

# Taking the Measure of St. Louis

***The views expressed here are those of the speakers and do not necessarily represent the views of the Federal Reserve Bank of St. Louis or of the Federal Reserve System.***



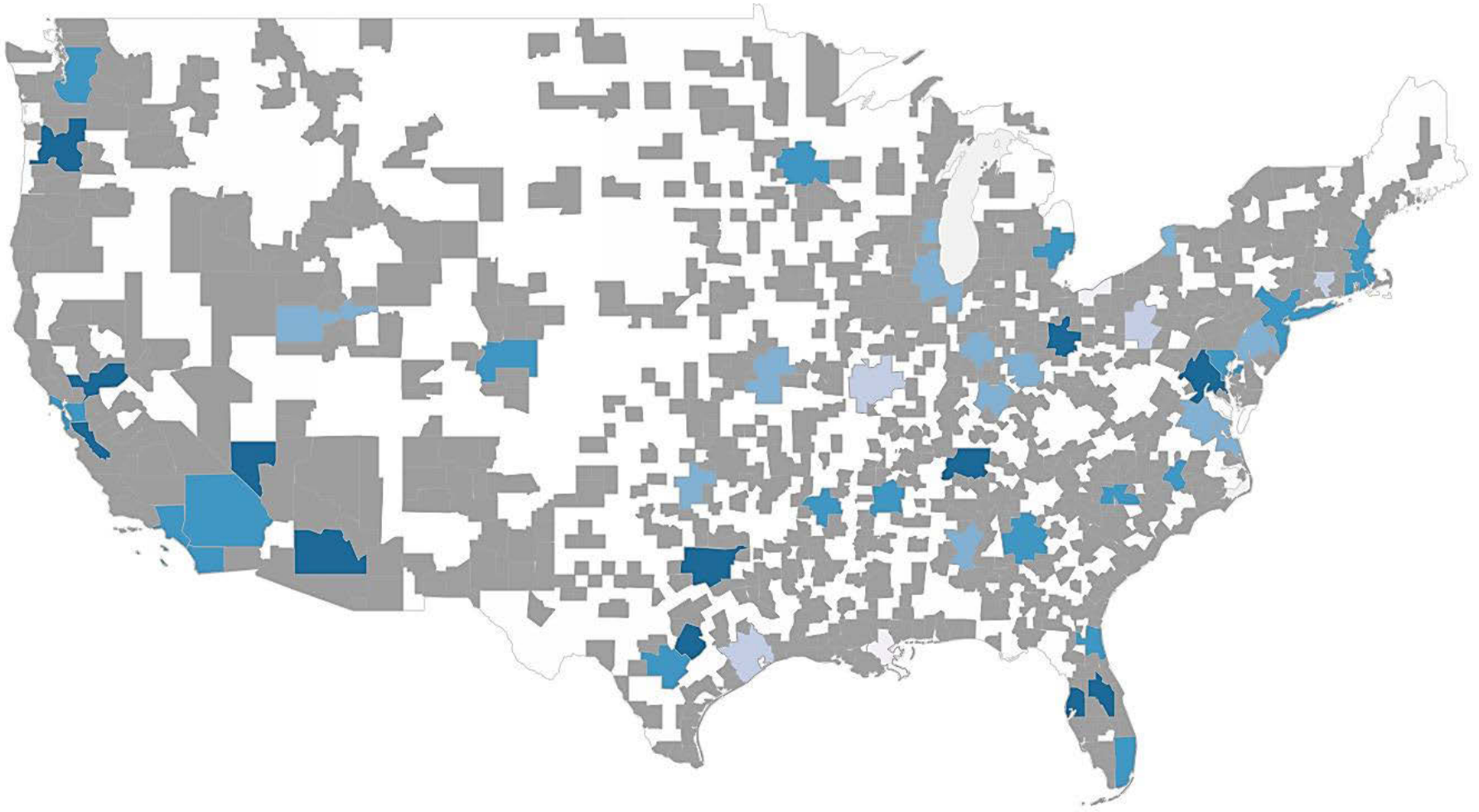
***Federal Reserve Bank of St. Louis***  
**October 5, 2016**

