

DIALOGUE WITH THE FED

Beyond Today's Financial Headlines

Taking the Measure of St. Louis

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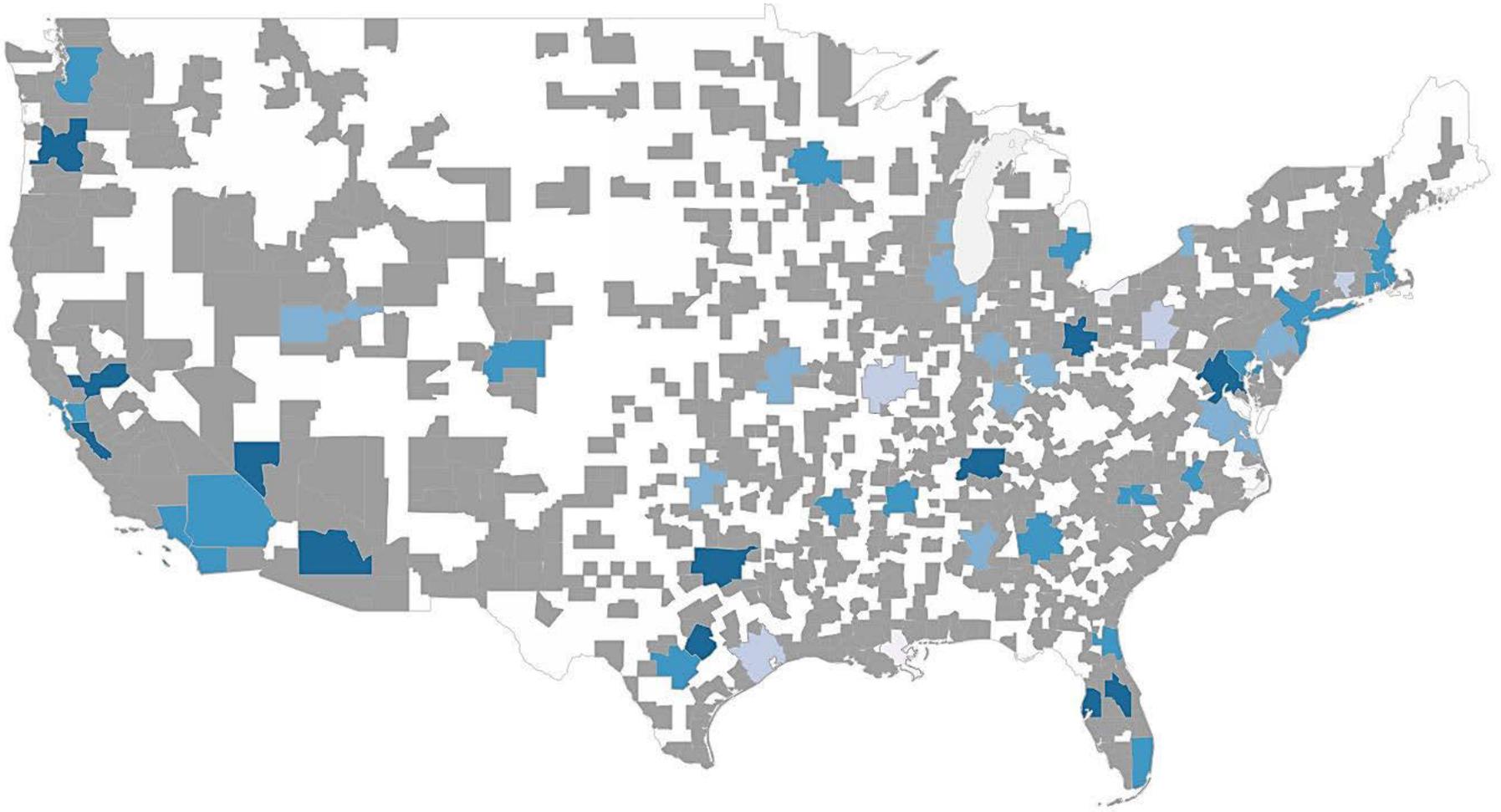
October 5, 2016

