Challenging the Idea that Growth Creates Prosperity:

A Summary of the Fodor Study

Abstract

Many cities and towns actively pursue an agenda of growth and development in an attempt to create jobs, attract talented residents, increase income, and improve the quality of life. Nevertheless, there are many problems associated with rapid growth, such increased noise and traffic congestion, loss of undeveloped land and open spaces, negative environmental effects, and strained infrastructure. Counter-intuitively, increased growth can also cause economic harm to a region.

A 2010 study by Fodor & Associates, LLC examined the relationship between income and growth rates of cities and their environs. (Fodor & Associates, LLC *A Study of Growth and Prosperity*, 2010.) A previous study, which analyzed the growth during the prosperous 1990s, found that that increases in per capita income and population growth are not correlated to a statistically significant degree. (Gottlieb, Paul D., *Growth Without Growth: An Alternative Economic Development Goal for Metropolitan Areas*, Center for Regional and Economic Issues, 2002.) The Fodor study found that growth not only is not associated with increased prosperity; in a recession, fastest-growing metropolis had higher unemployment rates, higher poverty rates, and lower incomes than cities that grew more slowly or not at all.

Analysis

The Fodor study analyzed the one hundred largest metropolitan statistical areas (MSAs), as of 2009, in the United States, which are defined as cities and the surrounding areas which have a high degree of social and economic integration with the city. (US Census Bureau.) The Fodor study compared the top quartile of fastest-growing MSAs with the bottom quartile; the top quartile had an average growth rate of 2.7% during the 2000-2009 years, compared to an average growth rate of 0.1% amongst the MSAs in the bottom quartile.

The Fodor study compared average population growth of MSAs from 2000 to 2009 with income, changes in income, employment, changes in employment, and poverty rates. For the purposes of the study, income is defined as per capita income, defined as income from all sources (including production, rental income, retirement benefits, Social Security, pensions, and Medicare), with statistics provided by the Bureau of Economic Analysis. (Fodor, p. 17, Methodology Notes.) Unemployment statistics were obtained from the Bureau of Labor Statistics; poverty data were collected from the *American Community Survey* of 2009.

Results

The Fodor study strongly repudiates the notion that high levels of growth creates wealth and better outcomes for a community. **The slower growth areas outperformed the higher growth areas in every category.**

The relationship between slow growth and high income

Communities which grew slowly over the last decade had a higher per-capita income in 2009 than those communities which grew quickly: for every 1% increase in growth rate, the per-capita income of that metropolitan area fell approximately $2,500. (Fodor, pp. 3-4.) Also, per-capita income of slow-growing metropolitan areas grew much faster from 2000 to 2009 than the per-capita income of fast-growing areas. (Fodor, pp. 7 and 13.)

Furthermore, the areas which grew slowly during the boom years of the1990s saw per-capita income increase faster during the last decade than did those that grew quickly in the 1990s; thus, slow growth over several decades is strongly associated with higher increases in income many years later. (Fodor, pp. 7-8.)

Those high-growth areas suffered more during the recession which began in 2007: the top quartile of fastest-growing MSAs lost more per-capita income from 2007 to 2009, and 2008 to 2009, than did the slowest-growing quartile of MSAs. (Fodor, pp. 5-6.)

The relationship between slow growth and low unemployment rates

Contrary to what advocates of development claim, increasing growth and population is not correlated with higher employment rates. Communities which grew quickly over the last decade did not have lower unemployment rates than slow-growing communities, nor did their unemployment rates improve more than those of slower-growing cities. (Fodor, pp. 9-11.)

Poverty and Growth of Cities and their Environs

Just as communities which grew more slowly during the 1990s had higher increases in their per-capita income from 2000 to 2009, those areas also had lower poverty rates in the last decade than cities which grew quickly during the 1990s. (Fodor, p. 12.)

Conclusion

The idea that increasing population will necessarily result in better economic outcomes is unsupported by the statistics; a statistical analysis indicates that the opposite is true, and further indicates that rapid growth can negatively affect the prosperity of a city for many years. The analysis may understate the harm of rapid economic growth, as it only considers income and changes in income, but does not account for the increased costs of living which are generally associated with more densely-crowded areas, nor does it consider environmental harm, changes to the quality of life, or costs to cities and towns of creating and maintaining the infrastructure for a growing population.

Thus, cities and towns should exercise caution before engaging in large development in the hopes of creating economic growth, which is the usual justification for such projects.