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Does Population Count?

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One of the hottest debates today in economic development is whether or not population counts. Evidence suggesting that the population of a place is directly related to its economic output is clear. A simple illustration of the positive relationship between population and economic activity can be seen in the graph titled, "Percent Change in Gross County Product and Population 1980–2000," which plots the percentage change in gross county product for all 3,000 plus counties in the U.S. between 1980 and 2000 against the percentage of population change. This highly linear relationship is revealing. It shows some gazelle communities experiencing more than 200% increase in population, matched with more than 750% increase in gross county product. The graph seems to suggest that wherever population moves, more than commensurate growth in economic activity occurs.

The relationship between population growth and economic activity can be traced back to the components of population growth. The first is Natural Increase, which is the result of subtracting all deaths from births. In essence, it measures what happens if no one ever moves. The second is Domestic Migration within the U.S. In the game of migration, the loss of one place is the gain of another and Domestic Migration is a zero-sum game. The third is International Migration. Wherever immigrants are attracted, such as the primary gateways in the Northeast and California, or such secondary gateways as Chicago, the tendency is for population to grow unless the native-born population is crowded out. With little differences across states or regions in Natural Increase, the primary ways by which the population of a place may grow are through migration, either domestic or international.

What drives Domestic Migration? Certainly, studies have shown that the drivers of Domestic Migration include such things as differentials in economic opportunities (employment and income), the relocation of employers and quality-of-life differentials. Increasingly, research is showing that such differentials have far greater potential to shift population patterns, with implications for greater divergence in economic activity. In the post-recession era, as one might expect, different metropolitan areas will likely experience differences in the rates of recovery. This suggests that places that are slow in our post-recession economic recovery might face economic disadvantages due to the fact that growing prosperity in other places will rob them of opportunities to grow their economies. With growing debate about the pros and cons of immigration, it would seem that these patterns are difficult to predict. But traditional gateway states and regions are likely to continue to attract more immigrants than others.

If it is indeed true that population counts, then essentially, the differentials in the attractiveness of places to people would play a key role in the economic resurgence of places. While population attraction is increasingly the focus of some local strategies to build their economies, other places have had the tendency to push back on attractiveness, based on concerns that new people coming into town would essentially take jobs away from existing locals. Therein lies the argument against the notion that population counts.

If economies do not move with people, or at least proportionately, then the attraction of people to a place essentially diminishes economic activity, raising unemployment and reducing per capita income. But that is not what the general data is telling us. Even more intriguing is the notion that different segments of the population have different propensities to bring along economic activities from where they lived to the new communities they choose to reside in. The population impact analysis based on IMPLAN for specific professions identified the huge discrepancies in the economic impacts of people. Such professions as healthcare, legal fields, architectural arts, engineering, higher education and finance and insurance tend to be high-impact economic agents whose spending patterns generate more jobs in their communities than the jobs they take when they move in. So, ultimately, places where talented people and knowledge workers move to

would probably have a better chance for economic growth than other places. In other words, population counts.

The explanation for a more mobile population on the landscape is rooted in the advent of Information Communications Technology, and with the potential that knowledge workers can generate economic activity in economic sectors that are not linked to traditional manufacturing and production. In other words, the talent pool is more fungible with respect to place. From our research we are beginning to better understand what makes them move. Of course, economic opportunities are important to this group, but so are such factors as quality of life, access to amenities, fun, the co-location of similar-minded people, place character, access to mass transit and other factors that were not so relevant in the past. Finally, how might Michigan communities deal with this information? It appears that in addition to the attraction of industry, the attraction of population is critical. The range of things communities can do that hold promise for attracting and maintaining their population will be the subject of a future story.