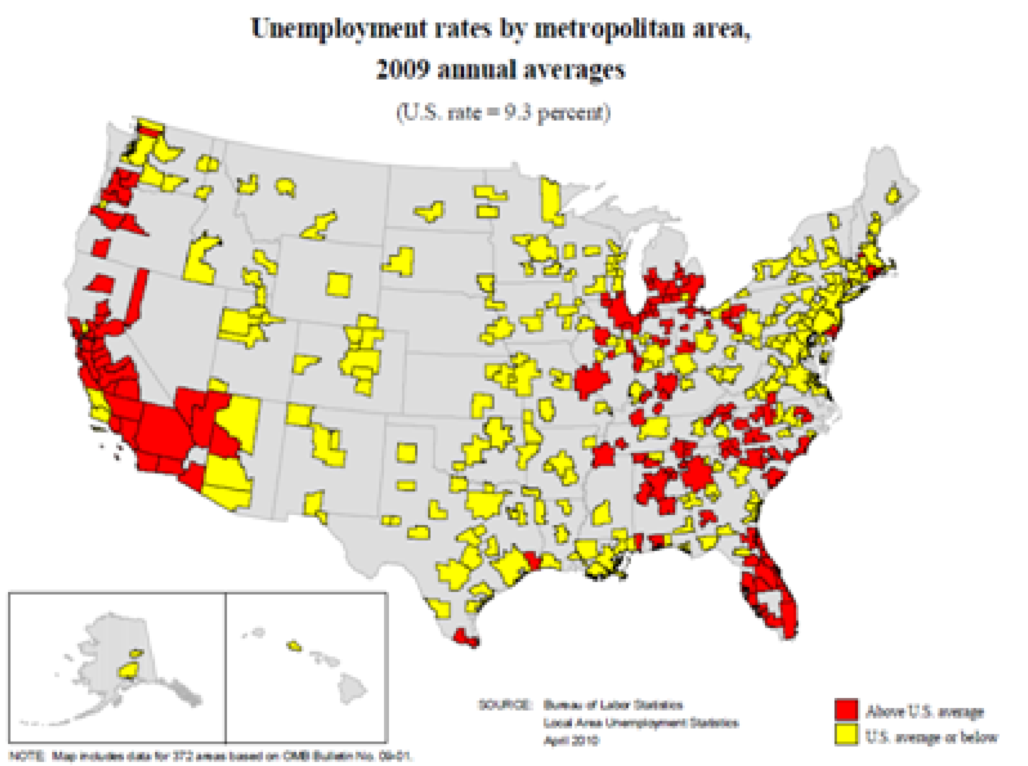
People can vote with their feet, but they can also vote with their dollars. Glaeser and Gottlieb (2006) suggest that in addition to population growth, which can measure the popularity of a city, housing price growth can measure a city's desirability as a place to live and work. We often hear policymakers tout their area's low cost of living and low housing prices in an effort to attract people. Although cost of living is a significant concern for residents and for those considering moving to a city, consistently lower housing prices may actually be an indicator of an economically depressed area.

Figure 4 shows changes in house prices for 20 of the largest U.S. cities. Since 1991, Denver's stock has been continually rising. This growth continued even through the housing bubble which clearly impacted housing price changes in Miami, Phoenix, and Tampa. Cleveland and