# **A Perspective on Metro Growth and Prosperity: How to Measure It and Where Does St. Louis Stack Up?**

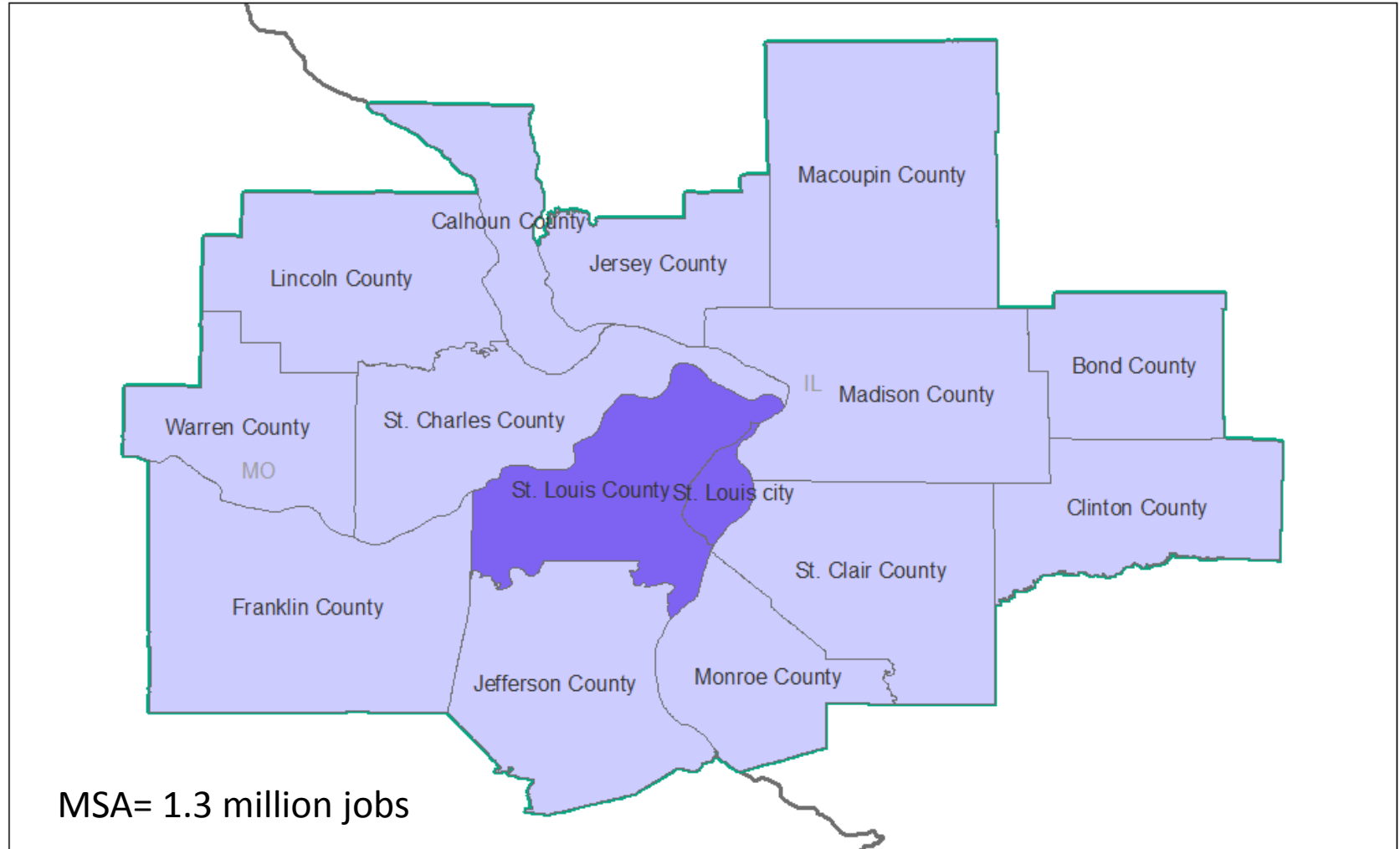
**Charles S. Gascon**

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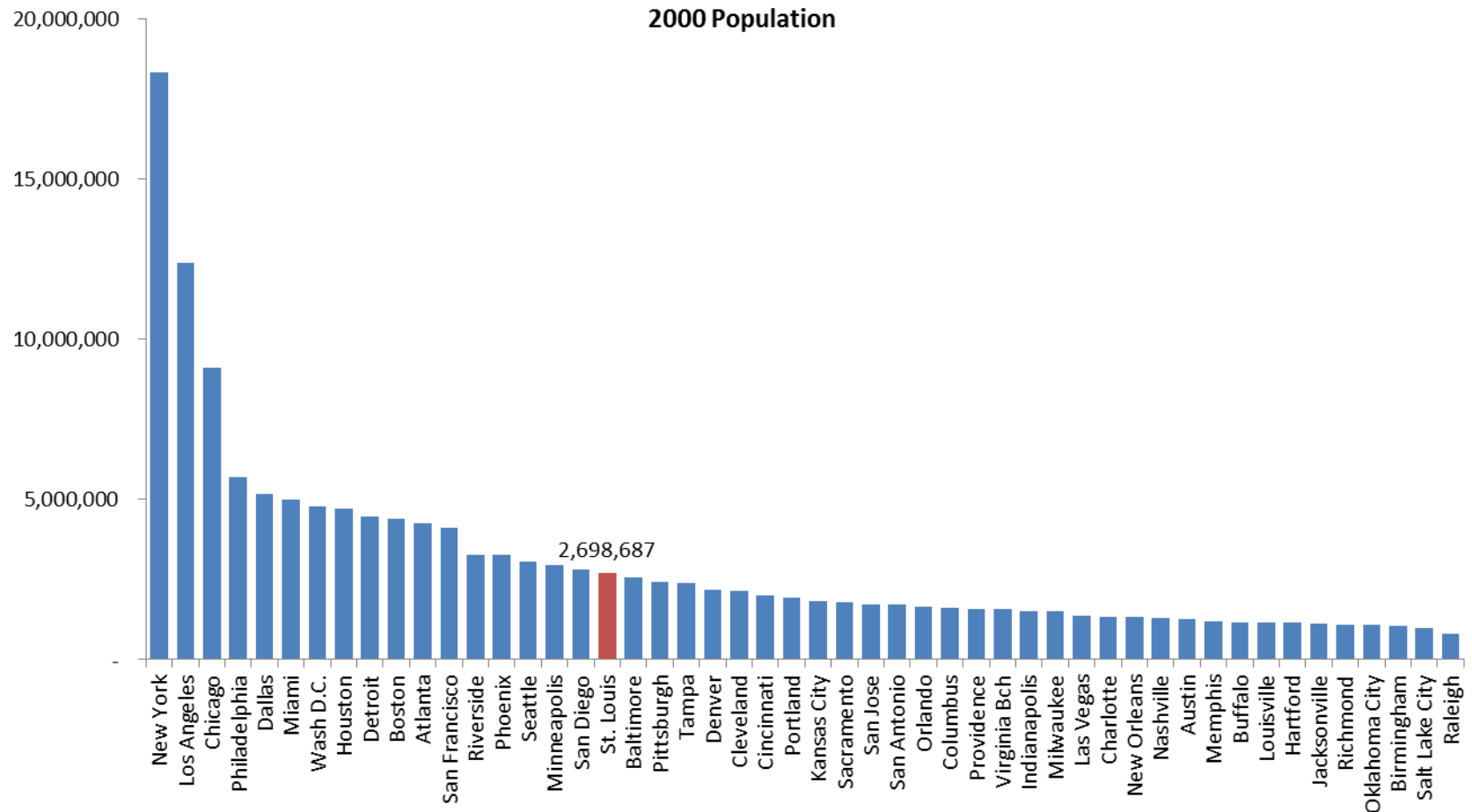
# Metro Areas, national economic boundaries



# St. Louis MSA: 60 percent of jobs in two counties

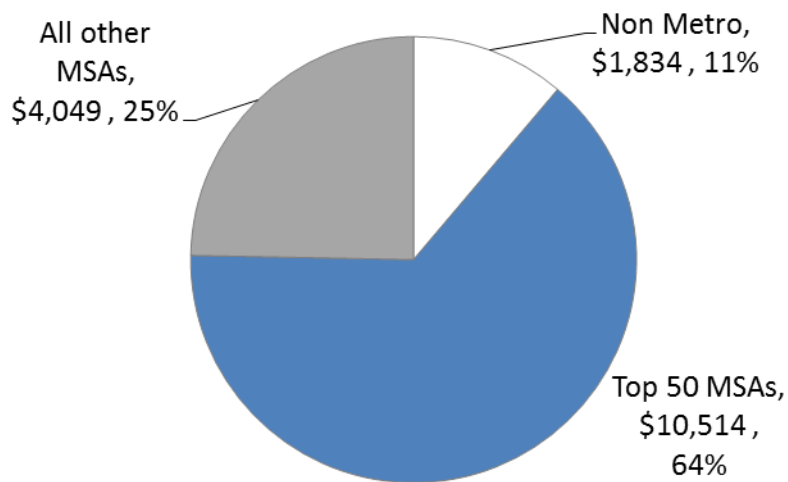


# St. Louis was the 18<sup>th</sup> largest metro area in 2000.

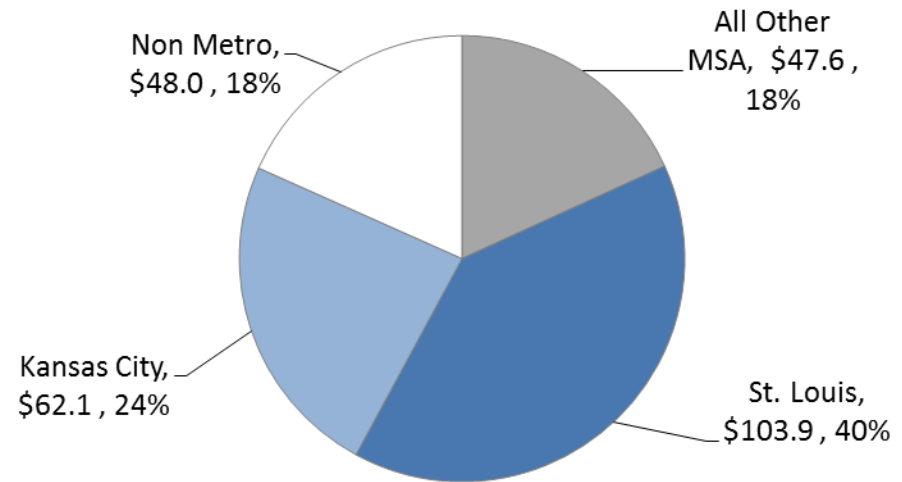


# Almost 90 percent of economic activity concentrated in metro areas

2015 US Real GDP (Billions)



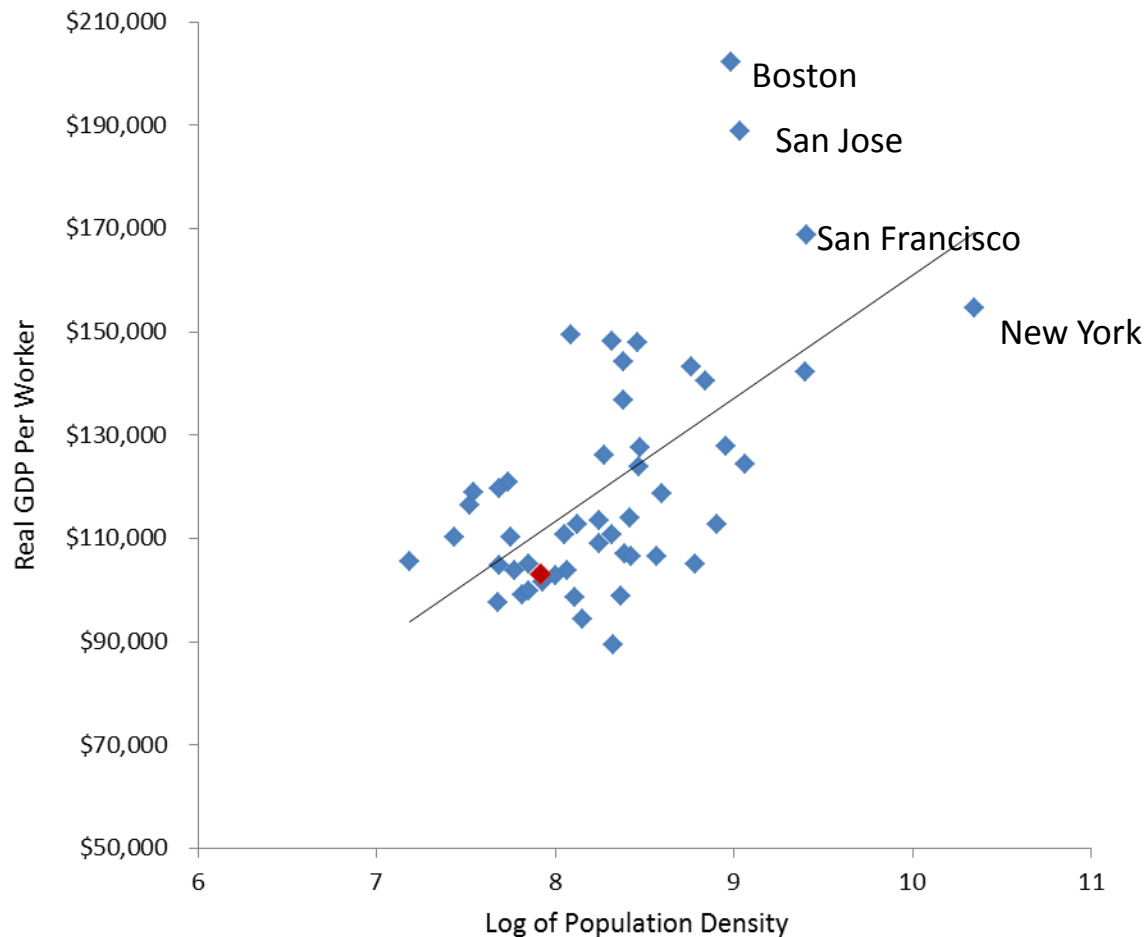
2015 Missouri Real GDP (Billions)



Note: St. Louis and Kansas City MSA GDP allocated to Missouri based on employment shares

