

This World Is Flat

Fewer than one-quarter of U.S. metropolitan areas grew faster than 2 percent a year during the 1980s, according to the 1990 census. But Binghamton, New York, and other cities show that slow-growing markets can thrive.

Joe Schwartz and Thomas Exter

It's a question of supply and demand. When the supply of new customers dries up, each new customer becomes more valuable. And when population growth in the United States slows down, metropolitan areas must find new ways to keep their economies up to speed.

America's metropolitan areas have been centers of population growth through most of this century. But new data from the 1990 census show that metro growth has now slowed to a crawl. Of the 320 officially designated metropolitan areas, 65 actually lost population between 1980 and 1990. Another 116 metros grew more slowly than the 10 percent rate for the national population. Only 73 metros increased by 20 percent or more in ten years. And the 1990s promise even slower growth. The U.S. population should grow only 7 percent in the next decade, says the Census Bureau.

When growth goes away, businesses and governments must learn to do more with less.

Many slow-growing metros are experiencing rapid changes within racial and socioeconomic groups. But slow growth in the total number of residents puts a multifaceted burden on entire communities. Population growth is a traditional engine of economic

vitality: it creates demand for new retail and service businesses, provides new workers for manufacturers, and pays for schools and infrastructure. When growth goes away, businesses and governments must learn to do more with less.

Fewer Than One-Quarter

Metropolitan areas are still growing slightly faster than the nation as a whole. The U.S. population grew by less than 1 percent annually between 1980 and 1990, while the average metro grew by 1.1 percent. Metropolitan areas were home to 77 percent of Americans on Census Day last year, up from 76 percent in 1980.

The fastest-growing metro areas of the 1980s were in the West and South. Naples, Florida, grew the fastest of all, increasing 77 percent in population over the past decade. Nine of the 12 fastest-growing metropolitan areas were in Florida; the others were in California, Nevada, and Texas. While most of the metropolitan growth in the 1980s came from a combination of natural increase and migration, places like Naples gained new residents primarily at the expense of other metropolitan areas.

The metropolitan area loss leaders of the 1980s were concentrated in the northern half of the country. Casper, Wyoming, may have suffered the worst blow: it lost 15 percent of its population during the 1980s. Wheeling, West Virginia-Ohio, came in second with a 14 percent loss, followed by Steubenville-Weirton, Ohio-West Virginia (13 percent loss); Decatur, Illinois (11 percent loss); and Decatur, Illinois (11 percent loss); and Duluth, Minnesota-Wisconsin (10 percent loss).

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Most of the country's metropolitan areas can not match the degree of population change found in Naples or Casper. Their population grew slowly or stagnated. About one metro in four failed to achieve even 2 percent growth for the entire decade. And one metro in nine showed no significant change whatsoever. This "flatliner" club gained or lost less than 2 percent of their population during the 1980s.

Most flatliners are in the Northeast and Midwest, but some Sunbelt markets are also members. The most prominent flatliner is Chicago, which experienced only a 0.2 percent population increase in ten years. New Orleans experienced a 1.4 percent population decrease. Other flatliners include Wichita Falls, Texas; Lynchburg, Virginia; Nassau-Suffolk, New York; Lawton, Oklahoma; and Jackson, Michigan.

"It's true that more metropolitan areas are growing slowly or declining, and few are growing very rapidly," says Richard Forstall, chief of the population distribution branch at the Census Bureau's population division.

During the past decade, the growth of metros also varied considerably by size, says Forstall. Smaller metropolitan areas tended to gain population faster than did larger ones. But the long-term trend for all metros is slower growth, because the only two sources of growth—natural increase and in-migration—have been diminished.

"In the past, metropolitan areas grew rapidly for two reasons: a high overall population growth rate and a high rate of migration from rural areas to metropolitan areas," says Forstall. "Since the early 1970s, the national growth rate has slowed, and now, almost 80 percent of people already live in metropolitan areas. There is a smaller pool of people who can move from rural areas to metropolitan areas."

In the 1990s, "some areas will attract more people than others, but basically, the metros will divide up the growth," he says. "Increasingly, in many areas of the country, growth is a question of competition between metropolitan areas, especially in the North."

Markets that are growing slowly and are saturated with competition leave businesses with a tough choice. The only way to grow in such an environment is to steal business from someone else. Marketers learned this lesson in the 1980s. In the 1990s, the nation's mayors will follow suit.