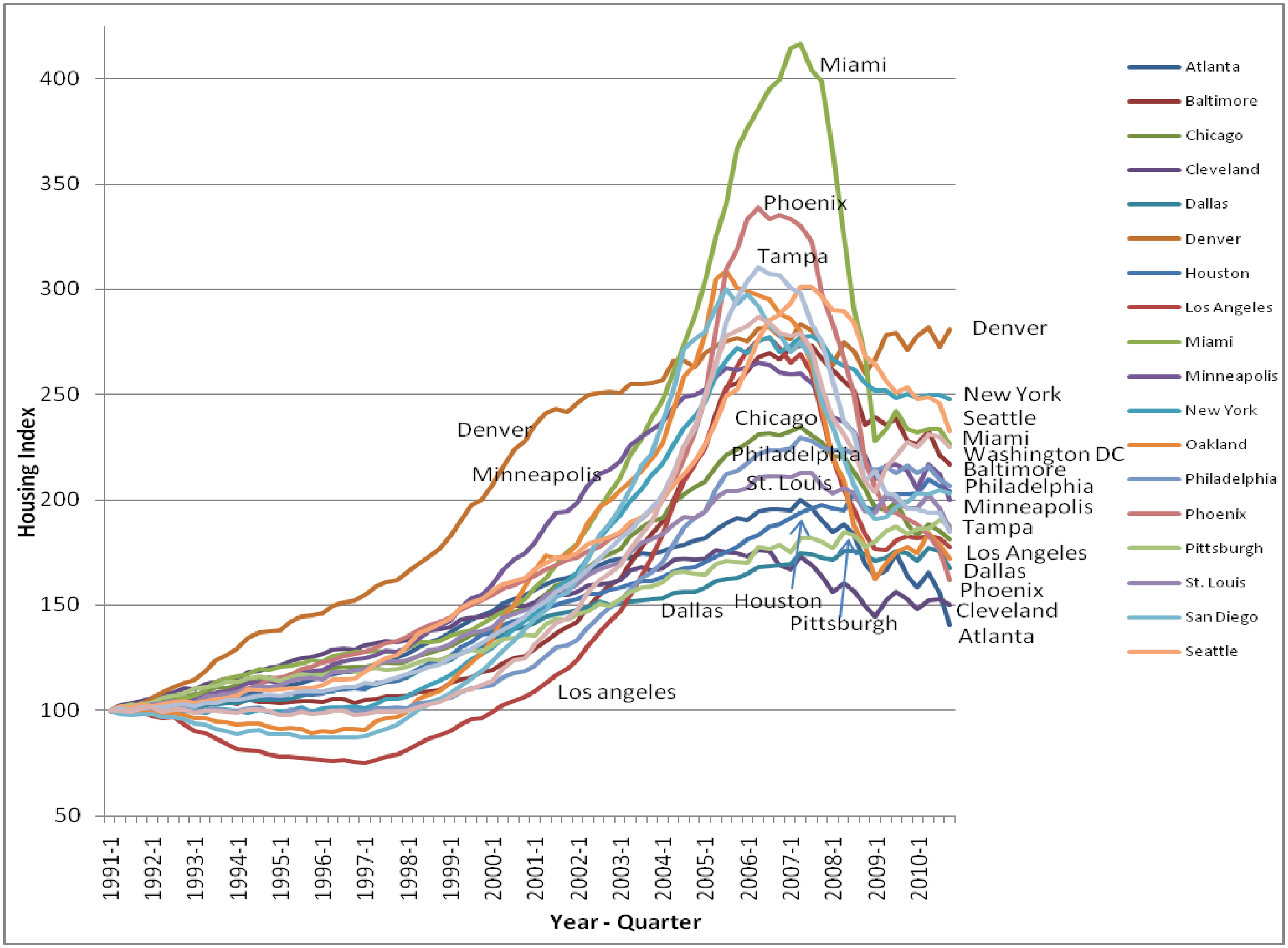
Source: Bureau of Labor Statistics

Figure 2: 1990 Annual Average Unemployment Rate



Source: Bureau of Labor Statistics

Figure 3: 2009 Annual Average Unemployment Rate



Source: Federal Housing Finance Agency

Figure 4: Housing Price Changes for the 20 Largest MSAs

Pittsburgh again show up in our list of cities that seem to be struggling, but Atlanta is somewhat unexpectedly on this list. This may be because the housing bubble affected cities very differently in terms of housing price changes. Also, housing regulations and zoning may be affecting housing prices as well.

It may be more insightful to look at housing prices levels rather than housing price changes. Examining median house prices in 2010, the metropolitan areas with the lowest median house prices include Youngstown, Toledo, Cape Coral, Grand Rapids, Palm Bay, Dayton, Akron, Cleveland, Atlanta, and Wichita. (National Association of Realtors)

Oswald and Wu (2009) state that prices such as house prices and also wages are a more objective measure of well-being than a quality of life index, but they are still highly correlated with subjective measures of quality of life. People with higher wages are better able to meet their various needs and are less constrained when maximizing their utility. People with higher wages are typically in high skill jobs and have more education and experience. Thus, they are generally more productive, which enables firms to pay higher wages. Yet, people are willing to accept lower wages to live in nice places—e.g., see Orlando in 1980 in the Table 3 below.

Among the top 100 metropolitan areas, those with the lowest median incomes are McAllen, El Paso, Youngstown, Scranton, Lakeland, Greensboro, Chattanooga, Jackson, and Augusta. Further down the list, familiar cities show up with low median incomes such as Pittsburgh, Buffalo, Toledo, and Dayton. The cities with the slowest income growth between 1980 and 2000 are Youngstown, Fresno, New Orleans, Oklahoma City, Akron, Pittsburgh, McAllen, Toledo, Houston, and El Paso. (IPUMS). Conversely, among the top 100 metropolitan areas, those with the highest median income are San Jose, Washington D.C., Oxnard/Ventura, San Francisco, Boston, New Haven, Bridgeport, Providence, Hartford, and Springfield (MA). (Kiplinger, 2010)

Table 3 shows the metropolitan areas with the lowest average wages in 1980 and in 2010. Mission, El Paso, Lakeland, and Scranton clearly have persistent problems with their average wage levels, whereas Augusta, Chattanooga, Oklahoma City, Las Vegas, Columbia, and Fresno have more recent concerns. Las

		1980			2010
Rank	**MSA**	**Average Wage**	**Rank**	**MSA**	**Average Wage**
100	Mission, TX	$5.04	100	Mission, TX	$14.35
99	Sarasota, FL	$5.37	99	El Paso, TX	$17.01
98	Lakeland, FL	$5.52	98	Lakeland, FL	$18.26
97	Fort Myers, FL	$5.55	97	Scranton, PA	$18.68
96	San Antonio, TX	$5.58	96	Augusta, GA	$18.95
95	El Paso, TX	$5.65	95	Chattanooga, TN	$18.98
94	Scranton, PA	$5.69	94	Oklahoma City, OK	$19.39
93	Greensboro, NC	$5.73	93	Las Vegas, NV	$19.42
92	Greenville, SC	$5.75	92	Columbia, SC	$19.44
91	Orlando, FL	$5.76	91	Fresno, CA	$19.73

Source: Integrated Public Use Microdata Series and the Bureau of Labor Statistics

