WHERE WE STAND:
The Competitiveness of the St. Louis Region

BY JOHN POSEY and MARY RICCHIO
Measuring Regional Competitiveness

Among its peer metropolitan areas, the St. Louis region is the 17th largest in population, 27th in population growth, 7th most affordable for housing, and 12th in high school attainment. What do these rankings mean? Is the St. Louis region less or more competitive than its peers? Do they measure whether or not the region is successful?

In this essay, we explore two theoretical approaches to answering these questions – regional growth and regional competitiveness. Both of these approaches are “nomothetic explanations” for how regions develop. That is, they seek to generalize factors based on what is learned from multiple cases. They differ in that regional growth theory focuses on specific inputs (i.e., transportation costs, education, and taxes) as explanations for differences in the economic growth of regions while regional competitiveness theory focuses on the need for regions to build a strong economic cluster around a specific industry. There is support for both theories but, of course, criticism of and flaws in both as well.

We use rankings of 35 peer metropolitan regions from the East-West Gateway Council of Governments publication, Where We Stand, to discuss these theories and how they apply to the St. Louis region.

The Where We Stand series of publications compares St. Louis to 34 peer metropolitan areas.

WHERE WE STAND

To gauge the competitiveness of the St. Louis region, The East-West Gateway Council of Governments has ranked St. Louis among 34 regions deemed its peers for the past 20 years in six editions of Where We Stand. These regions are viewed as those that St. Louis competes with domestically for people and jobs. Where We Stand has come to be recognized as an authoritative source of information about the competitive position of the St. Louis region in the national marketplace. East-West Gateway tracks over 100 variables that together tell a story about the health of the St. Louis region compared to 34 peer MSAs. Where We Stand is issued about every three years with periodic updates released between publications. Current and past editions of the publication, as well as the periodic updates, can be found at www.ewgateway.org/wws/wws.htm
How to Measure Success?

You don’t have to look far to find a ranking of metropolitan areas or cities. Every day we are inundated with the latest top ten list of - best cities for casinos, best dressed, worst places to get an education, and on and on. An educated reader will greet these rankings with critical skepticism because there are many challenges associated with compiling comparative metrics. First, different cities or states measure and report information differently, raising the risk of comparing apples and oranges. A second challenge relates to the interpretation of data. Idiosyncratic factors sometimes result in “spikes” in the data that reflect measurement issues rather than real changes. For example, the St. Louis region was rated among the top regions in the country in the growth of agricultural land from 2002 to 2007. However, much of this increase was due to recreational land owners in Illinois reclassifying their properties as forests for tax purposes. This reclassification did not represent an actual growth in open space. A third challenge is that, although some may try, it often is not possible to measure important characteristics in a quantitative manner. Features such as civic pride, quality of parks, and miles of bike trails are examples of variables for which comparative metrics are elusive.

In spite of these challenges, comparative metrics can provide some context for interpreting trends and assessing performance. In a strategic assessment of the St. Louis region, East-West Gateway navigates around these challenges by relying primarily on standardized federal data and on studies that compile comparable statistics for multiple regions.

Before discussion of theories of development, we provide an overview of where the St. Louis region stands...
in comparison to its peers on some of the most common indicators used in analyses of regional growth and competitiveness.

Population and Migration

Population growth is often used as a stand-alone measure of the health of a region or city. This is shortsighted. Changes in population do not directly shed light on the quality of life in a region. The charts in this essay indicate that many high-growth regions also have low income and high crime. On the other hand, low population growth, particularly when combined with net out-migration, can suggest a relatively modest number of employment opportunities. Population decline and growth each have their own set of challenges and advantages.

St. Louis lags behind most of its peers in terms of population growth, yet it is still holding its place as one of the largest regions in the country. Its four percent population growth over the last decade earns it the ranking of 27. The region has dropped from the 12th most populous to the 17th over the past two decades. Miami, San Francisco, Phoenix, and Seattle all increased population enough to move up and shift the St. Louis region down in the rankings.

The regions that have experienced the highest population gains have also seen the largest gains in net migration, particularly domestic migration. The St. Louis region ranked below average on net migration in five of the six editions of WWS. The 2006 edition is the only one in which the region recorded a positive net migration rate, with 22,000 more people moving into the region than moving out between 2000 and 2005. By the end of the decade, the recorded net migration was again negative. Similar to other slow growing regions with a large population, St. Louis has a higher rate of international migration compared to domestic migration. Yet, the region’s international migration is still not enough to make up for the loss in population due to domestic migration.