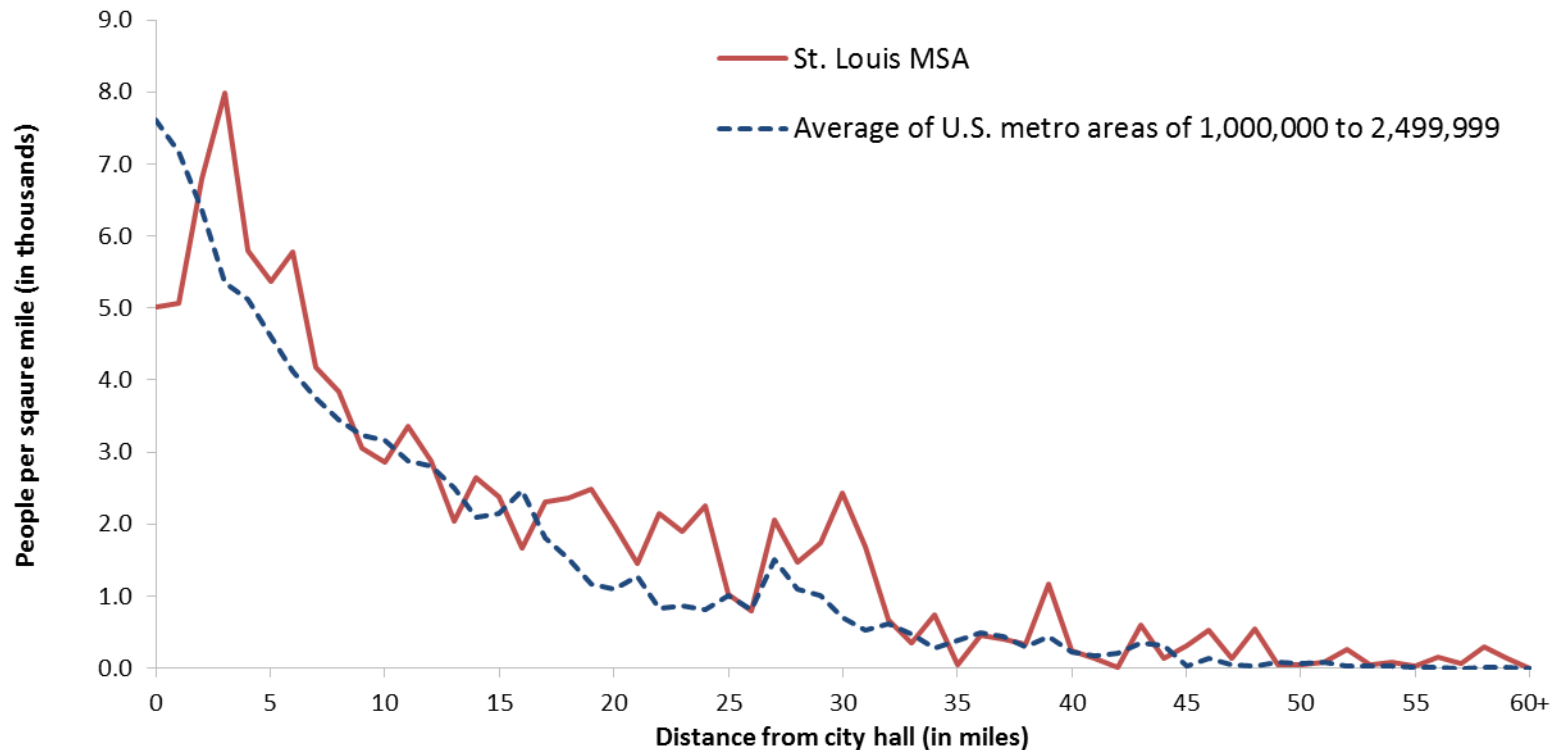
**Agglomeration Economics** helps us understand why our economy is primarily composed of metropolitan areas.

# Positive relationship between population density and worker productivity



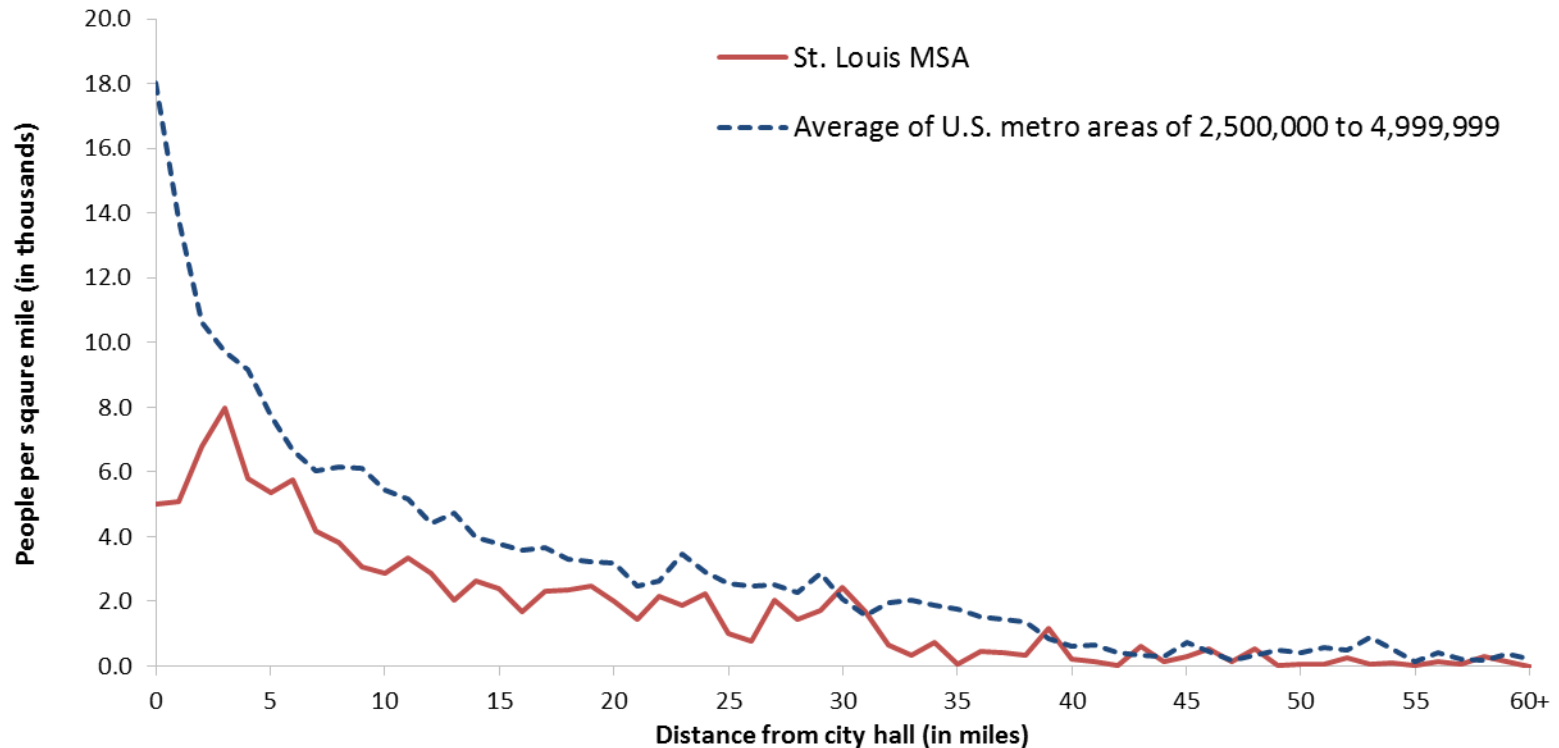


# Population density peaks 3 miles from downtown



Source: U.S. Census Bureau

# St. Louis looks much more like our smaller peers.



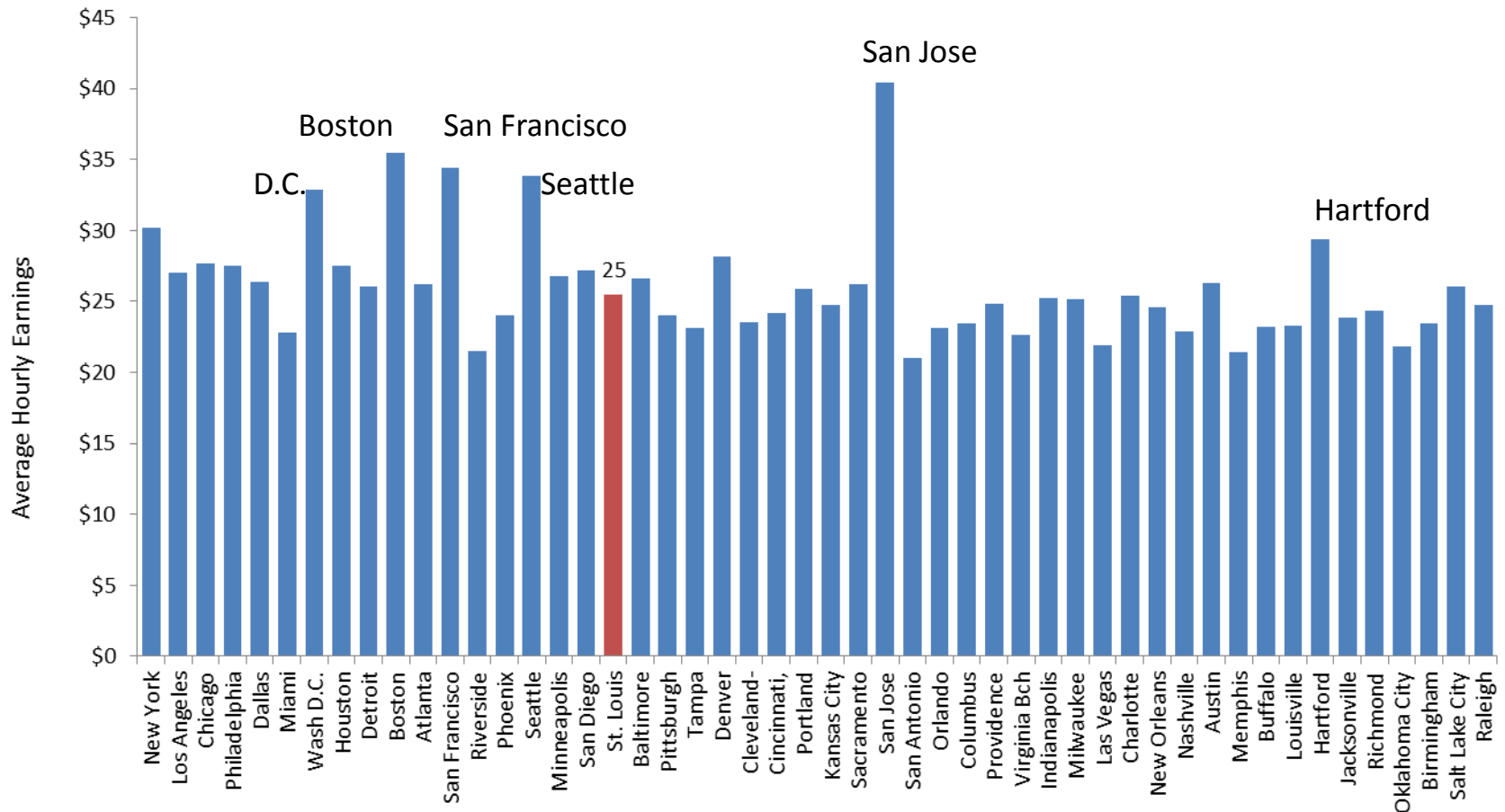
Source: U.S. Census Bureau

“If a place is doing well, then employers should be **willing to pay more for workers in that area**, people should be willing to pay more for access to that place, and more people should move to that area.”