Table 3: Lowest Metropolitan Area Wages

Rank	MSA	1980 Average Wage	Rank	MSA	2010 Average Wage
1	Washington DC	$8.65	1	San Jose, CA	$37.01
2	Detroit, MI	$8.60	2	Chicago, IL	$34.48
3	Honolulu, HI	$8.37	3	Seattle, WA	$32.14
4	Chicago, IL	$8.19	4	San Francisco, CA	$31.88
5	San Francisco, CA	$8.07	5	Washington DC	$29.76
6	Las Vegas, NV	$8.00	6	New York, NY	$29.37
7	San Jose, CA	$7.99	7	Hartford, CT	$29.16
8	Wilmington, DE	$7.88	8	Boston, MA	$29.09
9	Portland, OR	$7.82	9	New Haven, CT	$26.04
10	Seattle, WA	$7.79	10	Boca Raton, FL	$25.93
	U.S.	$6.76		**U.S.**	$22.59

Source: Integrated Public Use Microdata Series and the Bureau of Labor Statistics

Table 4: Highest Metropolitan Area Wages

Vegas, for example, was hit particularly hard recently by the combined effects of the housing bubble and the recession, which decreased consumer spending on luxury items such as trips to go gambling.

Table 4 lists the top 10 average wage earning cities of the largest 100 metropolitan areas in 1980 and 2010. We caution that a problem with rankings on high income is that it may be a compensating differential to people to live in places with a low quality of life. Faggian et al. (forthcoming) show that there are many cases of an inverse link between population growth and high income levels.

Areas with low average wages and economically depressed areas in general may also have high poverty rates. However, we would expect poverty rates to be associated with median incomes and average wages in an area. The highest poverty rates in 1980 and 2009 from the largest 100 metropolitan areas are shown below. Raleigh and San Antonio have clearly made a comeback, at least in terms of their poverty rates. Despite the praise given to Raleigh for its revitalization, the high poverty rates illustrate that its prosperity is not widely

Rank	MSA	1980 Poverty Rate	MSA	2009 Poverty Rate
100	Mission, TX	36.1	Mission, TX	35.4
99	Memphis, TN	22	El Paso, TX	23.7
98	El Paso, TX	21.7	Bakersfield, CA	22.4
97	San Antonio, TX	21	Fresno, CA	21.5
96	New Orleans, LA	19.9	Memphis, TN	19.4
95	Charleston, SC	19.6	Greenville, SC	18.4
94	Norfolk, VA	19.6	Jackson, MS	18.2
93	Jackson, MS	19.4	Chattanooga, TN	17.7
92	Columbia, SC	19.4	Augusta, GA	17.7
91	Raleigh, NC	19	Lakeland, FL	17
	U.S	13	U.S.	14.3

Source: Integrated Public Use Microdata Series and Kneebone (2010)

Table 5: Highest Metropolitan Area Poverty Rates

Rank	MSA	1980 Poverty Rate	MSA	2009 Poverty Rate
1	Minneapolis, MN	8.8	Washington D.C.	7.5
2	Sarasota, FL	8.9	Bridgeport, CT	8.3
3	San Jose, CA	9.3	Portland, ME	8.4
4	Boise, ID	9.5	Salt Lake City, UT	9.1
5	Salt Lake City, UT	9.6	Hartford, CT	9.2
6	Seattle, WA	9.6	Boston, MA	9.3
7	Des Moines, IA	9.7	Worcester, MA	9.4
8	Allentown, PA	9.8	San Jose, CA	9.4
9	Pittsburgh, PA	9.8	San Francisco, CA	9.8
10	Grand Rapids, MI	10	Harrisburg, PA	9.8

Source: Integrated Public Use Microdata Series and Kneebone (2010)

Table 6: Lowest Metropolitan Area Poverty Rates

shared at the bottom of the distribution. From Table 5, San Antonio has also improved its standing in terms of average wages.

In contrast, Table 6 below shows the metropolitan areas with the lowest poverty rates.

Grogan and Proscio (2000) suggest that some areas may come back and become healthier areas without a significant change in poverty rates. It may be more important for communities to ensure that those in poverty have decent housing and access jobs and other necessities. Overall, poverty rates are an important indicator of whether economic growth in a region is shared across the income distribution. Poverty rates like unemployment rates may not be as clear an indicator of economic decline or economic vitality as population growth, housing price growth, and wage growth.

Creating Jobs

Throughout all of these measures we have discussed, patterns begin to emerge in both declining and growing areas. Declining areas are simply unattractive to both people and firms. Low population growth and especially low job growth can indicate that firms are no longer developing or choosing to locate in these areas. High unemployment rates may imply that an area has had a difficult time attracting enough firms or a difficult time keeping its existing firms. Low wages may benefit manufacturing firms that demand low skilled workers, but these low wages generally indicate lower labor productivity. Declining areas need to create jobs by attracting new firms, or better yet, expansion and retention in their areas. Building an entrepreneurial culture is a good place to start. These efforts are further supported by raising the profitability or productivity of firms or lowering the cost of doing business in their area.

Innovation and Education

Education levels are clearly associated with higher wages for individuals and higher average wages in metropolitan areas. A more educated and higher skilled labor force will be more productive and more attractive to firms. The most educated areas are some of the wealthiest in the U.S. Referring back to table 4, the cities that have kept their position as 1 of the top 10 cities in average wages, and many that have emerged, are some of the most educated cities in the U.S. as measured by the proportion of adults over 25 with a Bachelor's degree (shown in Table 7). Many have top ranked universities within their metropolitan areas. Harvard and MIT in Boston, Yale in New Haven, Columbia in New York, and Stanford near San Francisco represent a few well-known examples.