Employment and Income

Whether jobs follow people or people follow jobs, the regions that have seen the largest increases in population have also seen the largest increases in employment. These high-growth areas are mostly in the Sunbelt region with the three largest employment gainers in Texas. Like most of the peer regions, the St. Louis region saw employment gains in the 1980s and 1990s but saw a decrease in the last decade. St. Louis ranked 19th (of 30) in employment growth from 1980 to 1989, 24th from 1990 to 1996, 34th from 1996 to 2000, and 26th from 2000 to 2010.

Another common measure of the success of regions is income. The earnings per job in the St. Louis region was below the peer region average in 1989 (ranking 15th of 30) and slipped in ranking to 23rd (of 35) in 2009. In real dollars, the average earnings per job in the St. Louis region have increased from $42,486 in 1989 (in 2009 dollars) to $45,553 in 2009, a seven percent increase. The average earnings per job for the peer regions increased 12 percent over the same time period, indicating the St. Louis region is not keeping up with its peers.

The regions that saw an increase in employment over the past decade vary in their rankings on earnings per job. Only two of the top 10 employment gainers rank in the top 10 on the earnings per job variable.

Quality of Life

Economic indicators are not the only measures of a successful region. There are also many quality of life variables that deserve recognition. St. Louis ranks better than average on indicators such as health insurance coverage and crime rates, about in the middle on poverty rates, and worse than average on several health indicators such as asthma.

What is the East-West Gateway Council of Governments?

The East-West Gateway Council of Governments (EWG) is the federally designated metropolitan planning organization (MPO) for the St. Louis region. It serves eight counties in the St. Louis region: the Illinois counties of Madison, Monroe, and St. Clair, and the Missouri counties of Franklin, Jefferson, St. Charles, St. Louis, and the city of St. Louis. As the MPO, EWG has legal authority and responsibility for developing and adopting plans for the region’s surface transportation system. In addition, through its role as a Council of Governments, EWG acts as a forum in which local governments may work together to achieve common purposes.
On the quality of life indicators, again, there is much variation in where the high growth regions rank. The lack of a correlation is even more apparent than on some of the other variables. More than half of the 10 fastest-growing regions have higher than average rates on all four of these variables.

It is often said that the low cost of housing contributes to quality of life in St. Louis, and there is some truth to this assertion. St. Louis ranks well on the Housing Opportunity Index, with 84 percent of homes affordable to a family earning the median income. But, as metropolitan areas have become more spread out, it has become common to factor transportation costs in with housing costs when measuring affordability. Because St. Louisans drive more, owing to the region’s relatively low density and relatively high reliance on cars, the region’s ranking drops somewhat when housing and transportation costs are considered together. But even using the housing plus transportation, or “H+T” index, St. Louis is still more affordable than most of its peers.

The regions with the largest increases in population and employment as well as the most populated regions vary in their ranking on the H+T index with no apparent correlation between this affordability variable and growth.

The top ten population and employment gainers rank in the middle of the peer regions on the Housing Opportunity Index, with 73 to 84 percent of homes affordable to a family earning the median income in their regions. The most populated regions tend to be less affordable, with more of the regions ranking higher and 38 to 80 percent of homes affordable to a family earning the median income.

The quality of life indicators discussed here represent only a small fraction of the indicators that one might want to include in such an analysis. The St. Louis region is often recognized for having high-quality cultural institutions, a strong community spirit surrounding sports, and good access to recreational opportunities. Unfortunately, there is a lack of reliable comparative metrics available for these factors. The quality of life data used for comparison in this section can be viewed only as a proxy for the overall level of happiness or quality of life in a region. Still, they make the point that growth and quality of life do not always go hand in hand.

Explaining Success

It is easier to describe trends than to explain them. Much research has been completed that tries to explain the success of some regions and the failure of others. Wilhelm Windelband (1901) distinguishes between two types of explanations. The ideographic style seeks to explain individual cases, focusing on contingent factors that make an individual example unique. By contrast, the nomothetic style seeks to generalize, seeking factors that generally explain multiple cases. There is room in social thought for both styles of analysis.