-Edward L. Glaeser

*Agglomeration Economics (2010), University of Chicago Press*

# With a few exceptions, wages are clustered around \$25/hour.



Source: Bureau of Economic Analysis

# Differences in productivity explain much of the variation in wages across metros.

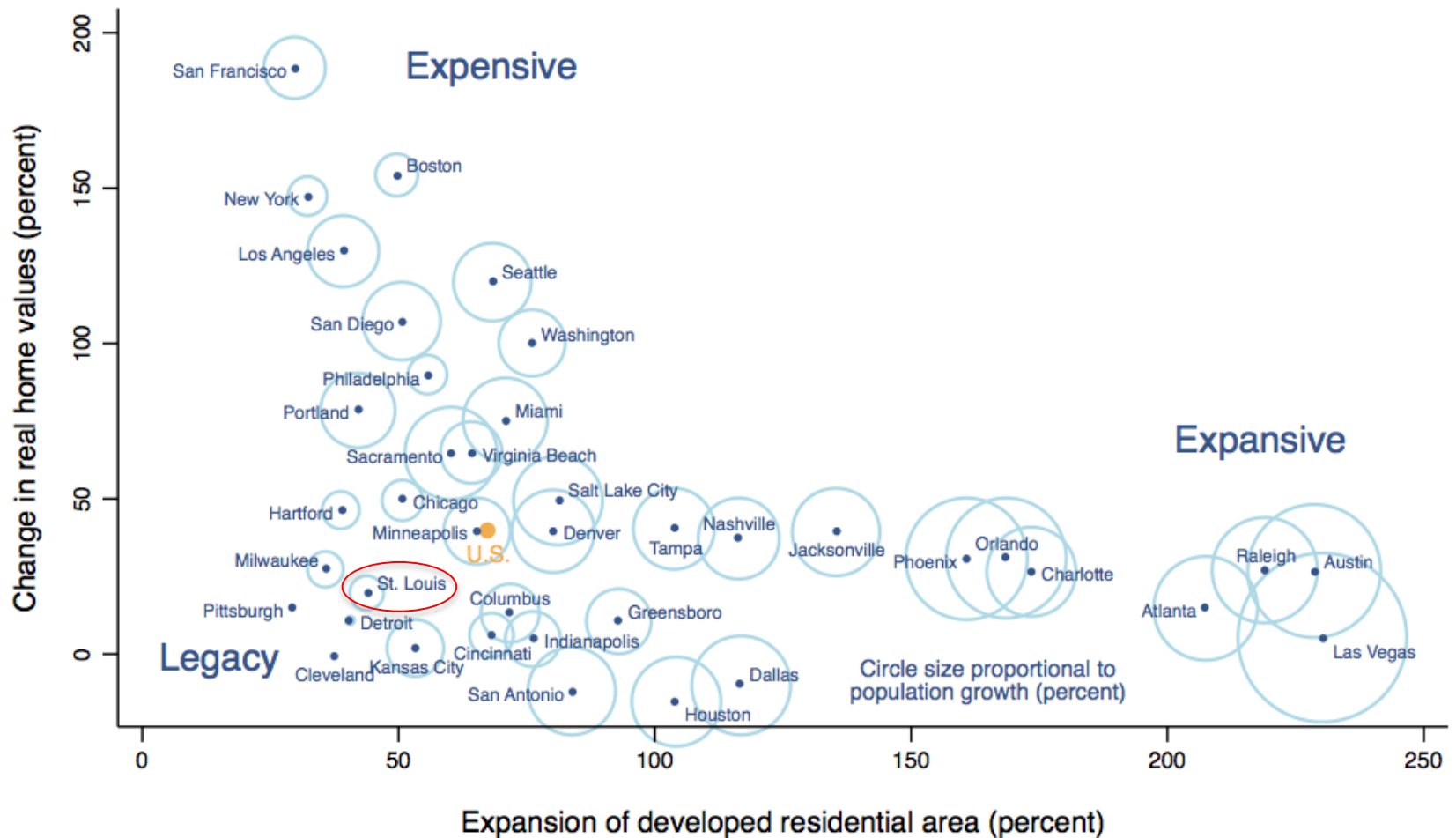


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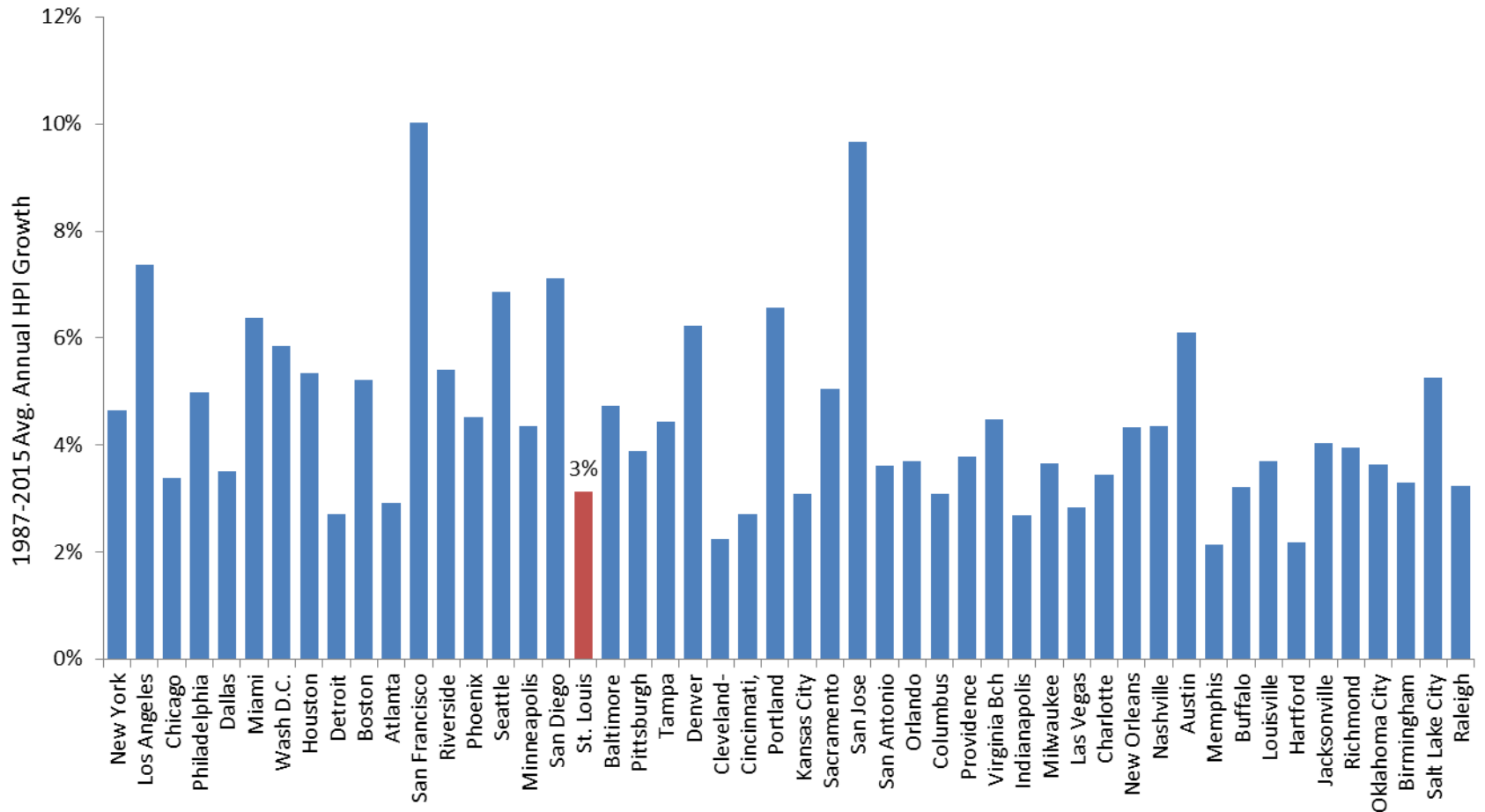
## A Classification of American Cities 1980-2010



Source: BuildZoom.

Notes: Observations include the 40 most populated U.S. conurbations. This chart considers residential areas as developed when they exceed a density of 200 existing homes per square mile. Developed areas correspond to CSAs, or to CBSAs that are not part of a CSA. Housing prices are always at the CBSA level. The change in housing prices is the percent change in average inflation-adjusted quarterly housing prices during the decades spanning 2005-2014 and 1975-1984.