2008 Rank	1990 Rank	MSA	College Proportion	2000 – 2008 Population Growth
1	1	Washington D.C.	46.8	11.60%
2	2	Bridgeport, CT	43.8	1.10%
3	4	San Jose, CA	43.5	4.10%
4	3	San Francisco, CA	43.4	3.00%
5	7	Boston, MA	41.9	3.20%
6	8	Raleigh, NC	41.5	35.50%
7	5	Madison, WI	39.8	11.50%
8	6	Austin, TX	38.2	30.70%
9	11	Minneapolis, MN	37.6	8.60%
10	9	Denver, CO	37.5	14.00%

Source: Berube(2010) and the U.S. Census Bureau

Table 7: Highest Educated Cities

2008 Rank	1990 Rank	MSA	College Proportion	2000-2008 Population Growth
91	94	Scranton, PA	21	-1.80%
92	91	El Paso, TX	19.6	8.40%
93	97	Youngstown, OH	19.1	-5.90%
94	92	Riverside, CA	19	24.90%
95	87	Fresno, CA	18.9	12.70%
96	99	Lakeland, FL	18.7	19.60%
97	96	Stockton, CA	15.6	17.70%
98	100	McAllen, TX	15.1	25.80%
99	98	Modesto, CA	15.1	12.80%
100	95	Bakersfield, CA	14.7	20.10%

Table 8: Lowest Educated Cities

Table 8 above shows the cities with the lowest educational attainment among the largest 100 metropolitan areas. Many of the same areas with low population growth are listed in Table 8 though others are apparently growing as they are attracting new immigrants. Not surprisingly, many of them also have low wages and low median house prices.

Audretsch (1998) finds that globalization has led to an increase in the importance of innovation and knowledge-based economic activity. This therefore increases the importance of education and skills, which can have regional spillover effects. Innovative economies have traditionally been seen as dynamic and growing as they develop new products and firms that create jobs. Innovative economies also develop new technologies that make both labor and capital more productive. Silicon Valley is often viewed as an example of a highly innovative economy with growing and prospering high-technology global firms such as Google, Ebay, Oracle, Tesla, and Facebook, to name a few. San Jose, the nearest major metropolitan area to Silicon Valley, is also the third most educated city in the U.S.

Crescenzi et al. (2007) propose that the higher mobility of capital, labor, and knowledge in the U.S. encourages growth of and agglomeration of research activity and innovation as evidenced by the Research Triangle, Silicon Valley in San Jose, and Route 122 around Boston. This agglomeration of innovation relies on R&D investments and favorable socioeconomic environments that include a highly-skilled labor force. This leaves ample room for public policy to influence the development of these innovative centers and increase the education and skill levels in an area. To increase education levels in a city and a better environment for workers' children, Glaeser (2005) suggests policymakers focus on investing in K-12 education. Glaeser and Shapiro (2003) found that urban growth in the 1990s occurred in cities with highly skilled and highly educated people. Early childhood education is another area with particularly high social returns (Rolnick and Grunewald, 2003).

Audretsch (1998) also cites a number of university examples that led to high-technology clusters including the Advanced Research Program around the University of Texas in Austin, the Centers for Advanced Technology at Case Western University, Rutgers University, and the University of Rochester. Other areas considered to be technology leaders and highly innovative include San Francisco, Boston, Austin, Washington D.C., and Seattle. However, we caution that while great universities may be a very favorable feature,

Case Study: Raleigh, NC

Photo by Mark Turner

The interplay between universities and the economy has been especially important in Raleigh-Durham, which has recently experienced some of the highest growth in employment in the U.S. and the 5th highest population growth rate of the top 100 metropolitan areas. In 1950 Raleigh's population was under 66,000, but in 2010 its population was almost 404,000. Raleigh-Durham is clearly one of the most dynamic metropolitan areas though it wasn't always that way. Among the top 100 MSAs, Raleigh's average wage in 1980 of $6.24 ranked 74, but in 2010 its average wage of $25.18 ranked 17. Table 6 shows that in 1980 Raleigh had the 10th highest poverty rate at approximately 19%, but in 2009 Raleigh had the 27th lowest poverty rate at 11.4%. Raleigh has also raised its rank to the 6th most educated city in the U.S. as of 2008. In Raleigh, universities have done more than just create a highly educated and highly skilled workforce. In the 1950s, universities and the government invested in the Research Triangle Park, which now employs more than 40,000 well-paid and well-educated workers. In 2010, Raleigh's average wage was $25.18, ranked 27 of the top 100 MSAs. (Zumbrun, 2008)

Local governments continue to incentivize firms to locate in Raleigh by investing in infrastructure, human capital development, and public financing programs for new business development. They have also invested approximately $250 million to revitalize downtown Raleigh. The Greater Raleigh Chamber of Commerce claims not to show preferential treatment to any industry or private company through subsidies or preferential tax incentives. The state does offer tax incentives to expanding companies.

The Research Triangle Park has approximately 140 corporate, academic, and government agencies. The three main universities include North Carolina State University, Duke University, and the University of North Carolina-Chapel Hill. The healthcare industry is the largest industry in the area with numerous medical corporations and research facilities (City-Data.com). With the interaction between universities and medical centers in the Research Triangle, Raleigh is now known as an innovative and high tech area. With its growing Research Triangle, people and firms have clearly been encouraged to remain or move to Raleigh.

they are not alone sufficient to ensure growth. For example, the University of Illinois is one of the best universities in the world, but its home cities Champaign-Urbana have had mediocre growth. The same can be said about the successful Case Western University and the performance of its home region of Cleveland (also consider the Yale and New Haven, CT example). Many economically depressed areas are now trying to achieve their own Research Triangle, but can this strategy work for everyone?