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

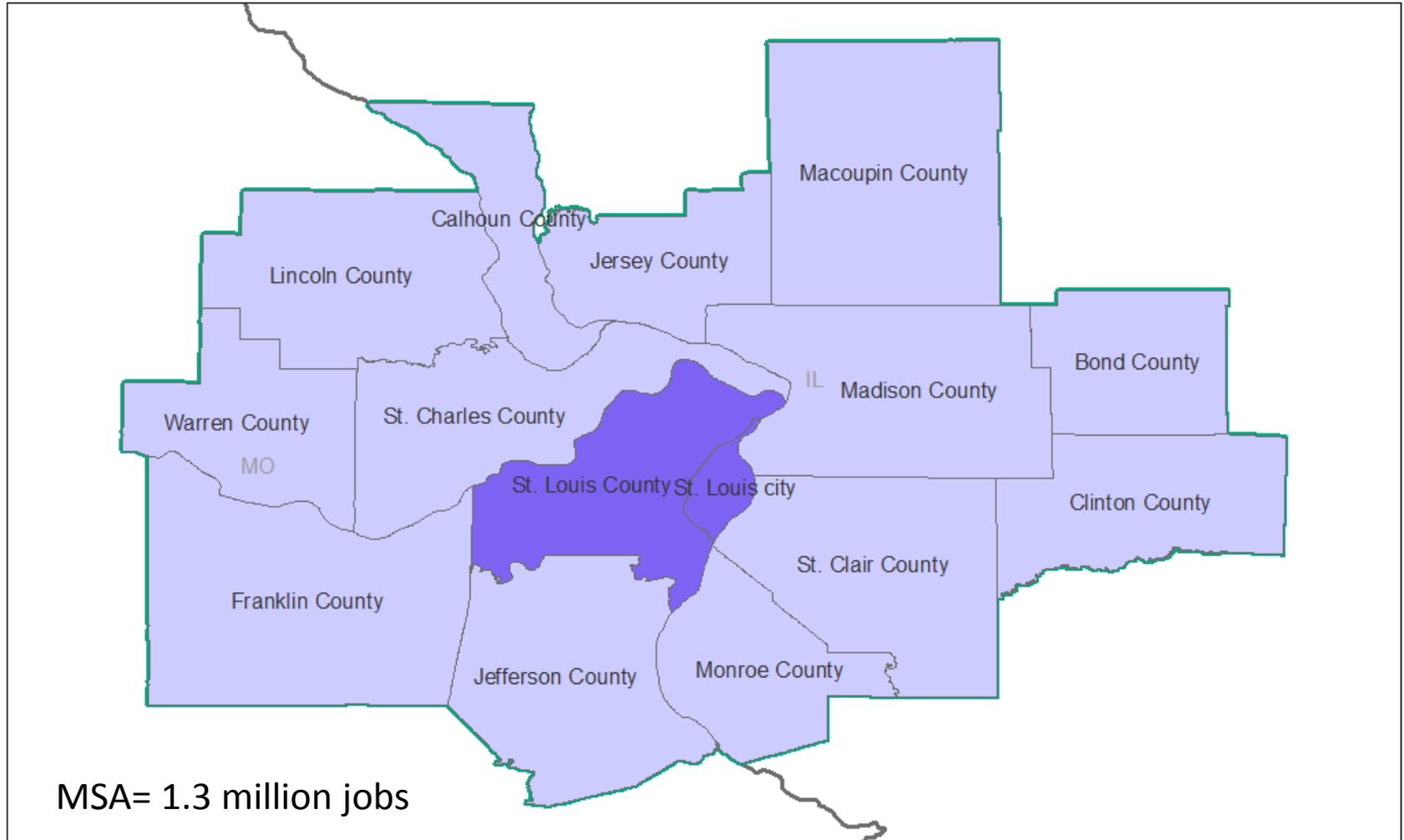
Charles S. Gascon

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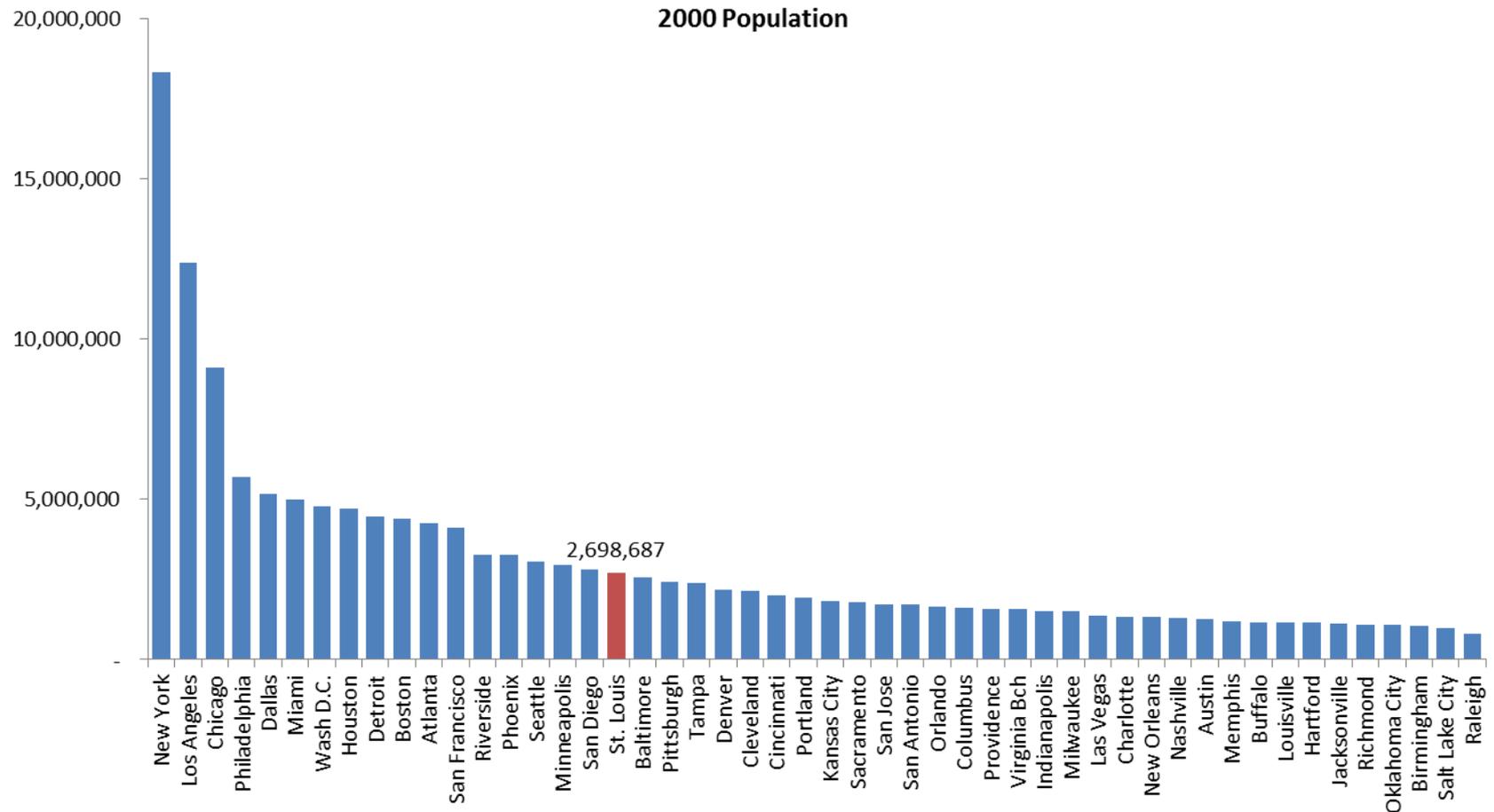
Metro Areas, national economic boundaries



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

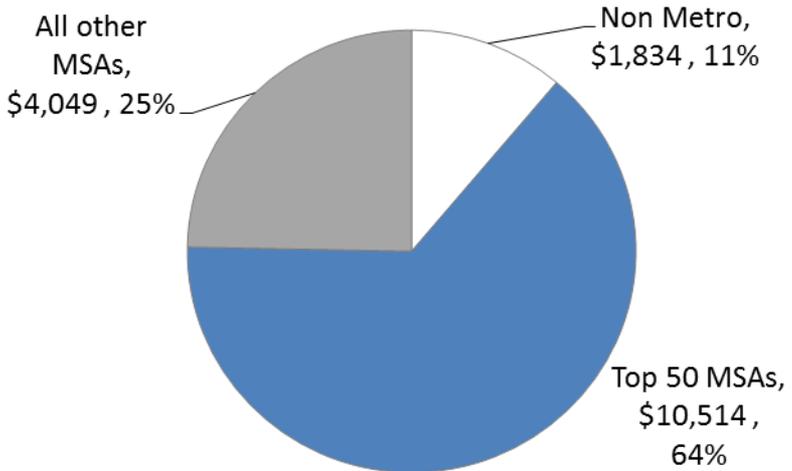


St. Louis was the 18th largest metro area in 2000.