An ideographic explanation might, for example, explain Miami’s high rate of international migration as a function of the city’s geographic proximity to Latin America. Austin’s population explosion might be explained by the unique constellation of factors that propelled that region to grow, including a thriving music scene and a combination of a major university and a state capital.

Nomothetic explanations look for more general factors that could be applied to any (or almost any) region. While not diminishing the importance of particularistic case studies, this article focuses on two schools of thought that fall into the nomothetic category. These theoretical approaches have been called “regional growth theory” and “regional competitiveness theory.” (Capello, 2001)

Theories of Regional Growth

It has long been noted that some regions enjoy more economic growth than others. Early theories explained differences among regions as a function of transportation costs (Capello, 2011). Later explanations focused on factor endowments, such as valuable minerals or agricultural productivity. As theory developed, awareness grew that cities could, to some extent, shape their own endowments of labor and capital.

In the 1990s, economic research on regional growth focused on the importance of factors such as education, infrastructure, and taxes. A related strain emphasized the role of governance.
Education

It is close to self-evident that education and productivity are, to some extent, linked. However, the connection between a given educational policy and subsequent growth is not straightforward. Educational attainment affects economic growth, and economic growth in one time period affects educational spending, and educational attainment, in subsequent periods.

Fisher (1997) and Aghion et al. (2009) find the evidence of the role of education in economic development to be weak. In a meta-analysis of 19 studies that seek to quantify the relationship between regional economic performance and the role of public services, Fisher finds that only six show a significant positive relationship between education spending and economic outcomes. Others actually show negative relationships.

Several of the studies use educational spending as the indicator of regional policy. Fisher notes that this variable is problematic, since spending is not always a good indicator of educational quality. On this variable, the St. Louis region ranks 13th, spending $9,600 per student on curriculum. This is slightly more than the average for the peer regions. Additionally, the 22 percent growth in spending in the St. Louis region is slightly lower than the increase in education spending for the average for the 35 peers (25 percent).^2

Some studies use educational attainment rather than educational spending. But this too is problematic. As Fisher notes, causality is very difficult to tease out: Education affects income, and income affects education. Reviewing literature more than a decade later, Aghion et al. (2009) conclude that “despite the enormous interest in the relationship between education and growth, the evidence is fragile at best.”

The St. Louis region ranks fairly well on variables of education attainment. The St. Louis region ranks 24th on adults without a high school diploma or equivalent with nearly 89 percent of the adult population with at least a high school education. This is a higher rate than some of the regions that are seeing the most growth in employment and population, such as Austin, Charlotte, and Dallas, as well as some of the largest US regions, such as New York, Los Angeles, and San Francisco. Only one of the regions (Columbus) that have a higher high school education attainment percentage than the St. Louis region has a lower median household income. Of the six regions where median household income has increased over the last decade, three (New York, San Diego, and Los Angeles) have less educated population than the average peer region, measured by the percent of adults without a high school diploma.

St. Louis ranks 15th on both adults with advanced

Between 1950 and 2010, the St. Louis region’s urbanized area more than quadrupled, while the region’s population increased by only 50 percent. More dispersed settlement patterns result in more driving.
degrees and change in percent of adults with a bachelor’s degree or higher. For adults with advanced degrees, the region is just below average with 11.6 percent of adults having a master’s, professional, or doctorate degree. Washington, D.C., Boston, and San Francisco rank the highest on this variable, with over 15 percent of adults having an advanced degree. Seven of the 10 regions with the largest employment gains over the past decade rank in the bottom 10 on this variable, with some of the lowest percent of adults with advanced degrees.

On the change in percent of adults with a bachelor’s degree or higher, St. Louis is above average with 4.6 percent growth over the last decade. Many of the regions with the fastest growing populations (Dallas, Austin, and Houston) and the largest increases in employment (Austin, San Antonio, and Houston) are experiencing some of the slowest growth in adults with bachelor’s degrees. St. Louis is also above average on adults with an Associate’s Degree as the highest level of education.