Agglomeration and Clustering

These innovative high-tech centers can often provide an area with a new economic base. Similar strategies have worked for other areas through the financial industry. New York, Chicago, San Francisco, and Charlotte all have significant economic bases in finance. The financial sector falls within the broader service industry, as does high-tech services. Levine (2001) states that as the manufacturing sector declines, the services sector is becoming more important for regional economic development. It may be less important for an area to develop a high tech or financial cluster than it is to develop a service industry economic core. Of the 100 largest metropolitan areas, those with the highest proportion of employment in the service industry include Las Vegas, Provo, Boston, Washington D.C., Madison, Tucson, San Francisco, New York, Raleigh, and New Haven. The metropolitan areas with the highest proportion of employment in manufacturing include Milwaukee, Allentown, Rochester, Wichita, Grand Rapids, Youngstown, Detroit, Greenville, San Jose, and Mansfield. The areas with the highest proportion of manufacturing industries clearly include the struggling rust belt cities. However, San Jose also has a high proportion of manufacturing, but a significant portion of this is in high-tech manufacturing. Indeed, one wonders whether San Jose can hold on in the face of globalization and off shore sourcing.

Beauregard (2009) cites post industrialization as a significant factor contributing to the persistent decline in many of these cities. Detroit, Cleveland, and Pittsburgh may be some of the best examples of this. These and other cities with significant manufacturing bases have struggled with low median house prices and low or negative population growth rates. The large manufacturing economic bases in these areas have clearly left them vulnerable. However, cities such as in Evansville, IN and Greenville, SC with low wages and an efficient proximity to larger areas have been able to develop new manufacturing centers.

Attracting a large employer can also be risky for a city if this firm fails. Polèse (2009) notes that Colorado Springs has been able to establish a large defense industry with USAFA, NORAD, NAADC, and USAFSC partially because it happens to be located in the middle of the country with a very low threat of harm to these defense assets. Colorado Springs has also been successful in attracting conservative Christian communications and publishing firms. Attracting industries as opposed to a single firm is comparatively less risky, but there is still risk involved when a city is so heavily rooted in a handful of industries. The industry mix of the city is important not just because of the prevalence of certain industries experiencing decline such as manufacturing, but also because of the importance of the industrial diversity of city which may make it more economically dynamic. However, what is more interesting is how do cities with an 'unfavorable' or no longer 'fashionable' industry mix revitalize themselves?

Dynamic and Diverse Industries

Although cities that attract a growing economic base with these high tech and finance clusters will do well, it is not possible for everyone to have their own Silicon Valley. Silicon Valley and the Research Triangle have an advantage in attracting high-tech firms over other areas. That's part of agglomeration; the early bird will tend to get the worm. Cities trying to copy Silicon Valley may find themselves simply too late and wasting money. Larger cities will also be able to outspend smaller cities in investing in these high-tech clusters. Additionally, areas like Detroit that have relied too heavily on a 'declining' economic base will suffer as that industry declines unless they are able to adapt and change. Levine (2001) also notes the importance of an area's ability to adapt to change in regional economic development. Many cities in the Northeast that were long ago rooted in textiles have been able to convert to high-tech areas. Although Charlotte has emerged as a finance center, it also has the 3rd highest level of industry diversity in 2000 in the U.S. It may be more important for lagging cities to ensure they are able to adapt to change by ensuring their economies are industrially diverse and dynamic than trying to be the next Silicon Valley.

Supportive Business Environments

Whether targeting certain industries or targeting the industries they think can make their city more diverse, policymakers often get it wrong. Government predictions on which industries will bring the highest employment growth can be wrong in general or wrong for their city. Although targeting one specific industry is more risky than targeting a set of industries, favoring any industries at all can be risky and simply not worth the gamble. Policymakers will be better off creating a good business environment for all industries and all firms large and small. Many policymakers actively pursue large firms, but the majority of Americans are employed by small firms (U.S. Small Business Administration). Thus, it is critically important for areas to ensure they support small firms encouraging entrepreneurship and innovation in their area.

Policymakers have tried to support all firms using a variety of strategies. Goetz et al. (2011) describe regional economic development strategies as either a race to the bottom or race to the top approach. The race to the bottom approach includes lowering taxes, spending, and regulation in an effort to attract firms by lowering their costs. The race to the top approach involves increasing investments in schooling and infrastructure and other investments to raise an area's productivity, innovation, and entrepreneurship. Ultimately, Goetz et al. (2011) found that regulatory policies and tax abatements were statistically insignificant in encouraging economic performance and were actually more likely to harm growth than to help it and contribute to inequality in regions. The lower taxes have an opportunity cost; lower taxes are associated with higher child poverty and lower general well-being of children (Every Child Matters Education Fund, 2008). It seems it would be more beneficial for governments to focus on becoming more efficient than to focus on tax breaks for individual firms. Goetz et al. (2011) do find some evidence that investment in schooling and infrastructure such as highways will contribute to regional growth. Polèse (2009) confirms that a city's public goods such as roads, sewage, and now internet are important in creating and maintaining functioning markets in a city. Goetz et al. (2011) also find evidence of the regional economic benefits of supporting entrepreneurship.