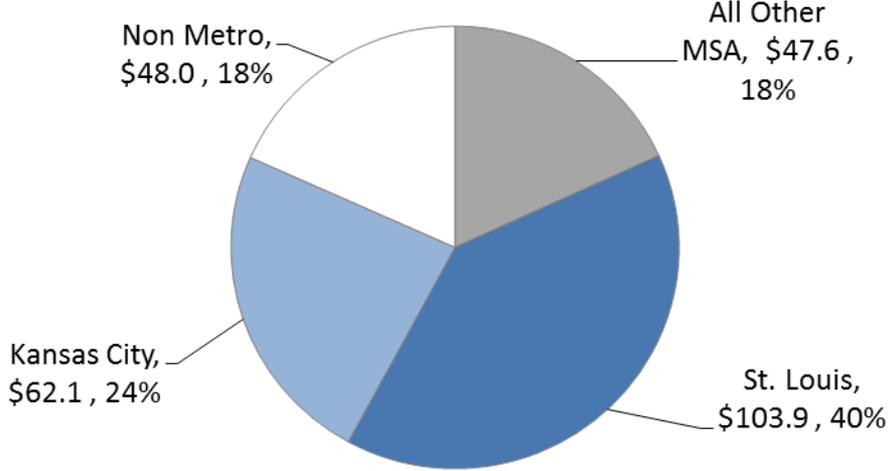


Almost 90 percent of economic activity concentrated in metro areas

2015 US Real GDP (Billions)



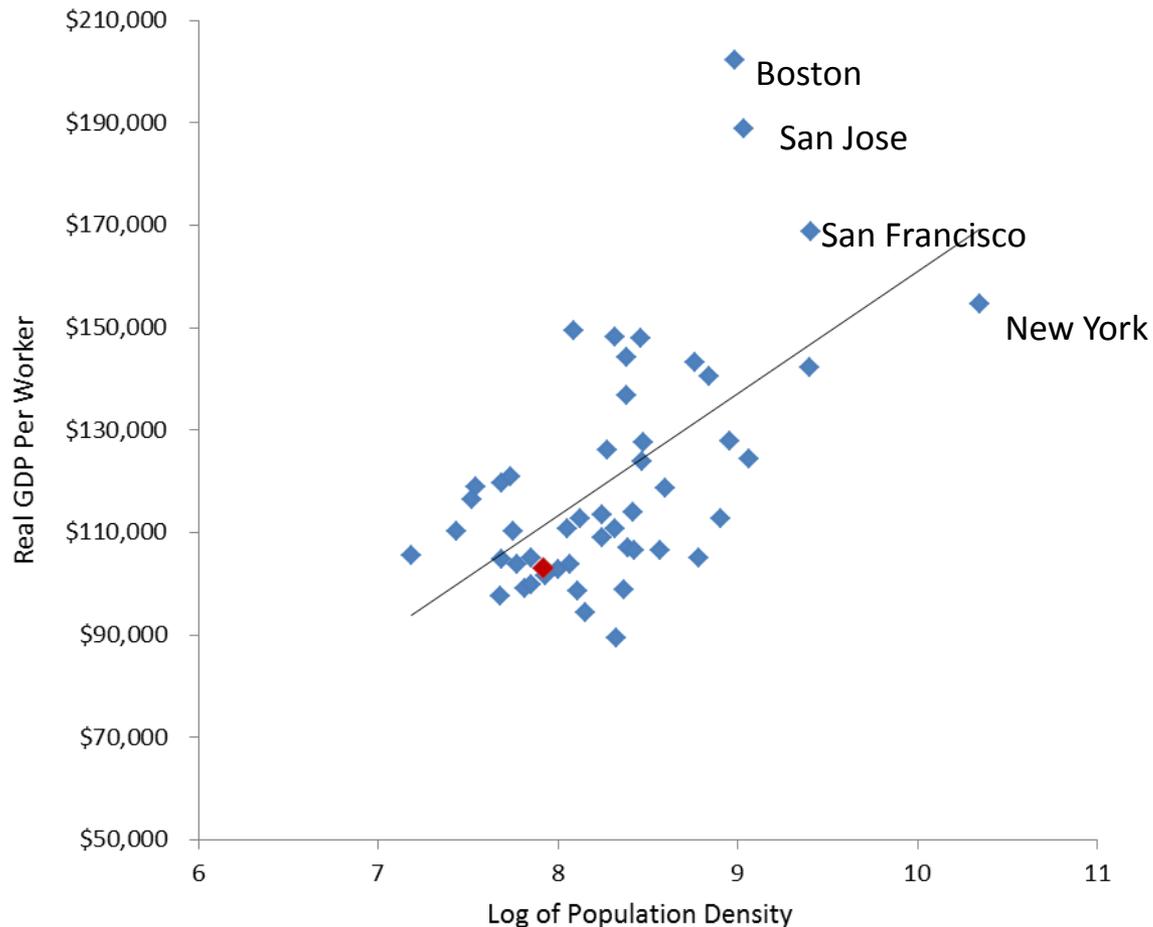
2015 Missouri Real GDP (Billions)