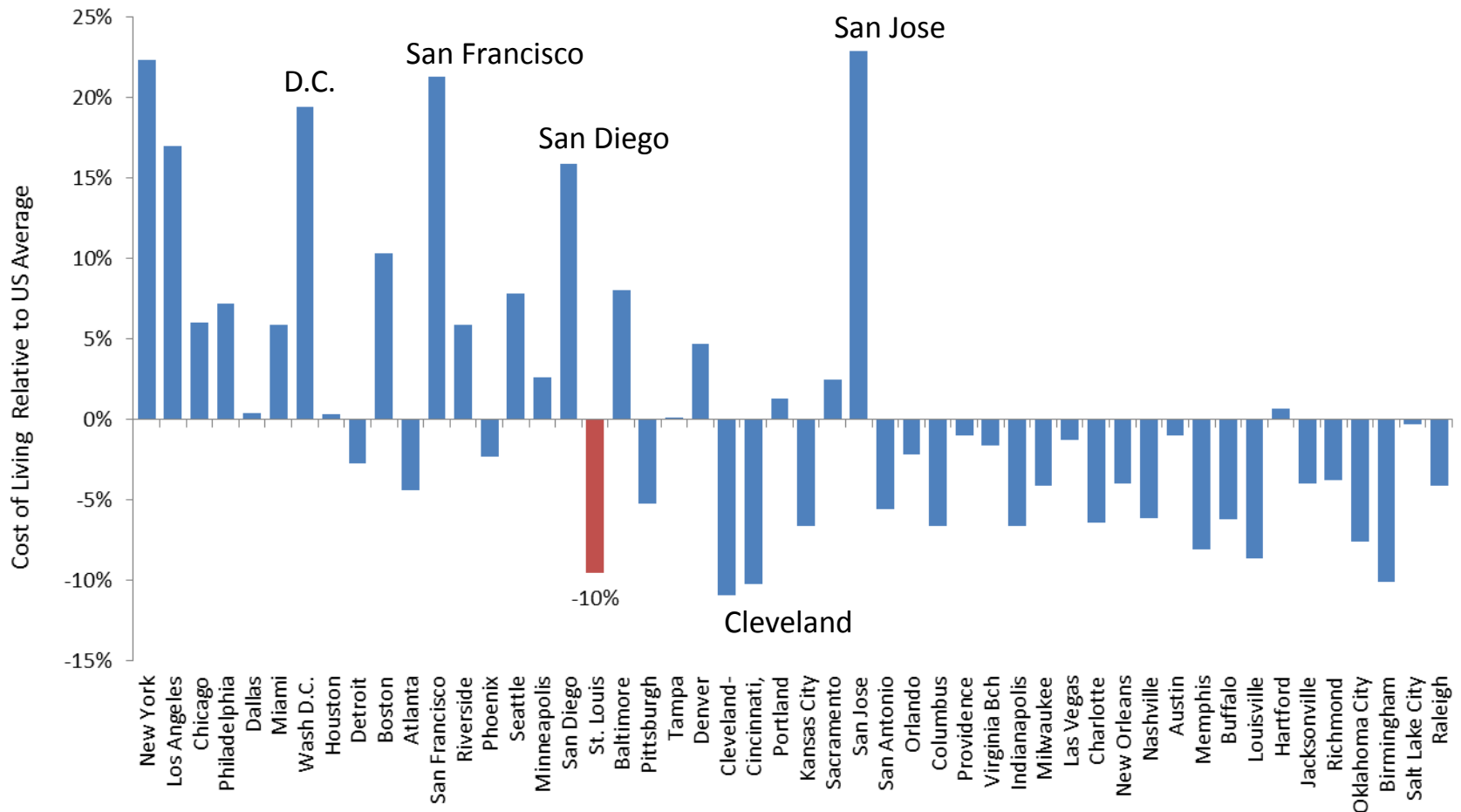
# St. Louis house prices growing slower than cities of similar size



Source: Federal Housing Finance Association



# Cost of living in St. Louis is 10% below U.S. Average



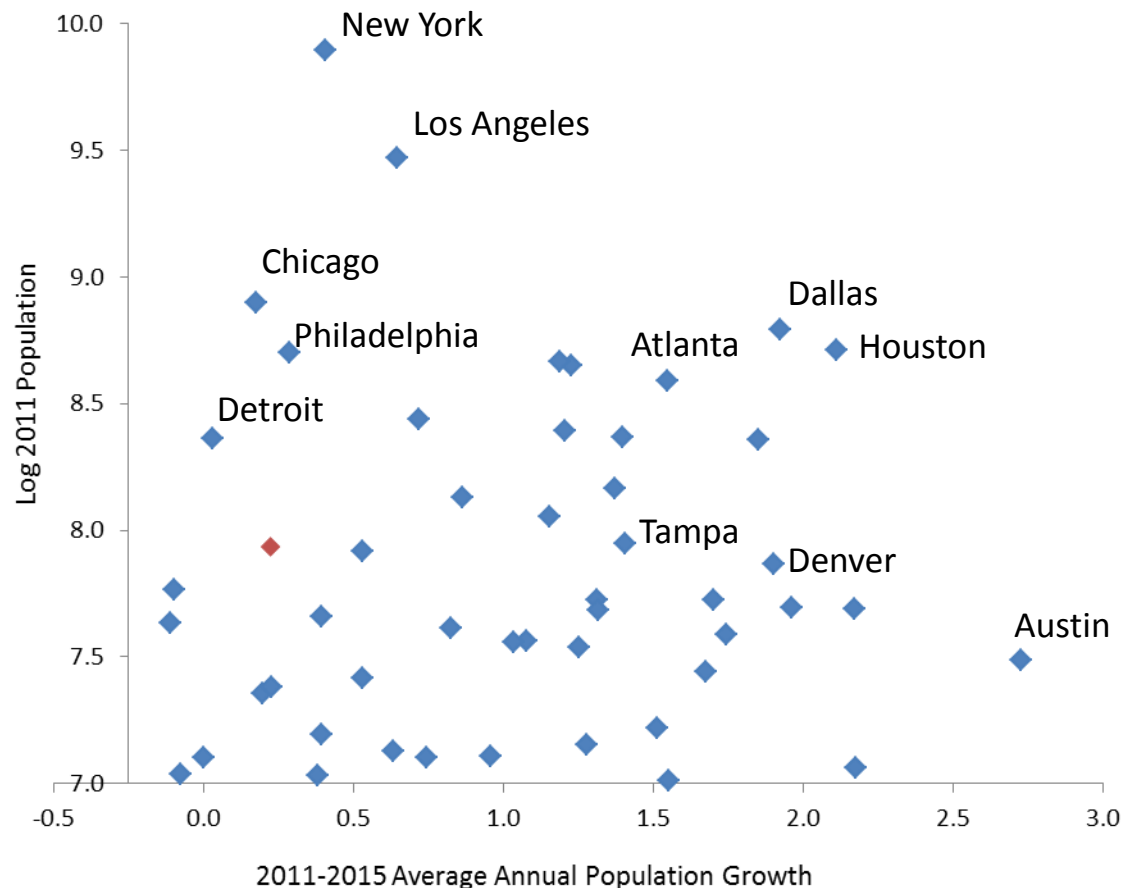
Source: Bureau of Economic Analysis

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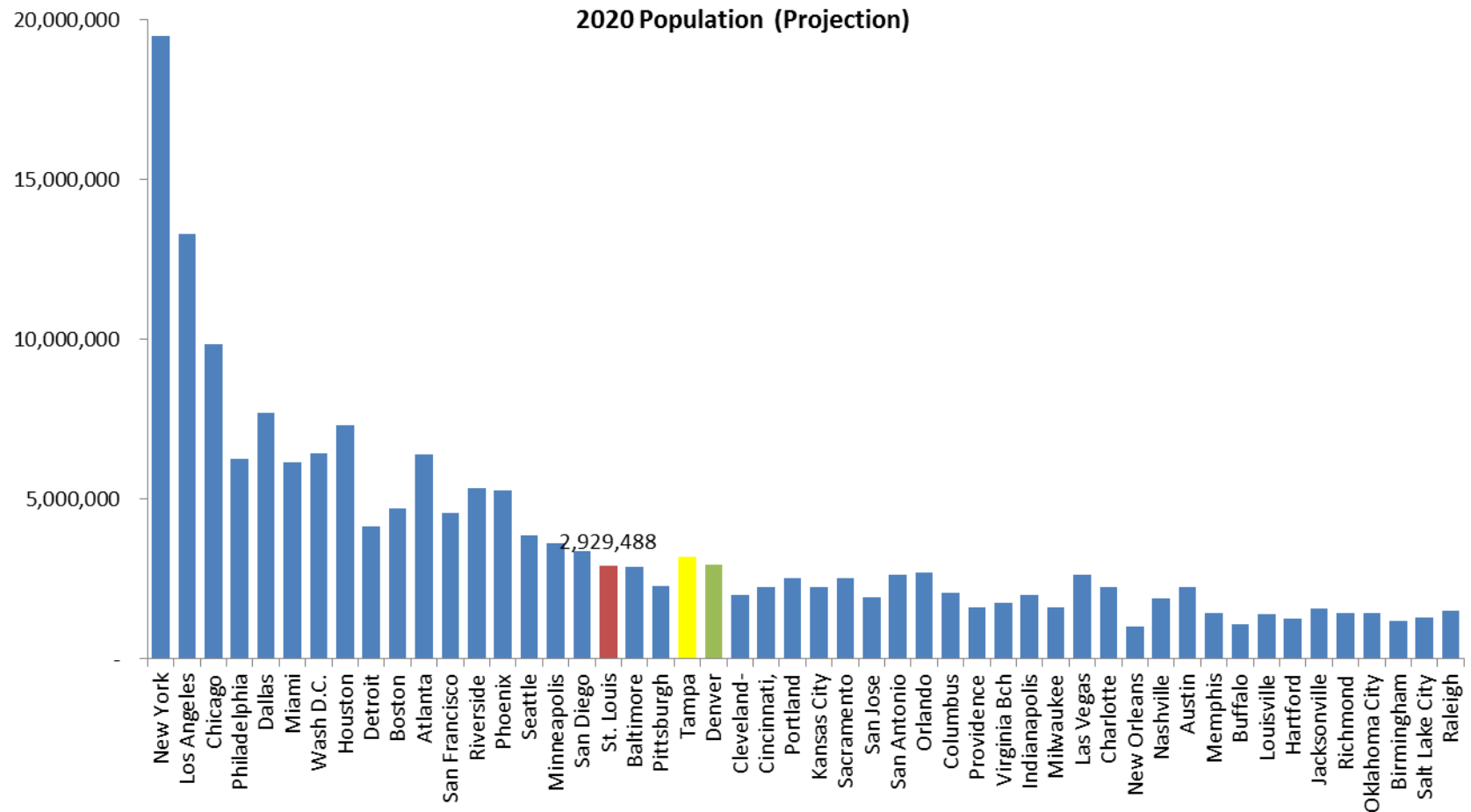
*Agglomeration Economics (2010), University of Chicago Press*