Firms and individuals need access to people, ideas, and markets. Thus, location will always be important to cities. Cities that lower commute times and other costs of transportation will lower the costs of doing business. Time is a valuable resource for people and firms. International and domestic transportation hubs in the U.S. such as New York, Atlanta, Denver, and Dallas, are growing, dynamic cities. The lower cost of also allows people to move more easily and do business more easily. Despite an increasingly global economy and improved methods of communicating that initially seem to negate the necessity of face-to-face contact, Storper and Venables (2004) stress the increasing importance of face-to-face contact in creative and innovative industries. They find face-to face contact is particularly important to academia, new technologies, finance, politics, arts, and culture. As communication technology improves so does the complexity of the transactions in many industries and the need for face-to-face contact and a transportation system that supports these meetings. The public transportation system and even a light rail system may also be important public goods that can lower the costs of transportation and help people get from their residence to their workplace, especially in dense settings. Every metropolitan area cannot become a transportation hub. Thus, a supportive business environment may vary for different cities.

A Distinct Path

Although each struggling city should pursue policies that are broadly appealing to all firms and all residents and many of these policies may be the same for all metropolitan areas, we should also note that each city cannot simply follow the exact path taken by the emerging cities that have preceded them. Emerging cities can provide insight and lessons learned, but each city is unique. Cities have succeeded for very different reasons. What worked for one may not work for another. The ski slopes that have worked so well to attract residents and tourists to Aspen and other Colorado cities will not work well for Cleveland. It sounds silly and a bit obvious that Cleveland shouldn't try to become the next Aspen, but it is no less silly though maybe less obvious that Youngstown, OH or Scranton, PA should not try to become the next Silicon Valley. If every city races to become the next Silicon Valley, the next green economy cluster, or whatever the economic development fad may be, the U.S. may end up with a few winners and a number of losers in that race. In some cases, it may be more beneficial for an area to do something no one else has and to be truly innovative.

Markusen and Schrock (2006) argue that economic comebacks often occur in cities with quite heterogeneous characteristics. They conclude that cities that have been successful in staging a comeback have developed their distinctiveness or their comparative advantage. The high mobility of labor and capital in the U.S. means that people can easily vote with their feet and cities must compete with each other for these votes. Therefore, each city should find its own comparative advantage and market its own strengths to compete in this economy. Rather than focusing on a specific firm or a specific industry, a city can use its distinctive characteristics to attract people and jobs

Comparative Advantages in Amenities

Housing prices measure the popularity of a city and also the willingness of residents to pay for a city's package of amenities. These amenities may be natural resources such as beaches or they may be demographic, cultural, or public services the city provides such as parks. A house on the beach will typically cost significantly more because it's a more desirable place to live. Roback (1982) distinguishes between amenities and disamenities for house prices and wages; clear days and population density, for example are found to be amenities, whereas crime is found to be a disamenity. Table 9 on the next page shows the metropolitan area levels of one disamenity, crime.

RANK	METROPOLITAN AREA	SCORE
1	Detroit-Livonia-Dearborn, MI M.D.	169.66
2	Pine Bluff, AR	123.32
3	Memphis, TN-MS-AR	117.58
4	Lake Charles, LA	89.90
5	Lawton, OK	89.72
6	Hot Springs, AR	78.80
7	Flint, MI	73.08
8	Las Vegas-Paradise, NV	71.34
9	Little Rock, AR	70.73
10	Texarkana, TX-Texarkana, AR	70.23

Source: Congressional Quarterly Press*

Table 9: 2010 Crime Rankings

People generally have heterogeneous preferences for a variety of consumption amenities. Each city can provide a distinct consumption mix to satisfy the heterogeneous preferences of residents and visitors. Residents of San Francisco may have generally different preferences for amenities than residents of Atlanta or Dallas. Phoenix and Miami have become retirement centers, attracting what Polèse calls 'gray migration'. This is in large part due to their Sunbelt status and warm climates. Las Vegas and Orlando have become tourism centers. Other cities have used their natural resources to develop recreation centers. Aspen and many other cities in the Rocky Mountains have become skiing centers and general outdoor recreation centers. Similarly, Tampa and San Diego have become recreation centers because of their beaches. Cities can also develop their distinct historical, cultural, and many other types of amenities to attract jobs and people. Developing an area's consumption mix will also encourage residents to purchase more goods locally.

Glaeser et al. (2001) find that there are four important basic categories of amenities: diverse services and consumer goods, aesthetics and natural resources such as beaches, good public services including good schools and low crime rates, and finally low transportation costs or high transportation speeds. Glaeser et al. (2001) list the MSAs with the lowest values in terms of all amenities as Stamford, Norwalk, Anchorage, Rochester, Detroit, Midland, Trenton, Minneapolis, Nassau, and Bloomington-Normal, IL. The top MSAs based on amenity value are Honolulu, Santa Cruz, Santa Barbara, Monterey, Los Angeles, San Francisco, San Jose, Santa Rosa, Ventura, and San Diego. The metropolitan areas with the highest housing prices include Honolulu, San Jose, San Francisco, Bridgeport, New York, San Diego, Boston, Los Angeles, Washington D.C., and Seattle (National Association of Realtors).

Beauregard (2009) surmises that the causes behind the population trends we have observed may vary by city and can include a number of different factors. The increased popularity in areas with more amenities will contribute to the higher cost of housing. Based on the MSAs with the top housing prices listed above, people are clearly willing to pay to live in Sunbelt cities. All of the cities with persistent and prevalent population shrinkage are notably Northern cities with colder climates. These regional shifts can occur because of quality-of-life differences related to climate and a variety of other economic and noneconomic factors. These can also include racial and cultural issues, crime, and poor public services to name a few. There may also be intraregional shifts occurring such as suburbanization.