These mixed findings seem to give support to Duncan’s (1997) argument against using inconclusive statistical evidence to shape policy, warning that doing so would probably result in underinvestment. On the other hand, Ady (1997), writing from a non-quantitative perspective, reports that educational attainment is a first-cut issue used by site selection consultants in recommending regions for major business expansions or relocations. In line with Ady’s findings, the St. Louis Regional Chamber recently announced a goal of being in the top 10 metros for college attainment. This goal is based on market research that indicates companies will use this cut-off point in helping to determine which regions are options for location or relocation. Currently, the St. Louis region is 14th among the 20 largest metro regions. The Chamber hopes that by aligning the private, public, and education entities in the region toward this goal, the St. Louis region will also see better rankings on measures of regional growth. While there is no guarantee that a given educational policy will result in added growth, the economic development literature provides some evidence that educational attainment can be a useful piece of an economic development strategy.

**Infrastructure**

Regarding infrastructure, the results are, again, mixed. Fisher (1997) provides a review of literature on the effects of transportation spending on regional economic growth, finding that only eight of the 15 studies reviewed show positive and significant relationships between transportation and economic outcomes. However, Chen and Haynes (2012) point out that most of the positive findings were reported in early work on the topic, while later work tended to refute the connection. Mamuneas and Nadiri (1996) report that as the system has matured, the effect of highway spending has declined.

Ady, writing again from the perspective of a site development consultant, reports that proximity to interstate highways matters for a fairly large percentage of his clients. Ady reports that more than 50 percent of his clients want to be within 25 miles of an Interstate. Access to transportation gives firms flexibility on warehousing and logistics, makes express service pickups more reliable, and allows firms to draw from a greater labor pool.

The WWS tables on transportation variables indicate the St. Louis region has a fairly competitive road network—8th highest number on freeway lane miles per square mile, the 13th lowest average commute time, and 11th lowest daily vehicle miles of travel per square mile. When the size of the region is taken into account, the number of miles driven (i.e., daily travel density) appears fairly low. Since the region is so large, though, actual vehicle miles of travel are fairly high (7th highest in vehicle miles traveled per capita). Although the region has a vast road network that provides access in a competitive time, the expense of transportation for households is higher than in most other regions. The regions where households are spending some of the lowest proportions of their income on transportation are also some of the most densely populated regions in the

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country, but not the fastest growing.

Reports such as Ady’s offer an important complement to quantitative studies, giving a practitioner’s insight into how and why different factors are important to different firms. While they affirm the importance of infrastructure such as highways, these perspectives still offer little in the way of a roadmap for a region seeking to chart an optimal course.

**Taxes**

Many econometric studies in the 1990s investigated the hypothesis that higher taxes in a region discourage economic activity in that region. Wasylenko (1997) reviews studies of the effect of tax rates on regional economic outcomes, including employment and income. As with Fisher’s review of expenditures, Wasylenko finds results on the effect of taxes inconclusive: “In effect, the results are not very reliable and change depending on which variables are included in the estimation equation or which time period is analyzed.” Ady (1997) disputes the importance of taxes, reporting that this is rarely a top concern of firms seeking to relocate.

Duncan (1997) reflects on the inconclusiveness of econometric evidence, distinguishing between tax policies he classifies as “the good, the bad, and the ugly.” Ugly tax policy consists of inter-jurisdictional bidding wars for specific firms. Bad tax policies, according to Duncan, attempt to use tax incentives to spur investment or job creation, but in reality usually simply subsidize decisions that would have been made anyway. Good tax policy seeks the lowest possible general tax rates consistent with a desired level of service.

The St. Louis region has consistently had some of the lowest per capita government expenditures, ranking 28th (of 30) in 1987 and 33rd in 2006. The region is in the bottom 10 with some of the biggest employment gainers – Austin, Houston, Salt Lake City, Nashville, Oklahoma City, and Dallas. But, on the other end of the spectrum, the five regions with the highest government expenditures per capita in 2006 are often considered some of the most competitive–San Francisco, New York, Los Angeles, Charlotte, and Washington, D.C. The charts shown offer slightly different measures of regional taxing and spending. Local spending per capita reflects total local government spending divided by population. Since areas with higher incomes might be expected to spend more, the chart showing government revenue as a percent of total income normalizes spending data by income. Local government revenue from local sources excludes intergovernmental transfers that might be expected to skew results. By each measure, St. Louis has consistently ranked low on both local taxes and local spending.