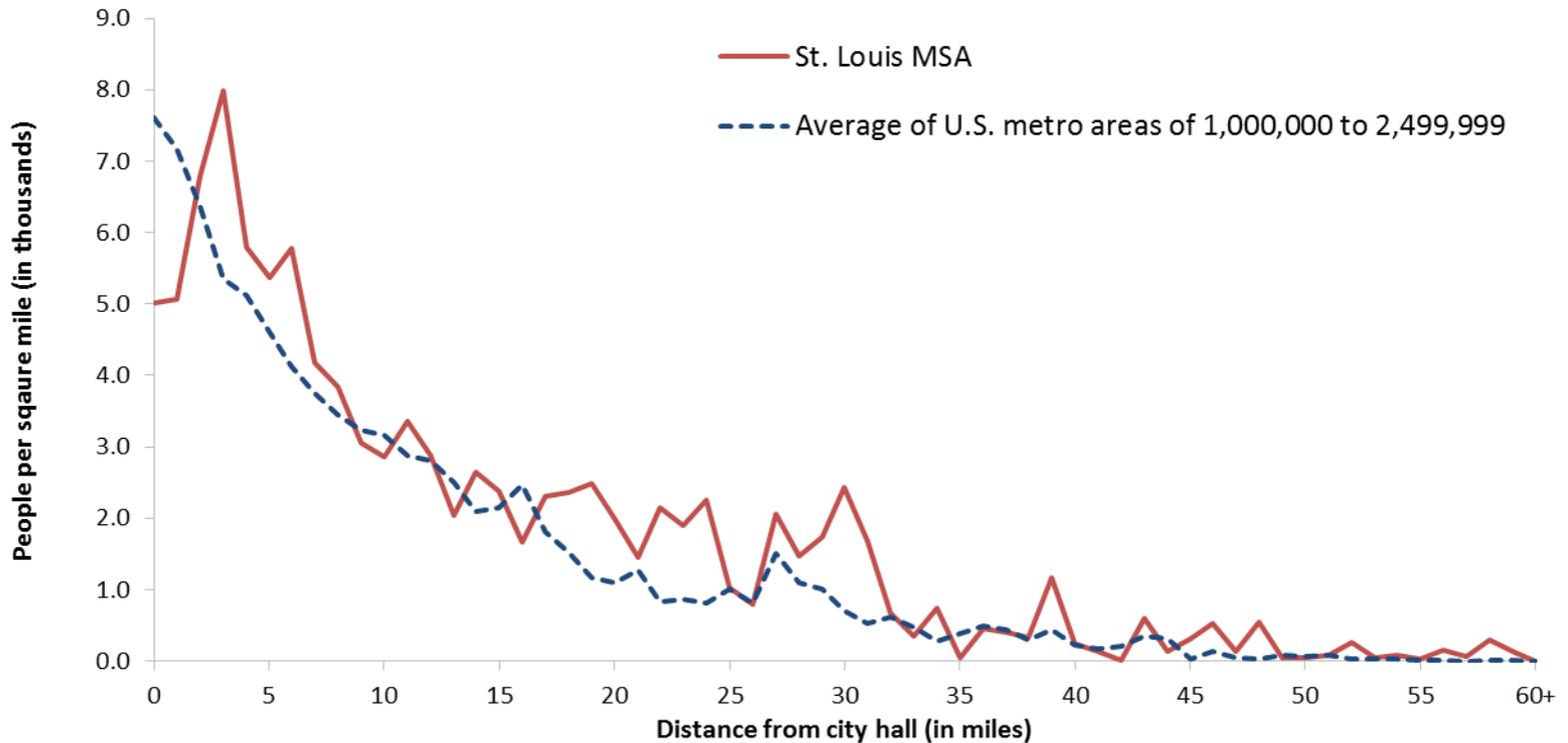
Note: St. Louis and Kansas City MSA GDP allocated to Missouri based on employment shares

