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To: Jeffrey Blodgett, Vice President of Research, CERC
From: Heather Brome, Policy Analyst
Re: Urban vs. suburban job growth
Date: October 20, 2006

On October 18, 2006 you requested that the New England Public Policy Center identify recent research on better understanding the relationship between urban and suburban economic growth. Specifically, when cities are doing badly in terms of economic growth and suburbs are prospering, how does one best understand a state's overall economic growth? This memo summarizes our findings. Copies of available papers are appended.

Background

In general, the movement of jobs from cities to suburbs, or creation of new jobs in suburbs rather than traditional urban centers, is a national trend. Population and jobs have both been growing more rapidly in suburbs than cities throughout the United States. Additionally, incomes of suburban and urban residents have continued to diverge. These changes in the economic and demographic climate of metropolitan areas could also signal changes in the traditional economic interdependence of cities and suburbs. Many researchers have questioned whether cities still need suburbs and vice-versa.

Connecticut is in an interesting position. As part of the New York City metropolitan region, the largest urban influence is outside of its borders. The smaller cities in Connecticut have not fared well in the face of national trends. In an Op-Ed in *The Hartford Courant*, Bruce Katz, the Director of the Center on Urban and Metropolitan Policy at the Brookings Institution, describes the state of Connecticut's cities as a "crisis rooted in market irrelevance and social isolation." He identifies three forces shaping Connecticut's cities—employment decentralization, population loss, and concentrated poverty—all of which are interrelated. He identifies "state laws and practices that subsidize sprawl and permit suburbs to wall themselves off from regional responsibilities" as a leading cause of the decline of Connecticut's cities. CERC's analysis of job growth in cities and towns in Connecticut shows that Hartford, Bridgeport, New Haven, Groton, Waterbury, and New Britain have all had the largest job losses between 1980 and 2000, while the towns that have experienced the largest gains in jobs are proximate to those cities.

Evidence

National trends

Ihlanfeldt, Keith R. 1995. "The Importance of the Central City to the Regional and National Economy: A Review of the Arguments and Empirical Evidence." *Cityscape: A Journal of Policy Development and Research* 1(2): 125-150.

This paper reviews the literature on the nature of the relationship between center cities and their suburbs. Some have argued that suburbs are no longer dependent on central cities and that their relationship is competitive rather than complementary. That is, more jobs in the suburbs necessarily mean fewer jobs in the city and vice versa. Others have argued that the economic fortunes of central cities and their suburbs remained closely interconnected and that the economic health of a city is a complement to the economic health of its suburbs. That is, job growth in center cities leads to more job growth in suburbs. The author points out the relative lack of inquiry into the relationship between central city decline and suburban growth.

Voith, Richard. 1998. "Do Suburbs Need Cities?" *Journal of Regional Science* 38(3): 445-464.

In this paper, the author constructs a model that is able to control for both the affects of cities on suburbs and suburbs on cities. The author also controls for the size of the urban area, which is particularly useful for better understanding the role of small and medium sized cities in Connecticut. Voith finds statistical evidence that city income growth has positive external effects on suburban income and house-price growth, and to a lesser extent population growth. However, the author found that **income growth in small and medium sized cities has no significant impacts on suburban growth.**

Glaeser, Edward L. and Matthew E. Kahn. 2001. "Decentralized Employment and the Transformation of the American City." NBER Working Paper 8117.

The authors examine the trend in decentralization of employment in America's cities. They cite the preference of workers for living in suburbs as the dominant force explaining decentralization of employment—that is, that **jobs follow people to the suburbs.** Additionally, they found evidence that local policies can affect whether firms locate in a central city or a suburb. In some metropolitan areas, employment density decreases abruptly as you cross the border from the central city to its suburbs suggesting that the city may be relatively business friendly, while other central cities were negatively associated with employment density. These effects varied regionally. Cities in the South and Midwest tend to attract businesses relative to their suburbs, while cities in the West have lower employment densities. This effect is the weakest in the Northeast with a slight advantage to central cities.

Rossi-Hansberg, Esteban, Pierre-Daniel Sarte, and Raymond Owens III. 2005. "Firm Fragmentation and Urban Patterns." NBER Working Paper 11839.

Cities and their suburbs are interconnected in complex ways. For instance, recent research by two economists at the Federal Reserve Bank of Richmond and an economist at Princeton illustrates how the ability of firms to break down their production processes—that is locate one set of jobs in a center city and another type of jobs on the edge city—has led to faster job growth on the periphery than in the center city, but a larger share of managerial jobs in center

cities. The authors find that firms have been more likely to locate jobs that benefit from agglomeration economies in center cities and other jobs on the fringes.

Brennan, John and Edward W. Hill. 1999. "Where are the Jobs?: Cities, Suburbs, and the Competition for Employment. The Brookings Institution Survey Series.

In a survey of 92 large US metropolitan areas, the authors examine job growth (or losses) between 1993 and 1996 in the central city and surrounding suburbs. The authors identify three types of metropolitan areas by job growth patterns: (1) areas where central cities gained jobs but suburbs gained jobs faster, (2) areas where cities lost jobs while suburbs gained them, and (3) areas where central cities gained jobs while suburbs lagged. Hartford, CT was one of 23 cities in the survey that lost jobs, while suburbs gained, however **the disparity between job growth in Hartford and its suburbs was not as great as the disparity in many other metropolitan areas, including Phoenix, Denver, and Atlanta.** The authors show that decentralization of jobs is not specific to older industrial cities in the Northeast and Midwest.

Other states' experiences:

Lahr, Michael L. 2004. "Is New York City Still Propelling Growth in its Suburbs?: A Study of the Economic Spillover Effects through Spatial Contiguity."

One scholar at Rutgers University's Center for Urban Policy Research investigated whether New York City is still driving economic growth in its suburbs. He finds that **New York City does still drive economic growth in its suburbs in the financial services industry, particularly in Connecticut.** However, the author acknowledges that the suburbs themselves are a major economic force and that future research should attempt to solve for the spillover effects from economic growth in the suburbs to economic growth in the center city.

Brookings Institution. 2003. "Back to Prosperity: A Competitive Agenda for Renewing Pennsylvania."

Brookings Institution. 2006. "Charting Maine's Future: An Action Plan for Promoting Sustainable Prosperity and Quality Places."

Two reports by the Brookings Institution's Metropolitan Policy Center have focused on sustainable growth in Pennsylvania and Maine. Both reports highlight the costs of current growth patterns and the role of cities in the future economic competitiveness of the state.