

WEST MICHIGAN VIEWPOINT

Ranking Metropolitan Areas: An Attempt to Compare Apples to Apples

Approximately every six months, a study is released that offers a new ranking of the nation's metropolitan statistical areas (MSAs). These studies often make the headlines, with the winners boasting that "it is about time" that their areas got the recognition they deserve, while the losers quickly proclaim that the studies are hopelessly flawed. Each study uses a different set of factors to determine which metropolitan areas are the "best," and seldom do the studies reach the same conclusions. Of course, this is not surprising, since the goals of the studies are often different: some attempt to identify the best areas to live in, while others try to identify the most productive or fastest-growing areas.

The usefulness of such studies is severely limited not only by their diversity of goals, but also because they do not account for differences in the economic bases of the ranked areas. For example, a ranking of metropolitan areas which includes Boston, Boulder, New Orleans, and San Francisco is not very useful for policymakers in Grand Rapids, because these MSAs do not share Grand Rapids' manufacturing economic base. A metropolitan area's future is crucially tied to its current economic base. This does not mean that because an area was once a manufacturing center, it must always

remain a manufacturing area to be successful; Pittsburgh is a case in point. But, for studies to be most useful to local economic development decision makers, they should only include areas that shared the same economic base at the start of the study period. Studies having such common bases can highlight areas that have performed better than their cohorts. With these results, economic researchers can focus their attention on identifying the factors or strategies behind the success of certain areas and determine if any of these factors or strategies can be transferred to other areas.

What follows is an example of a fairly simple methodology which controls for areas' economic bases in identifying the top performers. With west Michigan being highly concentrated in manufacturing, that is the obvious economic base to use in this example. However, the same methodology could be applied to other areas that share economic bases such as tourism, government, or services. I use 1990 as the baseline in this brief analysis to identify the better-performing manufacturing metropolitan areas during the 1990s.

Table 1 lists the 50 MSAs with the highest concentration of manufacturing activity in the nation as of 1990. The areas

Table 1
The 50 Metropolitan Areas Having the Highest Manufacturing Quotient in 1990

Rank	Metropolitan Area	Location Quotient	Rank	Metropolitan Area	Location Quotient
1	Kokomo, Ind. (MSA)	3.03	11	Mansfield, Ohio (MSA)	2.18
2	Elkhart-Goshen, Ind. (MSA)	2.92	12	Saginaw-Bay City-Midland, Mich. (MSA)	2.17
3	Hickory-Morganton-Lenoir, N.C. (MSA)	2.53	13	Appleton-Oshkosh-Neenah, Wis. (MSA)	2.11
4	Steubenville, Ohio/Weirton, W.Va. (MSA)	2.51	14	Danville, Va. (MSA)	2.08
5	Sheboygan, Wis. (MSA)	2.45	15	Birmingham, N.Y. (MSA)	2.01
6	Flint, Mich. (MSA)	2.40	16	Benton Harbor, Mich. (MSA)	2.01
7	Racine, Wis. (PMSA)	2.32	17	Brazoria, Tex. (PMSA)	1.97
8	Rockford, Ill. (MSA)	2.29	18	Duchess County, N.Y. (PMSA)	1.95
9	Lima, Ohio (MSA)	2.20			

(continued)

Table 1 (continued)

Rank	Metropolitan area	Location quotient	Rank	Metropolitan area	Location quotient
20	Johnson City-Kingsport-Bristol, Tenn./ Va. (MSA)	1.95	36	Peoria-Pekin, Ill. (MSA)	1.79
21	Sherman-Denison, Tex. (MSA)	1.94	37	Greenville-Spartanburg-Anderson, S.C. (MSA)	1.76
22	Rochester, N.Y. (MSA)	1.94	38	Kenosha, Wis. (PMSA)	1.74
23	Lynchburg, Va. (MSA)	1.93	39	Parkerburg, W.Va./Marietta, Ohio (MSA)	1.73
24	Dubuque, Iowa (MSA)	1.92	40	Lancaster, Pa. (MSA)	1.71
25	Kalamazoo-Battle Creek, Mich. (MSA)	1.90	41	Reading, Pa. (MSA)	1.71
26	Decatur, Ill. (MSA)	1.90	42	Rocky Mount, N.C. (MSA)	1.69
27	Erie, Pa. (MSA)	1.90	43	Fort Smith, Ark./Okla. (MSA)	1.69
28	Waterloo-Cedar Falls, Iowa (MSA)	1.90	44	Hamilton-Middletown, Ohio (PMSA)	1.68
29	Grand Rapids-Muskegon-Holland, Mich. (MSA)	1.88	45	Wichita, Kan. (MSA)	1.67
30	Youngstown-Warren, Ohio (MSA)	1.88	46	Greensboro-Winston-Salem-High Point, N.C. (MSA)	1.67
31	York, Pa. (MSA)	1.87	47	Jamestown, N.Y. (MSA)	1.67
32	Canton-Massillon, Ohio	1.84	48	Wausau, Wis. (MSA)	1.67
33	Gadsen, Ala. (MSA)	1.81	49	Wilmington-Newark, Del./Md. (PMSA)	1.67
34	Fort Wayne, Ind. (MSA)	1.81	50	Sharon, Pa. (MSA)	1.66
35	Gary, Ind. (PMSA)	1.89			

NOTE: "PMSA" means Primary Metropolitan Statistical Area, indicating an area that is part of a larger metropolitan region.

are identified using *location quotients*, which are defined as the area's manufacturing percentage of its total earnings divided by the same percentage for the nation. If an area has a location quotient of 1, then the percentage of its earnings generated in manufacturing matches that of the United States. In Kokomo, Indiana, manufacturing's percentage share of the area's total earnings is more than three times greater than the nation's. All three of the west Michigan MSAs are listed: Benton Harbor is ranked 16th; Kalamazoo-Battle Creek, 25th, and the Grand Rapids-Muskegon-Holland MSA takes the 29th spot.