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

Positive relationship between population density and worker productivity

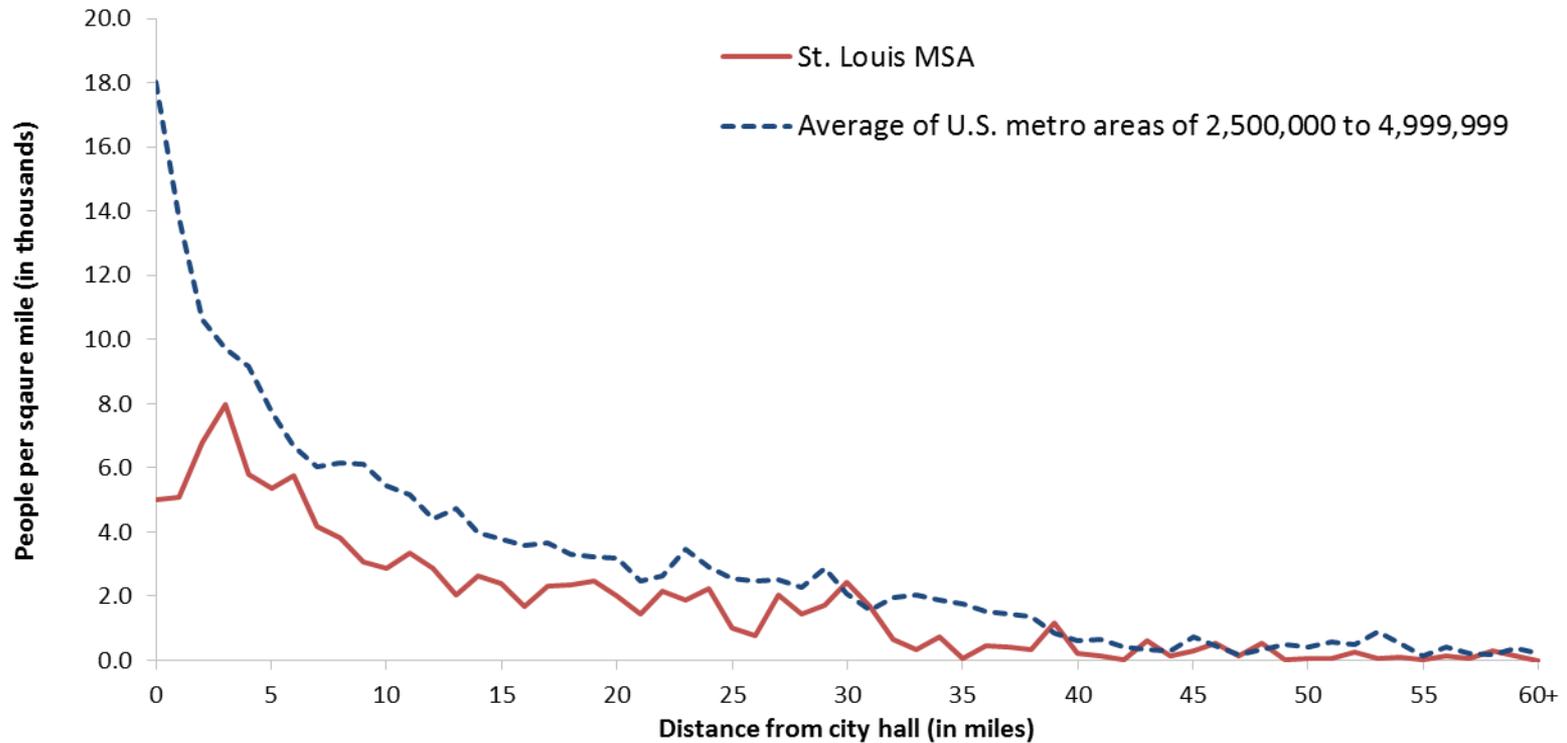


Population density peaks 3 miles from downtown



Source: U.S. Census Bureau

St. Louis looks much more like our smaller peers.



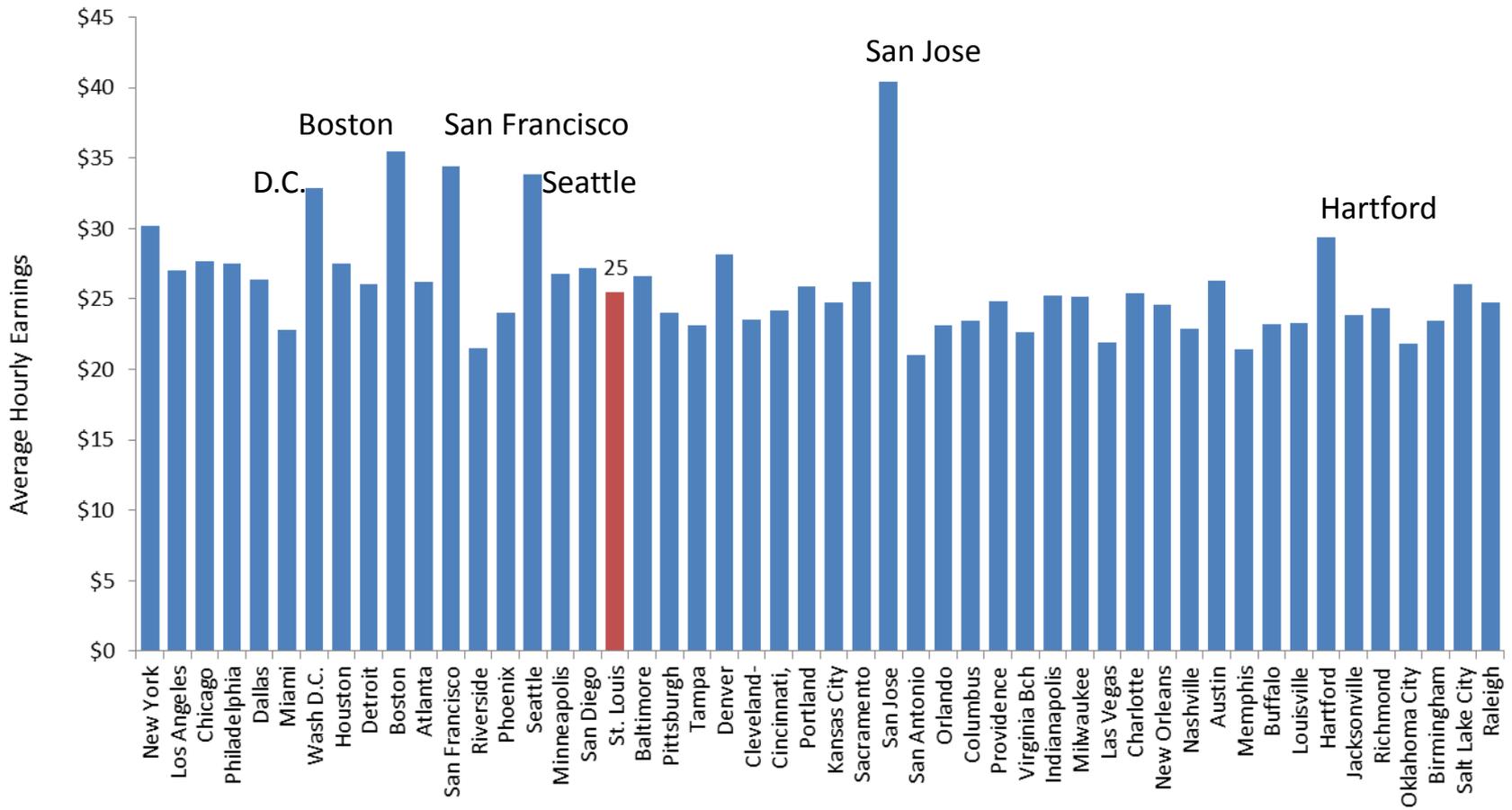
Source: U.S. Census Bureau

“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.