# Austin Texas has been the fastest growing metro



Source: U.S. Census Bureau

# Population shifts are slow and have momentum



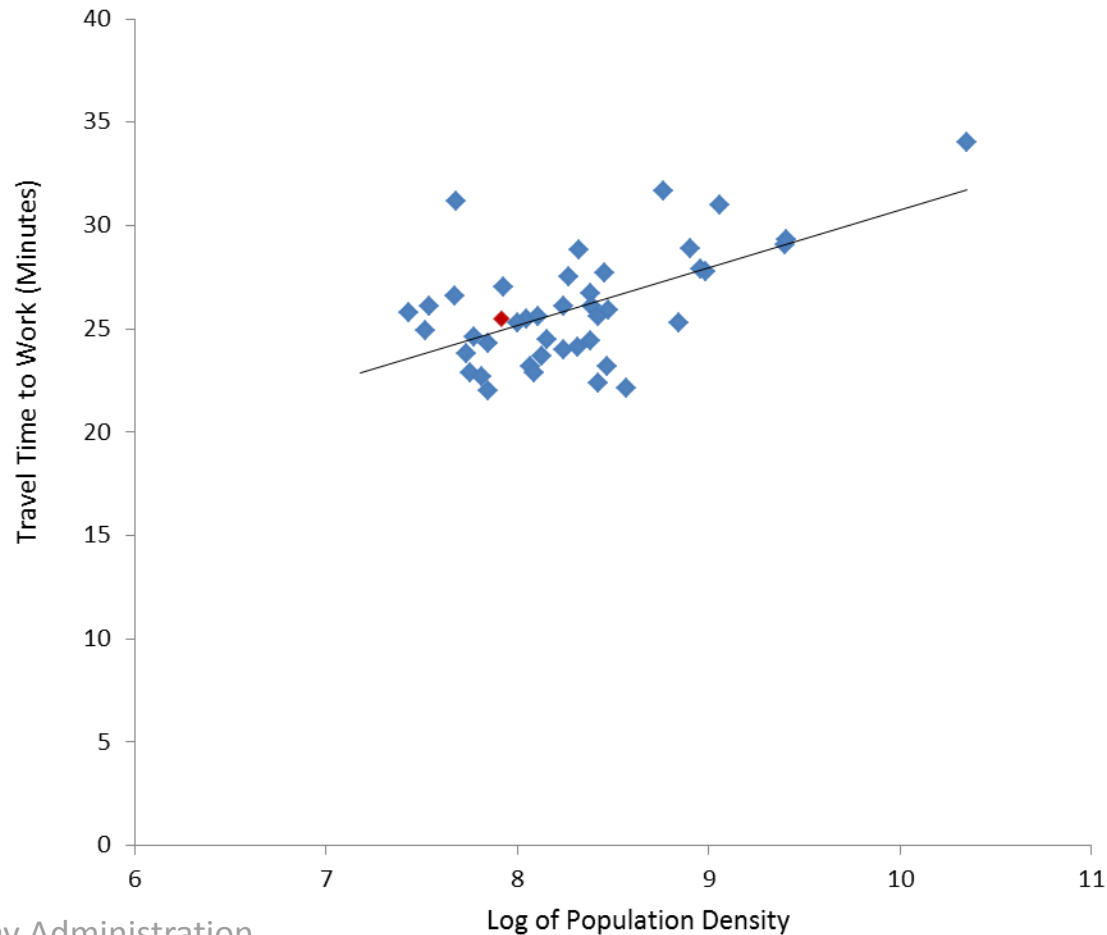
Source: U.S. Census Bureau

# Growth is not without costs

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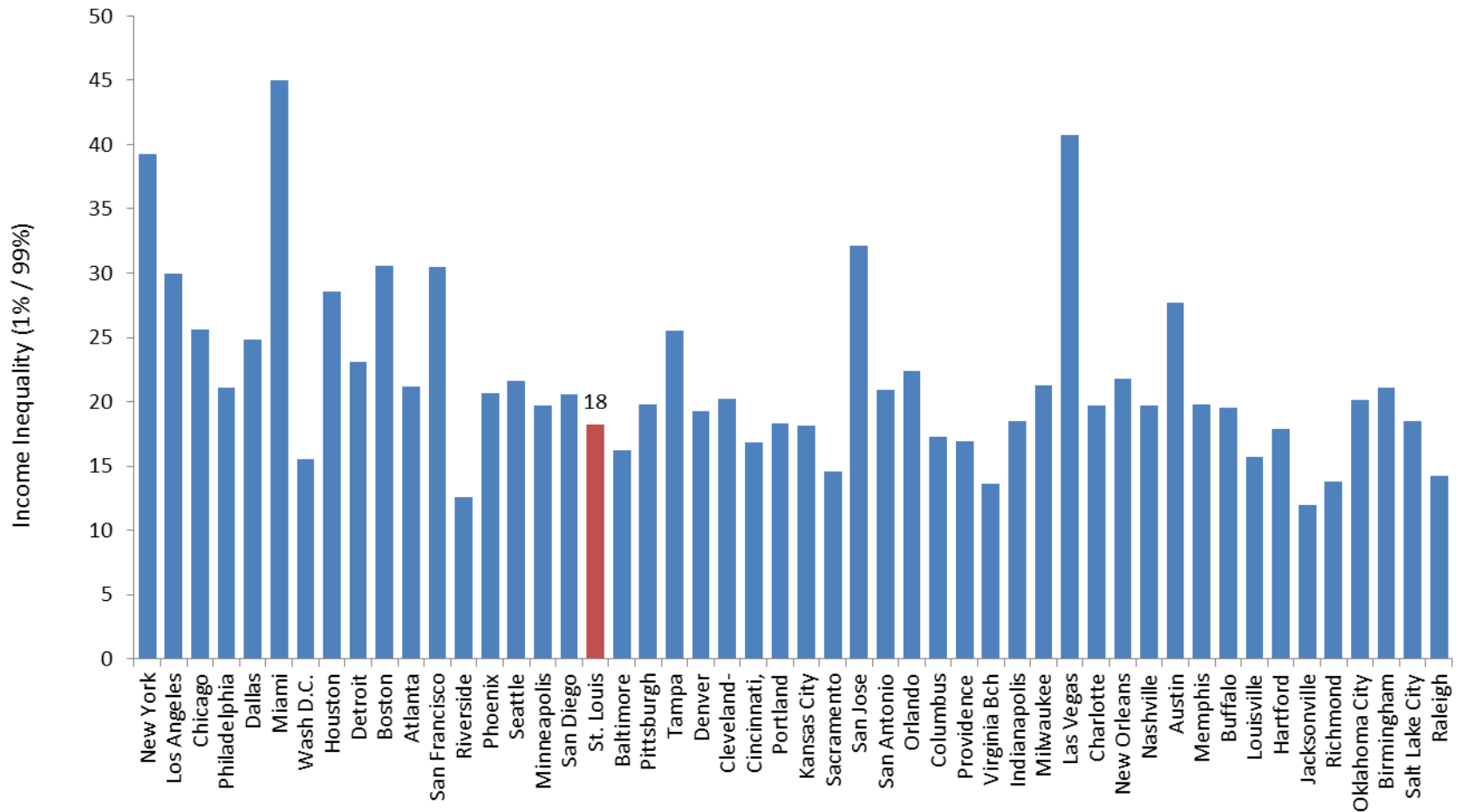
- Pollution
- Congestion
- Inequality
- Affordability