The next step is to identify the best performers from 1990 to 1999. Unfortunately, the more direct measures—that is, the strongest employment or earnings growth—are inadequate because they do not control for the industrial mix of the area's economic base. Some metropolitan areas are fortunate because their larger firms are in fast-growing national industries. An area's firms could be among the weaker performers in these industries, but as long as these industries grew rapidly in the 1990s, chances are that the area would

simply enjoy the ride. In other words, these MSAs can take little credit for their growth during the 1990s, except for having the right set of industries.

The key is to identify those areas that performed better than expected in the last decade given the set of industries they had in 1990. In these areas, firms outperformed their industry rivals. It is possible that the areas' industrial mix of industries was composed largely of industries that performed poorly during the 1990s, yet the areas' firms in these sagging industries took market share from their competitors. In these highly competitive areas, the local economic development community can take more of the credit for the areas' success.

Using a statistical technique called "shift-share," we identify the most competitive manufacturing MSAs in the nation from 1990 to 1999 (Table 2).¹ Again, this list controls for the industrial mix of the areas as of 1990. The Grand Rapids-Muskegon-Holland MSA tops the list. The Kalamazoo-Battle Creek MSA is in the 43rd spot.

Table2
Ranking of the Most Competitive Manufacturing MSAs in the United States

Rank	Metropolitan area	Rank	Metropolitan area
1	Grand Rapids-Muskegon-Holland, Mich. (MSA)	26	Racine, Wis. (PMSA)
2	Hamilton-Middletown, Ohio (PMSA)	27	Rockford, Ill. (MSA)
3	Appleton-Oshkosh-Neenah, Wis. (MSA)	28	Waterloo-Cedar Falls, Iowa (MSA)
4	Elkhart-Goshen, Ind. (MSA)	29	Fort Wayne, Ind. (MSA)
5	Greenville-Spartanburg-Anderson, S.C. (MSA)	30	Parkersburg, W.Va./Marietta, Ohio (MSA)
6	Kenosha, Wis. (PMSA)	31	Brazoria, Tex. (PMSA)
7	Wausau, Wis. (MSA)	32	Lima, Ohio (MSA)
8	Fort Smith, Ark./Okla. (MSA)	33	Jamestown, N.Y. (MSA)
9	Sheboygan, Wis. (MSA)	34	Peoria-Pekin, Ill. (MSA)
10	Kokomo, Ind. (MSA)	35	Mansfield, Ohio (MSA)
11	Decatur, Ala. (MSA)	36	Lancaster, Pa. (MSA)
12	Janesville-Beloit, Wis. (MSA)	37	Erie, Pa. (MSA)
13	Sherman-Denison, Tex. (MSA)	38	Saginaw-Bay City-Midland, Mich. (MSA)
14	Greensboro-Winston-Salem-High Point, N.C. (MSA)	39	York, Pa. (MSA)
15	Dubuque, Iowa (MSA)	40	Canton-Massillon, Ohio (MSA)
16	Benton Harbor, Mich. (MSA)	41	Steubenville, W.Va./Weirton, Ohio (MSA)
17	Wichita, Kan. (MSA)	42	Johnson City-Kingsport-Bristol, Tenn./Va. (MSA)
18	Wilmington-Newark, Del./Md. (PMSA)	43	Kalamazoo-Battle Creek, Mich. (MSA)
19	Danville, Va. (MSA)	44	Reading, Pa. (MSA)
20	Gadsen, Ala. (MSA)	45	Binghampton, N.Y. (MSA)
21	Hickory-Morganton-Lenoir, N.C. (MSA)	46	Gary, Ind. (PMSA)
22	Rocky Mount, N.C. (MSA)	47	Youngstown-Warren, Ohio (MSA)
23	Lynchburg, Va. (MSA)	48	Flint, Mich. (PMSA)
24	Sharon, Pa. (MSA)	49	Duchess County, N.Y. (PMSA)
25	Decatur, Ill. (MSA)	50	Rochester, N.Y. (MSA)

Unfortunately, shift-share analysis does not explain why the top MSAs were so competitive during the 1990s. Each MSA has its own story to tell. However, by first comparing communities with the same economic base-in this example, manufacturing-and by then controlling for their set of industries, this analysis tells economic developers where to go to hear tales of success that may be transferable to their area.

Note

1. Shift-share analysis separates an area's earnings growth into two major components: a national/industrial component and a local competitiveness component. The former estimates the impact on the area's growth of the national performance of its industries. If an area's major firms are in industries that are growing slower than the national average, then the area can expect to achieve slower-than-average growth as well. The second component measures the competitiveness of the area's firms relative to their national counterparts regardless of their industry's national performance.