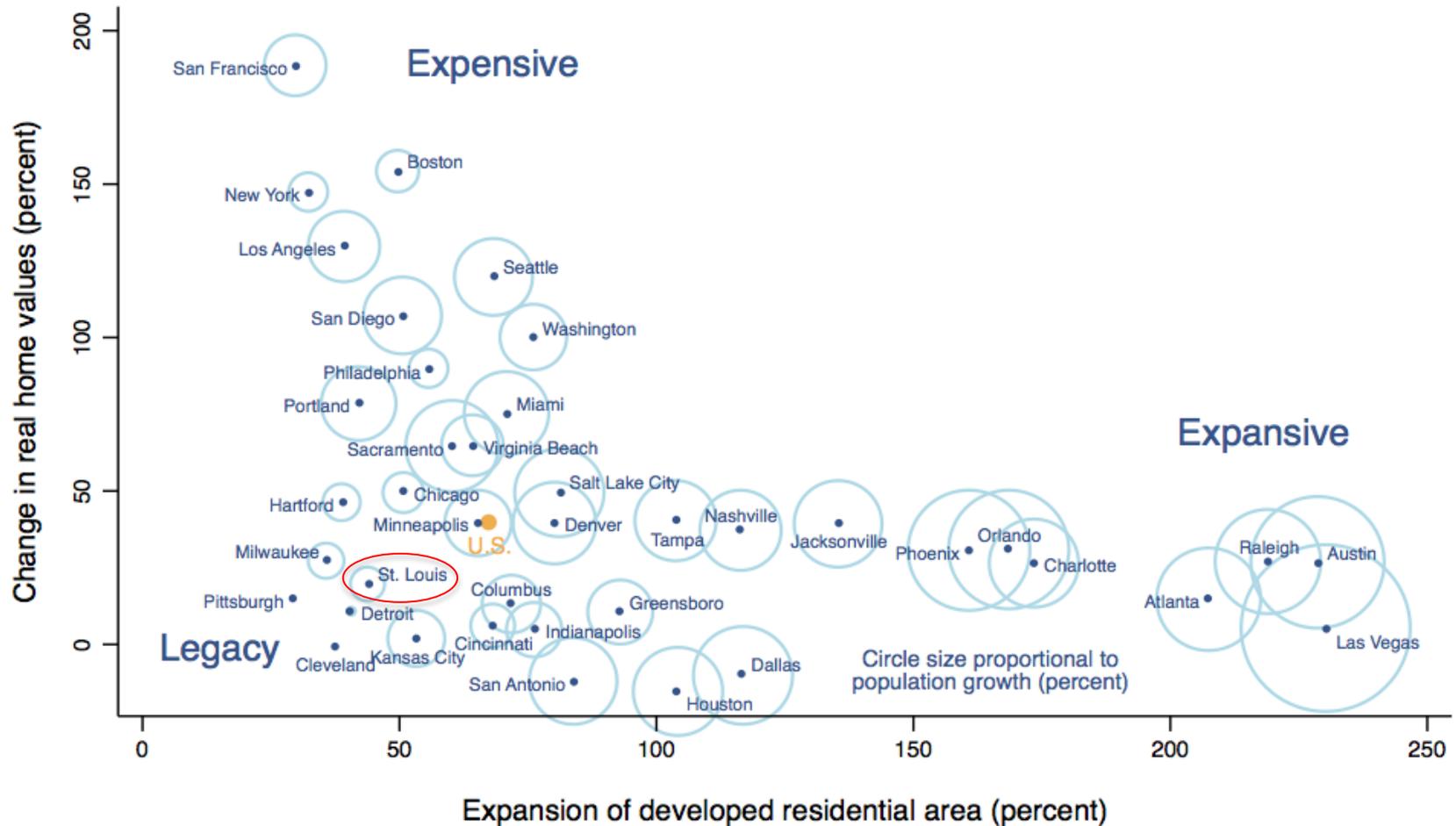


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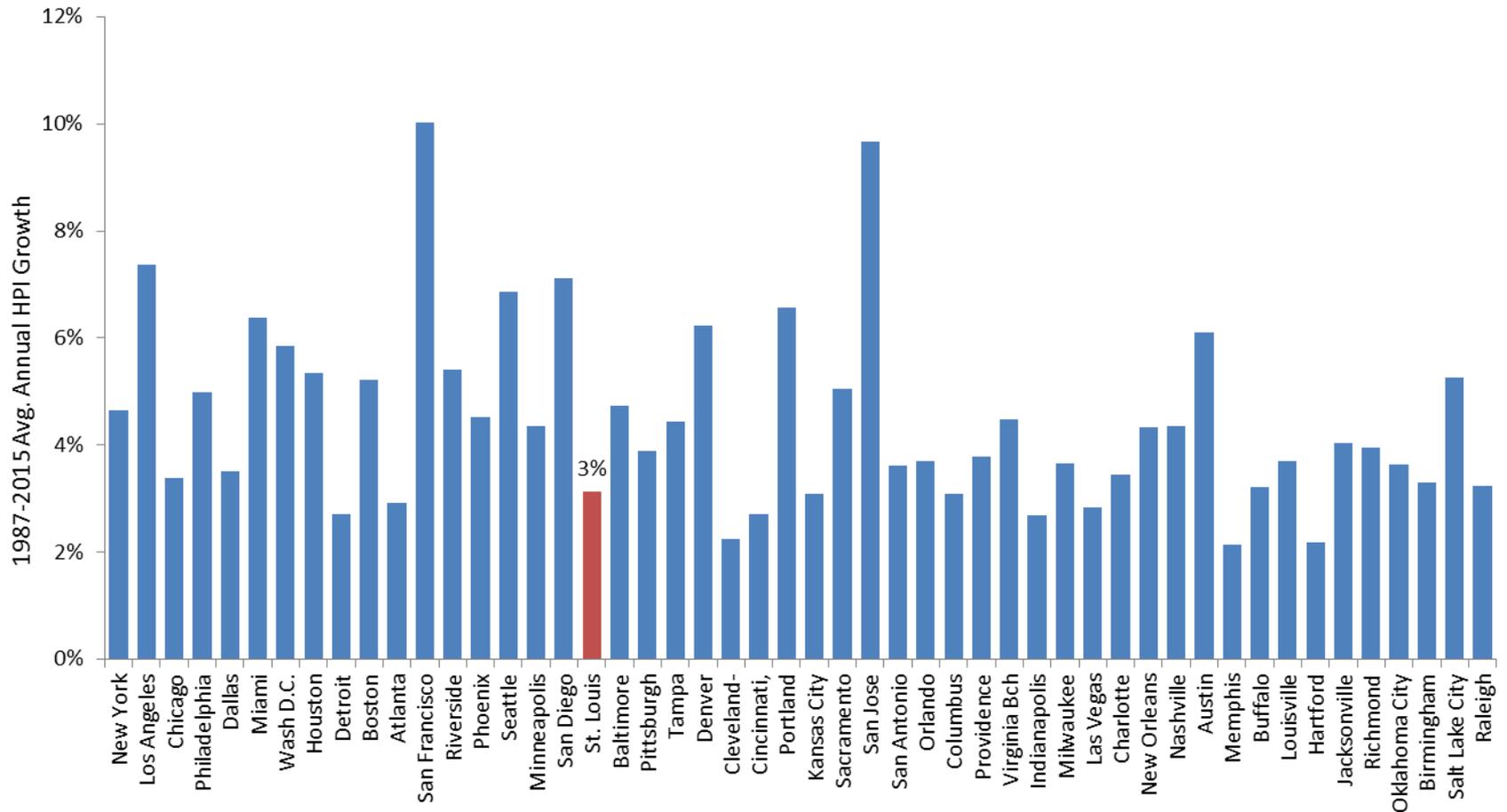
A Classification of American Cities 1980-2010



Source: BuildZoom.