# We spend an average of 25 minutes commuting to work.



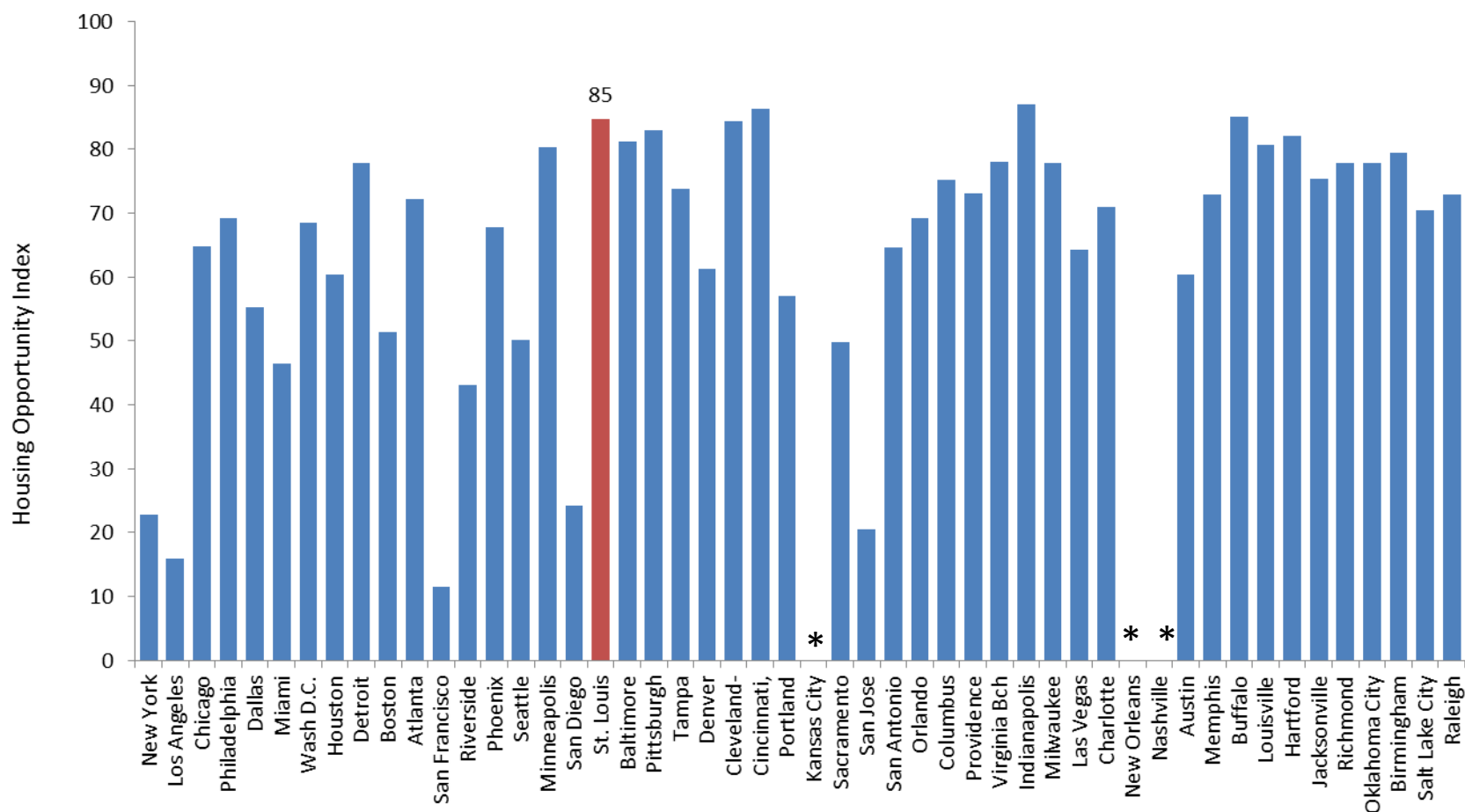
Source: Federal Highway Administration

# Inequality is generally higher in larger metro areas.



Source: Sommeiller, Price, Wazter (2016); Based on 2013 American Community Survey

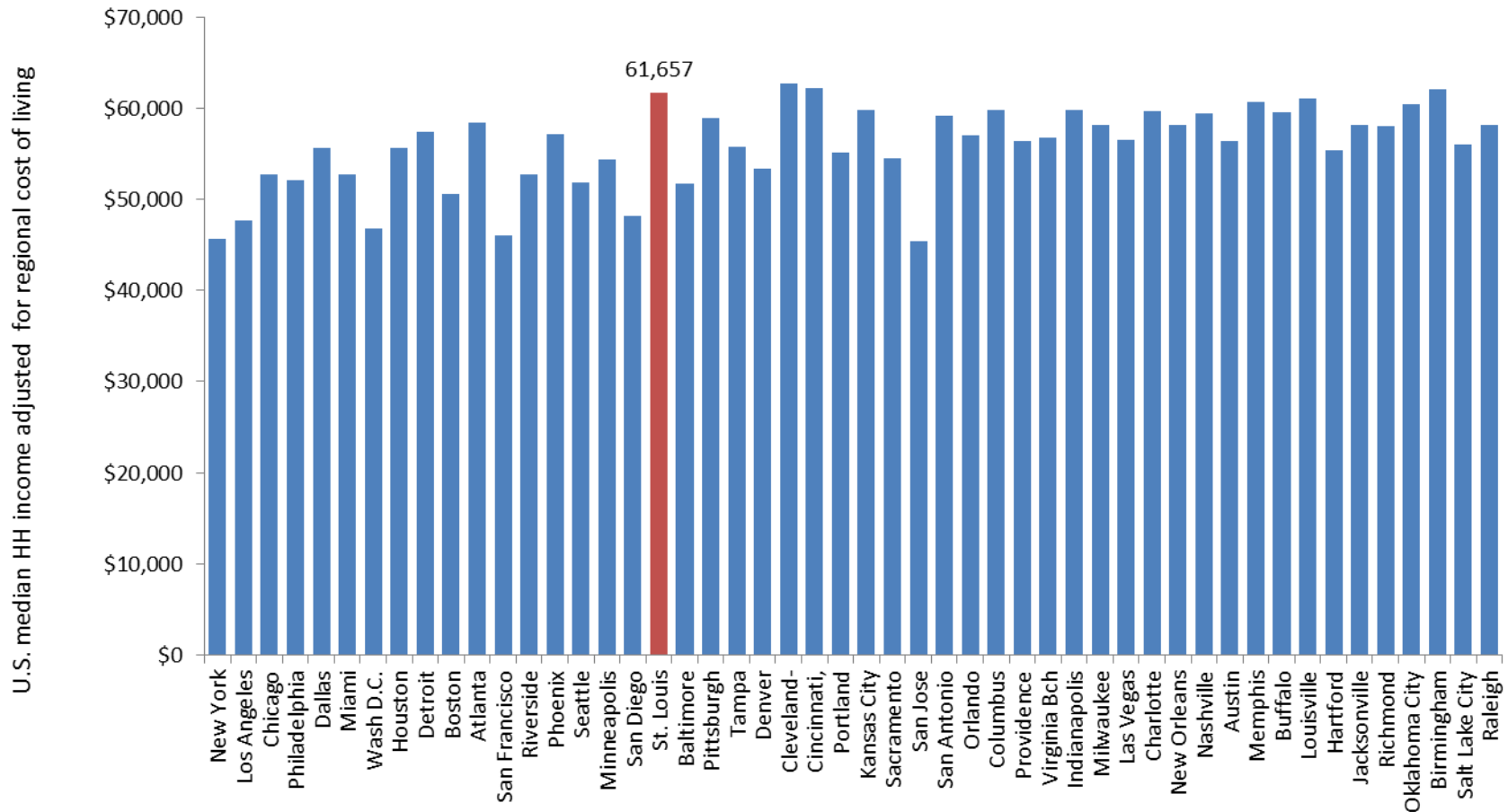
# The median family in St. Louis could afford 85 percent of homes sold in 2015