**Governance**

Do smaller governments provide residents with an enhanced level of communication with leaders, or do many small governments split the pie and cause more intra-regional competition at the expense of inter-regional competitiveness? With over 200 local governments and hundreds of additional special purpose local governments, governance is possibly the most debated issue in the St. Louis region. The large number of local governments is due, at least in part, to the divorce of 1876, in which the city of St. Louis split from St. Louis County. As a result of this split, the city of St. Louis was not able to grow through annexation, which is how many other cities expanded their populations throughout the 20th Century.

While research on regional impacts of education, infrastructure, and taxes arose from the economics literature, political science gave rise to a body of literature on the role of governance. In the 1990s, several prominent urban theorists, including David Rusk, Myron Orfield, Anthony Downs, and Neil Peirce, argued forcefully against political fragmentation within regions. These thinkers advocated measures including regional tax base sharing, growth boundaries, and city-county mergers to strengthen urban cores. Theorists in this vein argued that cities and suburbs are inextricably linked. Suburbs, it was argued, could not thrive without strong urban cores, and conversely, a strong urban core benefits the entire region.

Several research efforts attempted to document a negative relationship between fragmentation and economic performance, though Swanstrom (1996) finds these studies unconvincing. Swanstrom maintains that this strain of regionalism arose in response to the reduction of federal aid to cities and to low-income households. Federal retrenchment forced urban advocates to make new arguments for local public policies that favored urban cores. Since “the old arguments about compassion were falling on deaf ears,” urban advocates attempted to appeal to the self-interest of suburban residents by persuading them that all would benefit from programs aimed at central cities. Swanstrom argues that this rhetorical turn illustrates the limits of economic thinking, and that policies should be defended through a compelling vision of what a region can be, rather than through attempts to estimate elasticities of output.

In *Where We Stand* rankings, the St. Louis region is consistently at the top of the charts with one of the highest number of local governments per capita. Among its ranks in the top 10 are mostly other Midwest regions –Indianapolis, Kansas City, Columbus, and Cincinnati. The top 10 list also includes a couple of regions with high population growth–Denver and Houston–but most of the regions with high population and employment growth rank below the peer average of 12 governments per 100,000 population.

**Theories of Regional Competitiveness**

Over the last 15 years, theorists of regional competitiveness such as Michael Porter (Porter, 2003; Delgado, Porter and Stern, 2012) and Richard Florida (2008) have achieved near hegemonic status in discussions of regional economic performance. Whereas earlier theories of regional growth emphasized factors of production and costs, the regional competitiveness literature, influenced by the New Economic Geography of Paul Krugman and other theorists, emphasizes the...
benefits of economic specialization.

Regional competitiveness theory takes as its point of departure the changes that have occurred in the global economy over the last quarter century. As a result of these changes, regions have become “crucibles” of economic competition. In response, according to these theorists, regions should pursue strategies aimed at developing clusters of interdependent firms in order to take advantage of benefits of agglomeration.

**Economic change**

Analysts such as Ash Amin (1999) emphasize that the importance of regions has been enhanced by changes in the world economy in recent decades. Over the last 40 years, relaxation of controls on capital mobility, in combination with the development of information technology infrastructure enabling command and control over long distances, has produced a dramatic shift in the international division of labor, a change encapsulated by the term “globalization.” As a result of globalization, firms face competition from other firms around the world, a development that has led to significant reductions in manufacturing employment in the United States.

Two other factors also enhance the role of regions. The first was a shift from a model of industrial organization known as Fordism to a new model referred to as flexible specification or “flex-spec.” Fordism refers to the system of mass production and mass consumption epitomized by Henry Ford’s assembly lines. Flex-spec refers to the capacity of goods producers to tailor products to the specifications of individual consumers, producing smaller batches for a wider variety of customers.

The second shift was the retrenchment of the national Keynesian welfare state, which formerly played a more active role in both the management of aggregate demand and in the financing of subsidiary units of government. As a result of these changes, regions are increasingly on their own, even as firms face ever greater pressures from competition around the globe.

A conclusion drawn by proponents of regional competitiveness is that in the increasingly globalized market, regions are the crucible of economic competition. Regions, on their own in the face of national retrenchment, become the key actors in economic policy and job creation. Firms, facing ever more competition, survive only through constant innovation. Innovation, in this line of theorizing, is a byproduct of clustering and agglomeration economies.