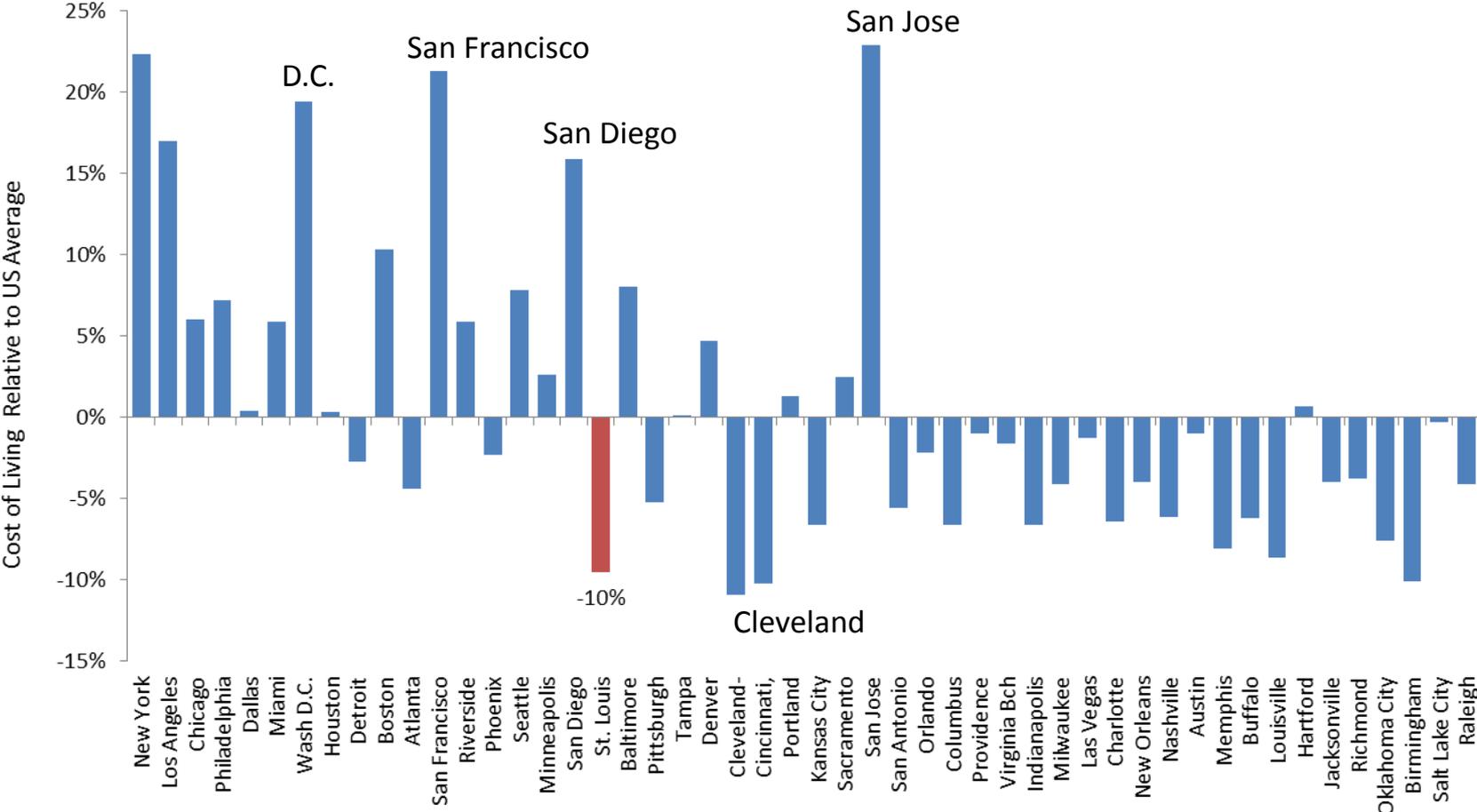
Notes: Observations include the 40 most populated U.S. conurbations. This chart considers residential areas as developed when they exceed a density of 200 existing homes per square mile. Developed areas correspond to CSAs, or to CBSAs that are not part of a CSA. Housing prices are always at the CBSA 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