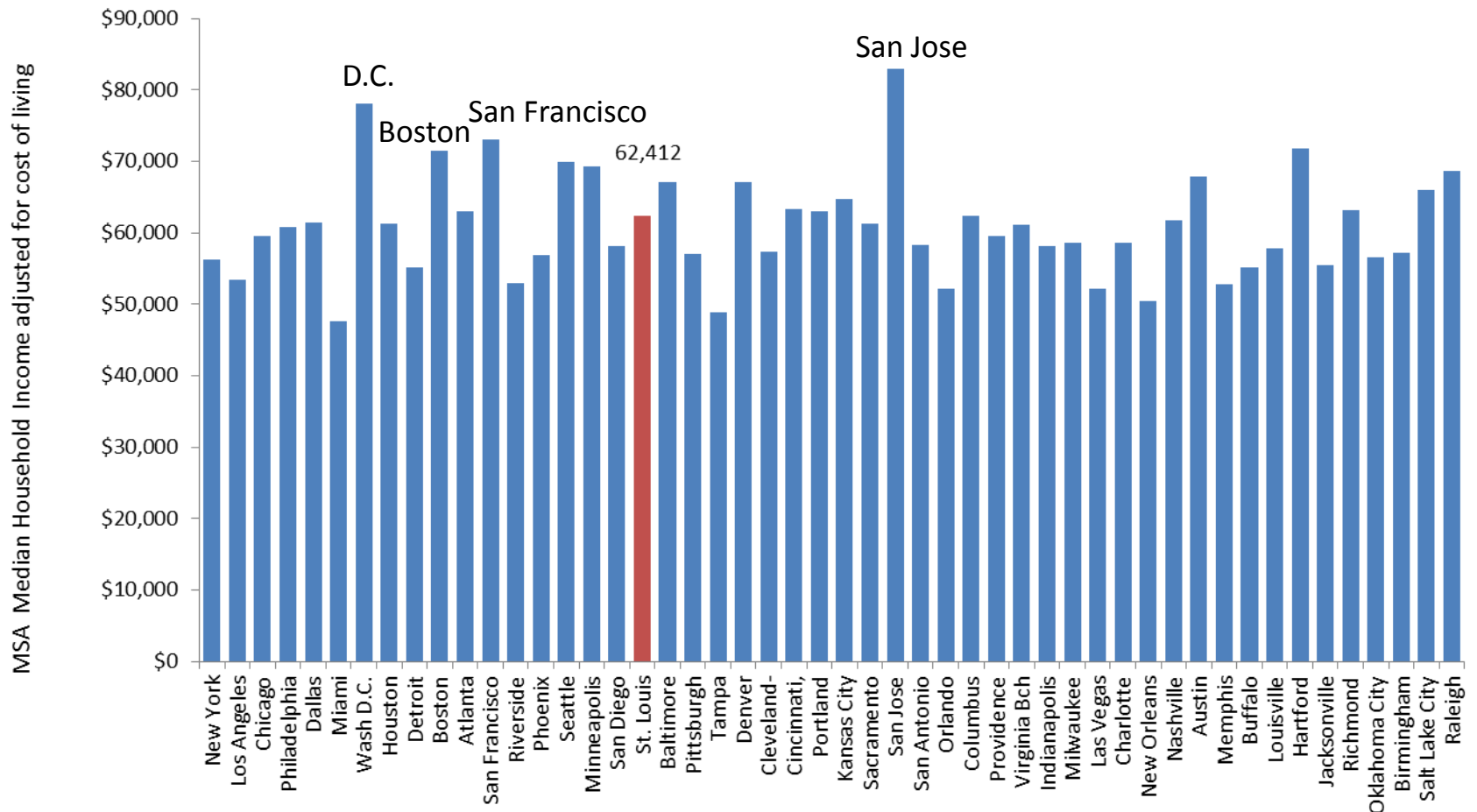
\*missing data



# What is the US median income (\$55,800) equivalent after adjusting for cost of living?

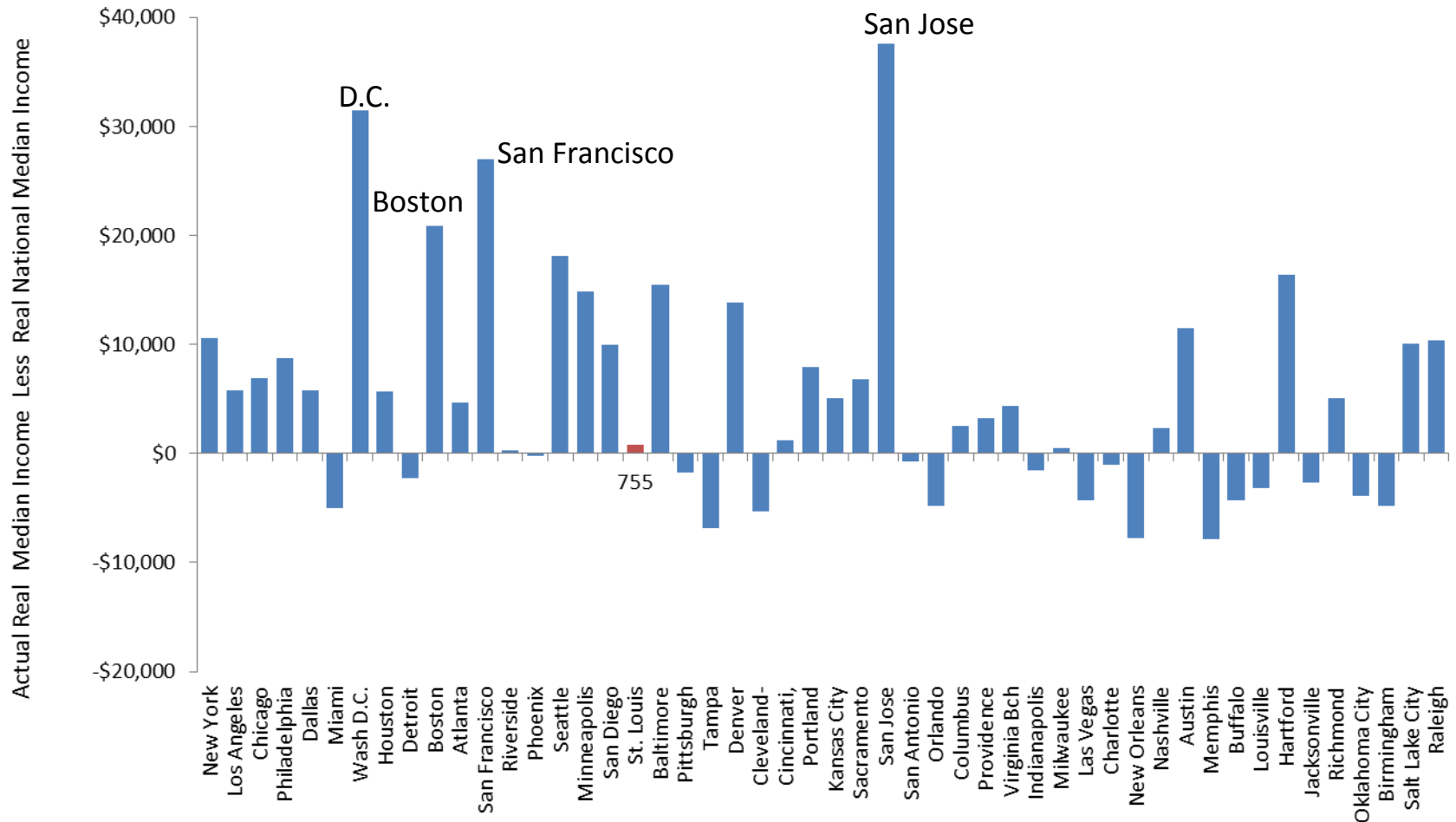


# What does the actual median household earn in these cities?



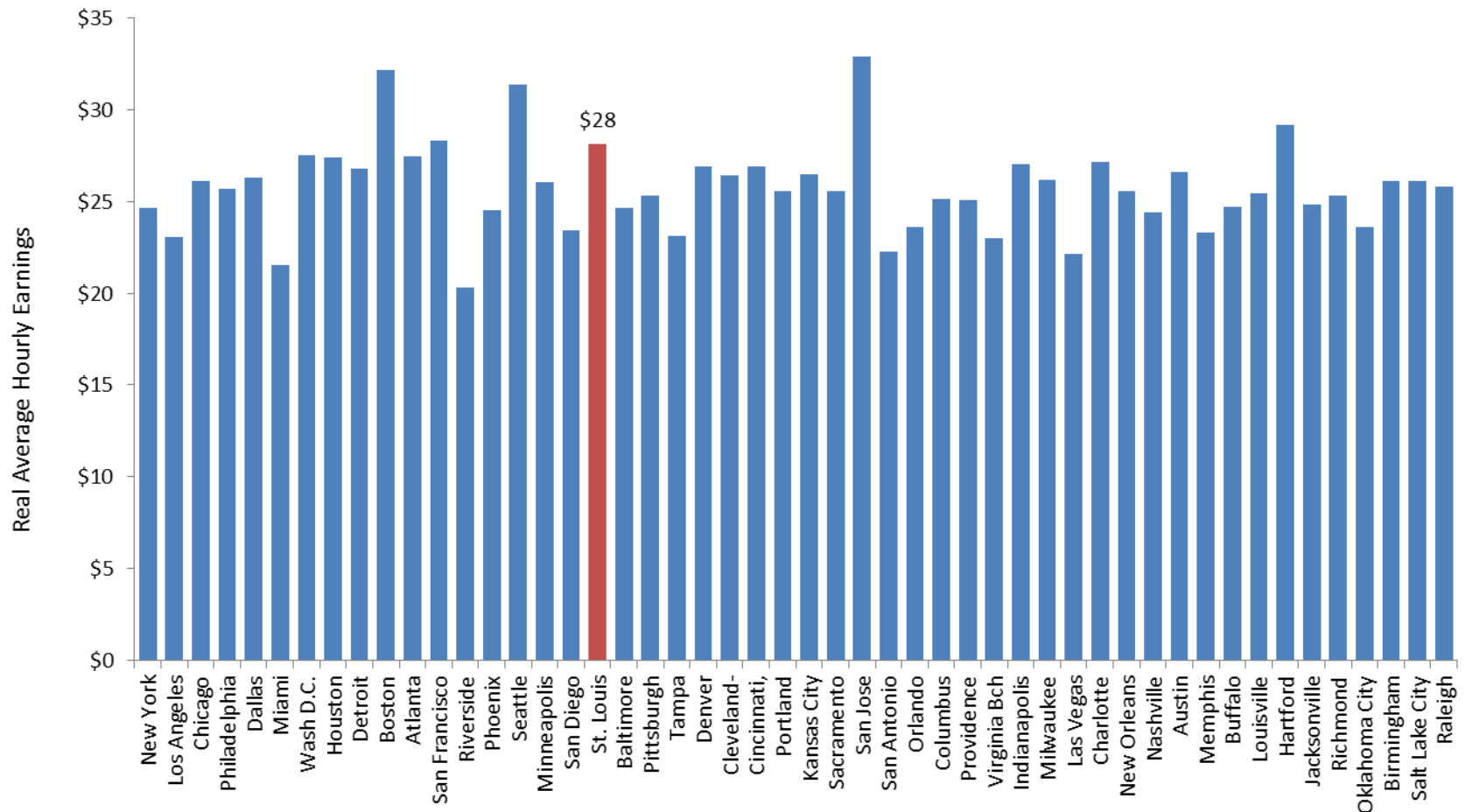
Source: U.S. Census Bureau/Bureau of Economic Analysis

# So where is the median household “ahead”?



Source: U.S. Census Bureau/Bureau of Economic Analysis

# St. Louis workers *really* among the top earners



Source: U.S. Census Bureau/Bureau of Economic Analysis

# Final Thoughts

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- With a few exceptions, major metros are more similar than different.
- Metro areas can't have it all; there are tradeoffs to growth.
- Despite slow growth, “legacy cities” provide relatively high standards of living.
- There continues to be divergence between metro and non-metro regions.

**Q & A**

# Thank you for attending.



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# Section Title