These global trends help explain much of the recent history of the St. Louis economy. Changes in the global economy led to massive decreases in manufacturing employment in the United States, and manufacturing centers such as St. Louis were particularly hard hit. In 1969, manufacturing employed 292,000 workers in the St. Louis region. By 2010, the number had fallen to just 106,000. Between 1992 and 2012, St. Louis lost a larger percentage of its manufacturing jobs than Detroit, Pittsburgh, or Cleveland. These high-paying jobs were replaced by service sector positions that generally paid far lower wages.

These economic dislocations in recent decades have not been spread evenly throughout society. As documented by William Julius Wilson (1996), African American communities have been disproportionately affected by changes in the global economy. In St. Louis, racial disparities can be seen in employment, income, poverty levels, and health.

**Benefits of Agglomeration**

According to regional competitiveness theorists such as Porter (2001; 2011), regions that have a strong concentration of firms in related economic sectors enjoy several advantages, including:

- Input-output links: Geographic proximity between goods producing firms and their suppliers reduces transportation and transaction costs.
- Labor market pooling: The ability to draw on a large workforce with industry-specific knowledge benefits firms by reducing training costs and increasing the productivity of labor.
- Knowledge spillovers: A physical concentration of individuals in related fields leads to incremental innovation in ways that reduce costs or increase productivity.

In other words, physical proximity and localized knowledge generate positive externalities and increasing
returns to scale that make firms in a specialized region more competitive in the global marketplace.

Richard Florida (2008) has contributed to the regional competitiveness literature by developing the concept of a “creative class.” In Florida’s view, innovation derives from a dense concentration of highly educated and creative individuals. By placing creative thinkers in close proximity, knowledge spillovers and innovations inevitably result. A key question in regional economic development, then, is how to attract members of the creative class. Florida offers “three t’s” of drawing creative thinkers to a region: tolerance, talent, and technology. By offering an image that is tolerant of diverse lifestyles and cultures, that values talent, and that is friendly to technological innovation, a region can draw the kinds of individuals that form the cornerstone of success in the global market.

Two tables show the performance of the St. Louis region through the lens of regional competitiveness theory. The first shows the percentage of workers employed in strong clusters in traded sectors, using data provided by Michael Porter’s Institute for Strategy and Competitiveness. A region is deemed to have a strong cluster if the region’s share of employment in that cluster is 30 percent greater than the national average. It can be seen that by this measure, St. Louis is about in the middle of the pack, with 9.5 percent of workers employed in strong clusters. The other table shows patent performance, measured by patents per 10,000 employees. By this measure, St. Louis ranks 23rd out of 35.

Criticisms Regional Competitiveness Theory

Although thinkers such as Porter and Florida have dominated recent discourse on regional economic performance, there has been a stout band of dissenters who criticize the rubric of regional competitiveness, charging that it lacks empirical rigor, conceptual clarity, and usefulness.

Critics attack theories of regional competitiveness for promoting an agenda based on inadequate empirical evidence. Lovering (1999) dismisses new regionalism as “a rather vague framework which licenses speculation on possible relationships between hypothetical actors at an imprecisely specified level of idealypical abstraction.” Martin (2006) also notes that competitiveness is a contentious concept, quoting Robert Reich to the effect that competitiveness “is one of those rare terms of public discourse to have gone directly from obscurity to meaninglessness without any intervening period of coherence.” Lovering charges that case studies overstate the economic success of regions that have adopted the new regionalist “paradigm,” overlook signs of weakness in these success stories, and play fast and loose with causal connections between “information-age networking” and indicators of success. Moreover, Bristow (2005) charges that competitiveness theorists simply fail to demonstrate that the success of firms is determined by the characteristics of regions in which they happen to be located.

The Where We Stand tables provide limited support for both the agglomeration theorists and their critics. Some regions, such as Boston and San Francisco, are close to the top in both cluster specialization and patent performance. These regions also have above average income although their employment growth has been sluggish over the last decade.

However, there are several examples that appear to contradict the cluster hypothesis. St. Louis and Austin have about the same level of cluster specialization, while Austin has several times as many patents as St. Louis and far more robust economic growth. Detroit stands in the middle of the specialization ranking and toward the top of patent performance, but has had one of the worst economic growth rates over any time period in recent decades. Indeed, a list of strong economic clusters could include the auto industry in Detroit or the steel industry in Pittsburgh, circa 1970. Specialization was not enough to help these regions survive in the new global marketplace.