Still Thriving

Binghamton, New York, could be considered a typical flatliner. It's an older metro in the Northeast whose population grew only 0.39 percent between 1980 and 1990, to 264,497

people. In other words, the city of Binghamton's 592 retail trade establishments, 487 taxable service businesses, and all other contenders have been forced to fight over a grand total of about 100 new customers a year.

But Binghamton's story is good news for business leaders who are coping with slow population growth. It illustrates that slow growth does not always mean economic stagnation.

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The Binghamton metropolitan area, which includes Broome and Tioga counties in upstate New York, is blessed with a large base of high-paying manufacturing jobs, a relatively low (4.8 percent) unemployment rate, and a highly trained workforce. A large aerospace manufacturer plans to put a state-of-the-art plant in this area, and two major shopping malls are also on the drawing boards.

"We've been insulated over the years," explains Lou Santoni of the Broome County Chamber of Commerce. The area's shock absorbers are large, resilient manufacturers who have strong national and global markets.

Forty-five years ago, Binghamton's major manufacturer was the Endicott Johnson shoe company; it employed 20,000 area residents. Today, Endicott Johnson employs about 1,600 people. But as Endicott Johnson declined, Binghamton's economic health was secured by an aggressive business community and one extremely prominent native son: Thomas J. Watson, the founder of IBM. Today, IBM employs about 14,000 metro residents.

Like many U.S. metropolitan areas, Binghamton is seeing a slow net loss of manufacturing jobs. But manufacturing still accounts for nearly one-third of its work force, almost twice the national average. Moreover, most of the manufacturing jobs are salaried, high-paying, white-collar positions.

"Our manufacturers employ about 30 percent of all workers. Nationally, the rate is 18 percent and, for New York State, it is about 14 percent," says Mark Turner, executive director of the Broome County Industrial Development Agency. White-collar workers have more discretionary income to spend with area businesses than do their blue-collar counterparts, he says. If they are laid off, their skills tend to be more marketable.

Binghamton shows that in the 1990s, the

overall rate of population growth will mean less to metros than their ability to attract and retain skilled workers. Few observers would say that the area is booming, but signs of economic growth are plentiful. General Electric, for example, is opening a new aerospace plant in **Conklin**, just east of the city. Its 500 employees will mainly come from other metropolitan areas, just as most of the new customers for a Binghamton supermarket must be "stolen" from competitors.

Skilled workers can keep a city healthy once population growth stops.

One developer is negotiating with Binghamton officials to build a downtown shopping mall. Another developer in nearby Vestal has received the green light to build a **225,000-square-foot** shopping center at the site of a defunct **drive-in** movie theater. A third developer is talking about a **778,000-**

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square-foot mall on the Vestal Parkway.

The Census Bureau's Forstall says that Binghamton is a typical example of a northeastern metro that thrives despite slow population growth. Its economy is healthy because it is in a good location, and because its manufacturing base has managed to change with the times.

That all-important change never happened in **Scranton-Wilkes Barre**, Pennsylvania, a metropolitan area of 734,000 just an hour's drive south of Binghamton. For decades, its economy was built on anthracite coal mining. Today, an aging population makes health care the largest local employer.

Similarly, the Duluth, Minnesota-Wisconsin metropolitan area, which lost 11 percent of its population over the past decade, built itself on **iron-ore** mining and port activity on Lake Superior. "It's never been able to add anything to those original resources," says Forstall. "Its remoteness and its climate make it hard to attract much else."

A successful transition from an economy based on **blue-collar** manufacturing to white-collar high-technology jobs is the key to Binghamton's economic health. "This story is not unusual" for slow-growing yet vital metropolitan areas, says Forstall.

The safest bets, however, are larger metropolitan areas that have diverse economic bases. Atlanta's economy is probably more resilient than Houston's, because Atlanta is dependent on many industries, while Houston still is highly dependent on oil.

Other smaller, healthy metros are what Forstall calls "all purpose" urban centers: "They are the only big city around" in a state or region. Consequently, they serve as natural centers of commerce and manufacturing. A few examples of "all purpose" centers are areas such as Sioux City, South Dakota, and Boise, Idaho.

Population growth in the United States has been slowing down since the 1960s. As this trend continues, more and more metropolitan areas will have to find ways to maintain a healthy economy in the absence of significant population growth. Business leaders are often lured to invest in hot spots like southern California or Florida. But they should also pay close attention to the real trendsetters: Binghamton, Scranton, and Duluth. PM

For more information on census data, contact the Census Bureau's Customer Services staff at 301/763-4100.

A complete list of metropolitan populations for 1990, based on our calculations of early census releases, is available from American Demographics. Call 800/828-1133.

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