Some growing cities have lower median incomes such as San Antonio, Tucson, Albuquerque, and Miami (Kiplinger, 2010). People are willing to accept lower wages and incomes to live in high amenity cities. This is

*Crime rankings are calculated based on the FBI's Uniform Crime Reporting Program which accounts for the incidents of murder, rape, robbery, aggravated assault, burglary, and motor vehicle theft.

the idea of compensating differentials. Many policymakers focus on developing the amenities that will specifically attract highly productive people. Florida (2002, 2003, 2004) finds that it is important for cities to attract what he terms the "creative class". The creative class is tolerant and innovative and contributes to regional economic development. Thus, many policymakers have focused on amenities to attract the highly educated creative class to their city. These amenities include but are not limited to festival markets, stadiums, museums, and convention centers. Storper and Scott (2009) caution that it is difficult to distinguish whether these urban amenities attract the highly-skilled creative class or does the creative class attracts these urban amenities.

Attracting People

Polèse (2009) argues that ultimately people drive markets and growth. People find firms, invest, invent, innovate, decide where to work, etc. Regional economists will forever be debating whether jobs follow people or people follow jobs. We have discussed policies for cities to attract jobs, but cities also need to attract people to come accept those jobs. A city's high quality of life will attract people and jobs. Thus, much of the new research in economic development has focused on the quality of life in cities. People need to live in a place with a functioning labor market, housing market, and general consumption goods market.

Quality of Life

Rogerson (1999) acknowledges that a high quality of life attracts both labor and capital, but quality of life has been more place-based rather than people-based. Rogerson finds that when asked, people indicate that family relationships are the most important to their quality of life then health, finances, and relationships with other people. Levine (2001) finds that regional economic development factors that directly contribute to the quality of life of urban residents include: open space and areas for recreation, a pleasant climate, proximity to waterfront, clean air and water, professional sports teams, local art and cultural opportunities, good public schools, short commutes, low crime rates, good housing, and accessible, affordable, and high-quality health care. Levine adds that governments can affect quality of life through the local tax burden, regulatory climate, and jurisdictional fragmentation. Thus, quality of life is highly correlated with amenity values in an area.

We stated previously that higher proportions of the population with a college education is associated with greater employment growth through productivity, but Shapiro (2006) asserts that college graduates also increase employment through improvement in quality of life. Shapiro finds that college graduates contribute to quality of life through the consumption amenities they demand such as bars, restaurants, arts, and entertainment. Moretti (2004) also finds the proportion of college graduates in a city to have significant spillover effects meaning that everyone in that city benefits from having a higher proportion of college graduates. Glaeser and Gottlieb (2006) argue that cities are experiencing resurgence not because of their production amenities but because of these consumption amenities. These consumption amenities are especially important in attracting what Polèse (2009) calls green migrants, young professionals. These green migrants often place a high value on the environment which is consistent with Deller et al.'s (2001) findings.

Like a firm marketing their product to consumers, cities must also market their amenities to residents and potential residents. The media will often use all of the indicators we have described; population growth, housing price growth, and income growth, to list the best and worst places to live. Improving perceptions also includes addressing misinformation about a city's amenities. Dreier (2005), Grogan (2000), and others have noted the media's significant disproportionate coverage of crime. News stories of the incidents of crime have been increasing even while actual incidents of crime and crime rates have been decreasing. These stories also tend to overrepresent minorities. The media can contribute to misleading stereotypes about minorities and about undeserving poor. The media tends to cover rare events while ignoring the everyday life that is more true to a city.

Various media outlets, internet sites, and social media can be invaluable in advertising a city's amenities. They also tend to miss small successes of Community Development Coalitions and other small organizations with little to no budget or time to advertise. Ribbon cutting ceremonies and political announcements may make it on the evening news, but oftentimes the media misses the opportunity to cover or ensure local politicians actually follow through with their plans and promises. Increasing residents' knowledge about local fairs, festivals, parks, lakes, rivers, recreation, arts, entertainment, etc. can improve the quality of life for residents. The quality of life in an area is dependent upon all of the economic and non-economic factors and amenities we have discussed, but it is also at least in part due to the perception of the quality of life in these areas.

Revitalizing the Central City

Savitch et al. (1993) find that so-called 'central cities' and their surrounding suburbs are highly interdependent. Partridge et al. (2008) find that employment and population growth of an area is becoming increasingly dependent on its proximity to a large urban centers. Thus, suburbs and the entire metropolitan area will benefit when the urban center of a city is economically healthy. Additionally, some of the same strategies that have been used to revitalize central cities can also be extended and applied to the broader metropolitan area.

Paul Grogan and Tony Proscio 's (2000) book, Comeback Cities, focuses on policies to revitalize the city center. They find that community development coalitions (CDCs) are essential in revitalizing these areas and need the support of governments. The central city, like the suburbs, needs functioning markets and access to consumption goods, services such as childcare, and access to jobs. Access to jobs for the central city and poorer neighborhoods means having a good public transportation system as well as welfare to work and other job training and education programs. Residents of the central city and especially poorer neighborhoods need affordable and decent housing. Although these areas are typically lower income areas, the density of these urban areas means that what they lack in income, they can make up in volume of consumption. These residents also tend to buy their goods and services locally, further supporting the local area economy.