A second line of attack is that regional competitiveness theory ignores the role of national policy, both in the United States and other countries. Ann Markusen and her colleagues (1991) have documented the importance of military spending on postwar development patterns in the United States, coining the term “gunbelt” to refer to the southern states that benefitted most from defense spending. Transportation spending in the 1950s and 1960s heavily subsidized development in the South, and federal spending shifts in the 1980s benefitted southern and Pacific states, at the expense of the Midwest and the Mid-Atlantic (Florida and Jonas, 1991). The rise of the Sunbelt, then, was not simply the result of pristine market forces; there was a political economy of regional growth. By ignoring national policy, competitiveness theory can be seen as providing a justification for the erosion of the national government. Placing the onus on regions de-emphasizes national social welfare and macroeconomic policies, which can be seen as providing cover for a right-of-center agenda.

In addition, some work in the regional competitiveness literature also suffers from a weakly developed view of international economic forces. While some theorists, such as Amin, offer nuanced appraisals of international political economy, others, including Porter, sometimes border on naïve. For example, Porter’s report on the Pittsburgh economy stated that the aluminum and steel industries “fell behind because of international competition that used new innovations to surpass Pittsburgh’s productivity” (Porter, 2002).

This explanation is highly simplistic. Seven of the top 11 steel producers in the world today are in China. To state simply that steel producers in other countries were more “innovative” ignores the massive subsidies that China offered its steel manufacturers, the lax safety and environmental regulations, the de facto protectionism created by China’s deliberate undervaluation of its currency, and savage wage repression, not to mention state ownership (Haley and Haley, 2013). These success factors have little to do with the sort of incremental improvements that regional competitiveness theorists imagine bubbling
up when engineers chat over happy hour. Nor are these the kinds of “innovations” generally advanced by regional competitiveness theorists.

A sympathetic appraisal of the competitiveness literature could argue that the literature has demonstrated that clusters have been helpful to some regions, some of the time. But there are many other factors at work as well.

**APPRAISAL**

What has been learned in the last 20 years of research on regional economic growth?

**Regional Development:** Studies of regional development in the 1990s identified several factors that can affect regional economies. However, the literature does not offer regions a roadmap on how much to spend on education or infrastructure, or on where to spend money. Moreover, there is an obvious relationship between public services and taxes. Lower taxes mean lower services, *ceteris paribus*. But services and taxes can have opposite effects, with services more likely attracting growth, and taxes more likely discouraging growth. Perhaps it should not be surprising, therefore, that studies of taxes and spending offer inconclusive results. In short, the literature offers no optimal formula, aside from the common sense conclusion that regions should deliver services as efficiently as possible, and tax as little as possible consistent with a desired level of service.

Comparative metrics may be helpful for determining a general direction for a region. Regions with low growth and high taxes relative to peer regions might reasonably look for ways to economize and to reduce the tax burden. Conversely, a region in which people are dissatisfied with growth and in which taxes are much lower than in peer regions might reasonably consider whether enhancement of public services might make the region more attractive. Comparative metrics can also offer a region benchmarks for improving performance in public services, and for envisioning the complex combination of attributes to which a region might aspire. In combination with a compelling vision for a region, comparative metrics can help citizens grapple with a region’s complex mix of attributes, and thus provide a guide for experimentation. Even so, quantitative analysis offers no guarantees of success.

**Regional Competitiveness:** Critics of regional competitiveness theory have scored some palpable hits. Many factors that influence a region’s destiny are beyond the control of regional actors. There are empirical problems as well. While case studies of places such as Silicon Valley and Northern Italy have documented some factors related to the success of these regions, it is not clear that this line of theorizing has identified practices that could be transferred to other regions. While networks of trust have had beneficial results in some places, social capital can take many years to develop. At any rate, if the international market for a region’s goods collapses in short order, even the thickest of institutions will be of little help.

Despite these weaknesses, studies of regional competitiveness deserve credit for documenting the existence, in some places, of increasing returns to scale, as well as beneficial effects of social capital.

**Conclusion**

It is easy to conclude that there are no easy answers. Regions are unique. Growth is complex. There is no single magic solution nor any policy that can be uncritically imported from another region. But the literature of the last 20 years points the way to at least some tentative steps.

First, an honest appraisal will concede that much of what happens in the region is beyond our control. National policies and international economic forces affect the region’s destiny as much as our own choices. This suggests directing more of our attention to national policy discussions, advocating for fiscal and monetary policies that benefit large regions, and objecting to policies that privilege other regions at our expense. Regions do not have to acquiesce willingly when the federal government undertakes devolution of responsibilities without a proportional devolution of funding. Regions are the logical interest group to challenge the prevailing view that the federal government can do nothing to assist urban areas and their residents.

Second, the literature indicates that good public services promote growth, but that at some level, high taxes can deter growth. Thus, raising taxes to improve public services is not an option for some regions. In St. Louis, however, both local taxation and local government spending are near the bottom in the comparative rankings. This suggests that there is room for St. Louis to enhance public services while remaining a relatively low tax region. The specific types of public investments can be determined only through a vigorous public debate. The public recently passed targeted sales taxes to improve parks, support transit, improve levees, and, in several jurisdictions, improve schools. Not every proposal for public spending will be a good one. But accepting proposals that provide rigorous justification can enhance public services, competitiveness, and quality of life.

Third, it is clear from the comparative rankings that population growth does not always correspond with quality of life. San Antonio, Memphis, and Oklahoma City are examples of regions with population growth rates that are much higher than those in St. Louis. But each of these regions is doing worse than St. Louis with respect to income, poverty, educational attainment, health, and crime. By the same token, several regions, mainly on the coasts, have experienced low growth, while continuing to enjoy high income levels, high levels of educational attainment, and excellent public services. This does not mean that population growth does not have its benefits. Growth can contribute to quality of life through higher wages, increased density, and through corporate support for parks, cultural institutions and local philanthropies. Growth and quality of life are related, but one cannot be reduced to the
other. It is worth discussing how much growth is desired, and how to ensure that growth occurs in a way that enhances quality of life.

Finally, critiques of research in regional competitiveness and growth show how difficult it is to make definitive statements about what a region needs to do. But the lack of easy answers in social science literature should not be a cause for discouragement. Rather, it should be an invitation to grapple with the question of what kind of region we want St. Louis to be. As Swanstrom argues, a compelling vision for what the region can be is needed. Such a vision will address complex interrelationships that shape the quality of life.

As documented in six editions of Where We Stand, the St. Louis region has survived a major economic shift. A region once heavily reliant on manufacturing has continued to grow in population and maintain competitive rankings on many variables, despite major losses in this key industry. Yet, there are many variables on which improvement is desired.

The region has many assets on which to build. There are several efforts underway that are developing a vision and goals for the region. To name just three:

• The Regional Chamber is leading an effort to place St. Louis among the top 10 metro areas for the percentage of the population with a bachelor’s degree or higher.
• The St. Louis Mosaic Project has set a goal of making St. Louis the fastest growing region for international migration. To this end, the Mosaic Project is advocating for a suite of policy objectives aimed at making St. Louis more welcoming to immigrants.
• The regional sustainability plan known as OneSTL has brought thousands of residents and hundreds of organizations together to create a vision for the future of St. Louis that will better coordinate planning in the areas of transportation, housing, and the environment.

No single policy can be the region’s silver bullet. The citizens and leaders of the region are grappling with a diverse set of issues, and in the process, building a multifaceted vision for what the region will be in future decades. The effectiveness of these initiatives will be documented in future editions of Where We Stand.

ENDNOTES

1 After each decennial census the Office of Management and Budget revise the boundaries of Metropolitan Statistical Areas (MSAs). The Metro Area Population tables reflect the population of the MSA based on the defined boundary for that census, while the Population Change tables account for the change in boundaries and reflect the population change based on the boundary for the later time period.
2 These figures are not adjusted for inflation.
3 For more information on manufacturing in St. Louis, see the September, 2013, Where We Stand Update: http://www.ewgateway.org/pdffiles/newsletters/WWS/WWS6EdNo6.pdf
4 More formally, cluster $k$ in region $i$ is a strong cluster if the percentage of workers employed in that cluster is at least 1.3 times the percentage of workers employed in cluster $k$ nationally, a metric known as a location quotient.