Crime is a huge deterrent to developing these areas - particularly commercial areas. Grogan and others have suggested that reducing crime rates in these areas can be hugely beneficial for economic development and quality of life. There are many proposed methods of reducing crime such as stricter gun laws and various policing methods, but Grogan focuses on the importance of police presence in the area and having a good relationship with residents. Grogan also advocates for a more unconventional approach to fighting crime by fixing broken windows and run down and vacant houses and facilities.

The socioeconomic segregation between the central city and suburbs contributes to a number of problems, including the struggling education systems in the central city. Because the central city residents are primarily low-income households and because the housing values in these areas and hence property taxes in these areas have plummeted, the schools in these neighborhoods are underfunded especially when compared to schools in more affluent suburbs. Through tax credits and other programs, previous government funding encouraged this sprawl and migration out of the city to the suburbs. Thus, many policymakers have more recently focused on the general socioeconomic segregation of regions attempting to reverse previous trends. Highly socioeconomically segmented areas also tend to have highly fragmented governments. Highly fragmented governments can be more inefficient and require higher taxes for the region as a whole. Consolidating local governments and public services is one method to try to reduce government spending (or reduce taxes) without lowering the level of public services.

Grogan cautions that increasing the quality of life in these areas may not necessarily mean that these residents are no longer living in poverty, but that they deserve a nice place to live even when they are living in poverty. Continuing the idea of making the central city a nice place to live, Grogan suggests that making the area a nice place for children through parks, YMCAs, libraries, and the local school system will encourage people to stay in these areas. However, charter schools and magnet schools may be a more viable solution to helping the struggling education systems in these areas, but they should not be the only solution. Improving the public school systems in these areas is vital for the current and future development of these areas.

Essentially, these central cities are not so different from the suburbs or metropolitan areas as a whole in terms of the quality of life desired by residents. All residents regardless of their location or socioeconomic circumstances would like an opportunity to send their kids to good schools. They would like nearby available jobs and areas for consumption. The strategies that have been used to revitalize central cities with some recent success can be applied to struggling cities as a whole. Grogan and others have noted the importance of community involvement in this process.

Conclusion

In Enrico Norquist's 1998 book, The Wealth of Cities: Revitalizing Centers of American Life, he states, "You can't build a city on fear; you can't build a city on pity. You can build a city on its natural advantages: its efficient proximity and density, its processes and markets, and its extraordinary capacity to promote the success of its citizens." Norquist eloquently summarizes what the policy goals of any city in search of a comeback should be, but first acknowledges that we cannot continue to convince people to live in cities in which they simply do not want to live. We cannot wantonly throw money at cities that may simply but sadly no longer be places where people want to live. However, policymakers and the community can help find the natural advantages of their city. Instead of pretending to be something it's not, each city should find its comparative advantages in both production and consumption to be competitive.

There is little policymakers can do to change the climate and natural amenities their city has been endowed with, but policymakers can and should work with what they have. Policymakers may need to invest in their city to raise the level of production and consumption amenities. This includes improving the amenities they do have and investing in infrastructure. Investing in transportation improves a city's efficient proximity within and around the city and lowers the costs of doing business in the area for all firms rather than favoring a few firms with financial incentives or tax breaks. Regardless of whether a city is declining or growing, policymakers should first and foremost help ensure its markets are properly functioning for firms and for residents. This includes ensuring all residents have access to jobs, decent, housing, and various consumption goods such as food, clothing, and healthcare, while building up a stronger entrepreneurial region.

Ensuring residents have access to jobs means ensuring residents are qualified to meet the demands of firms in a dynamic economy. Policymakers need to invest in education and general job training for its residents which will increase the general productivity of the labor force. This starts with a city's youngest residents in the public school system. Not only are they most likely to become the future workforce of a city, but most of the current workforce has children and cites family relationships as what is most important to them. Schools help ensure parents are happy with where they are raising their children. Other consumption amenities facilitate family recreation and recreation for the whole community, but knowledge about all of these amenities may be just as important as investing in the amenities themselves.

Although each city needs to find its comparative advantages, these advantages need to be broadly appealing. In addition, research and previous experience suggest that every city should focus on building and maintaining the following attributes:

- Good public services
- Infrastructure and transportation
- Low crime rates and other disamenities
- Natural amenities, parks, and low pollution
- A supportive business environment for all firms
- Entrepreneurship and innovation
- Education and job training
- More efficient and transparent government

If people are receiving higher quality public goods, they are more willing to pay for them through taxes. Government transparency is essential for residents to better understand how much public goods actually cost. Rather than focusing on lowering taxes, policymakers should be focusing first on making government more effective and efficient. Then taxes could be lowered or the quality of public goods improved. One method of creating more efficiency in metropolitan areas is to decrease the amount of fragmentation in city and regional governments. Policymakers also need to carry through with the plans and promises they have made to improve the community and be held accountable. Continually switching policies and funding then defunding programs is highly inefficient. Residents will benefit more by voting for an effective and efficient government than by voting for certain policies.

Ultimately, all of these policies to build on a city's natural advantages are improving the quality of life for residents and improving the quality of the business environment. Whether people attract jobs or jobs attract people, a high quality of life and a supportive business environment will attract both people and jobs. When a city becomes more desirable to live and work, economic indicators such as population growth, housing prices, and wages will begin to show signs of a comeback.

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