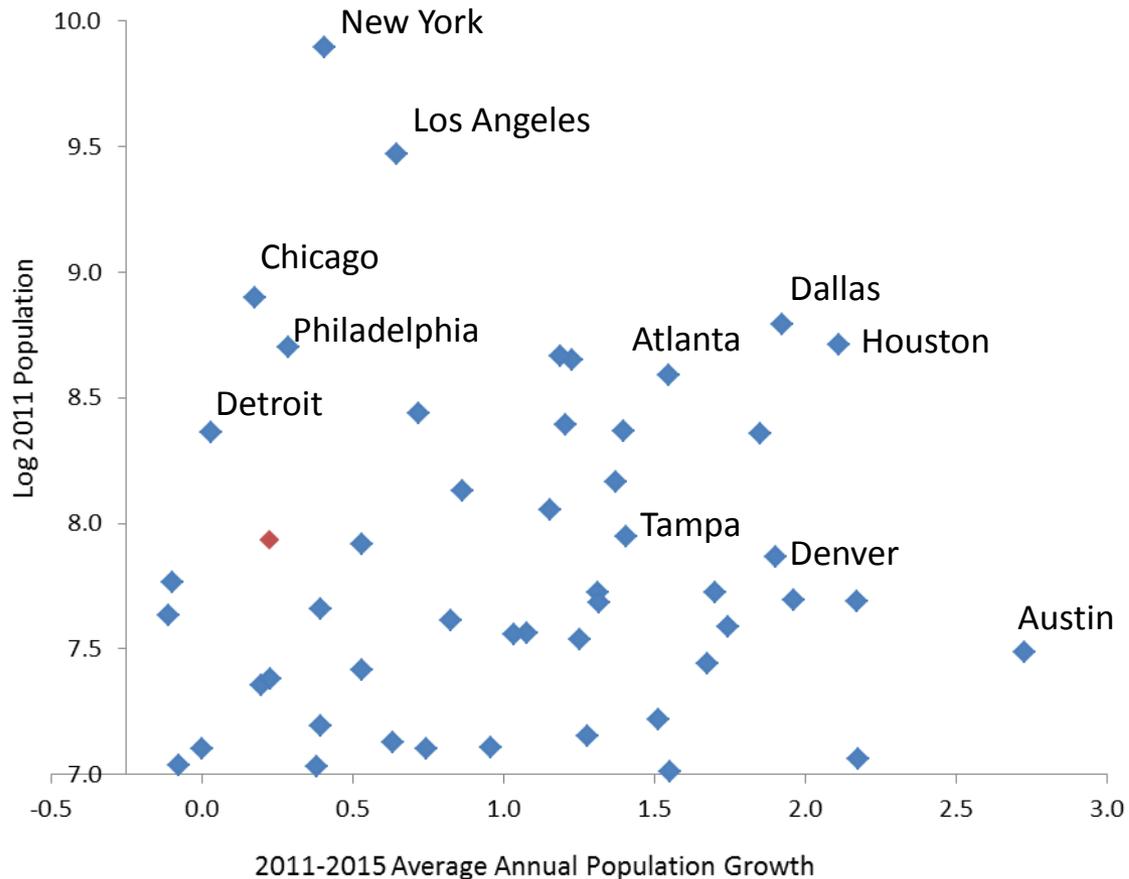
Source: Bureau of Economic Analysis

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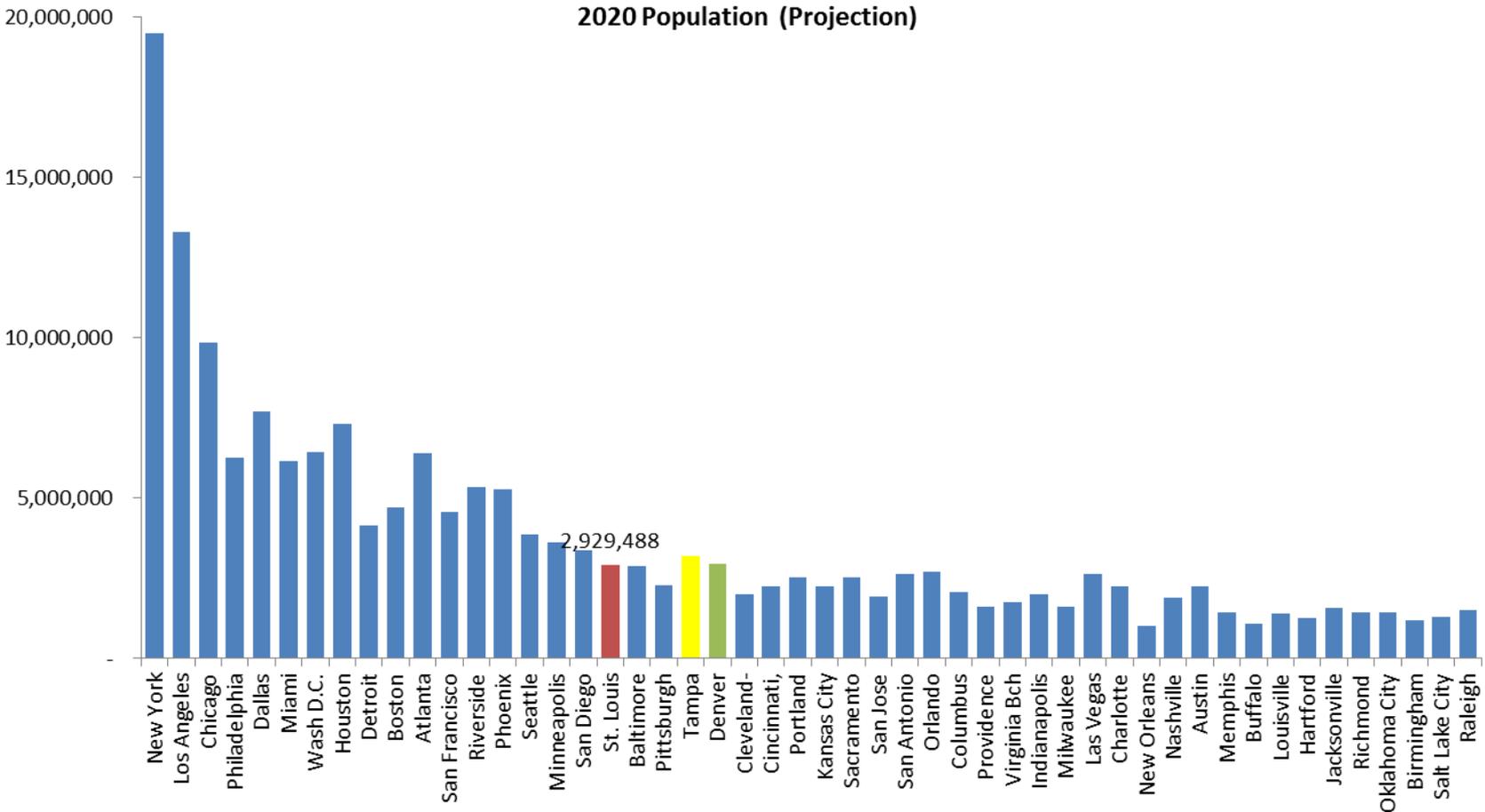
Agglomeration Economics (2010), University of Chicago Press

Austin Texas has been the fastest growing metro



Source: U.S. Census Bureau

Population shifts are slow and have momentum

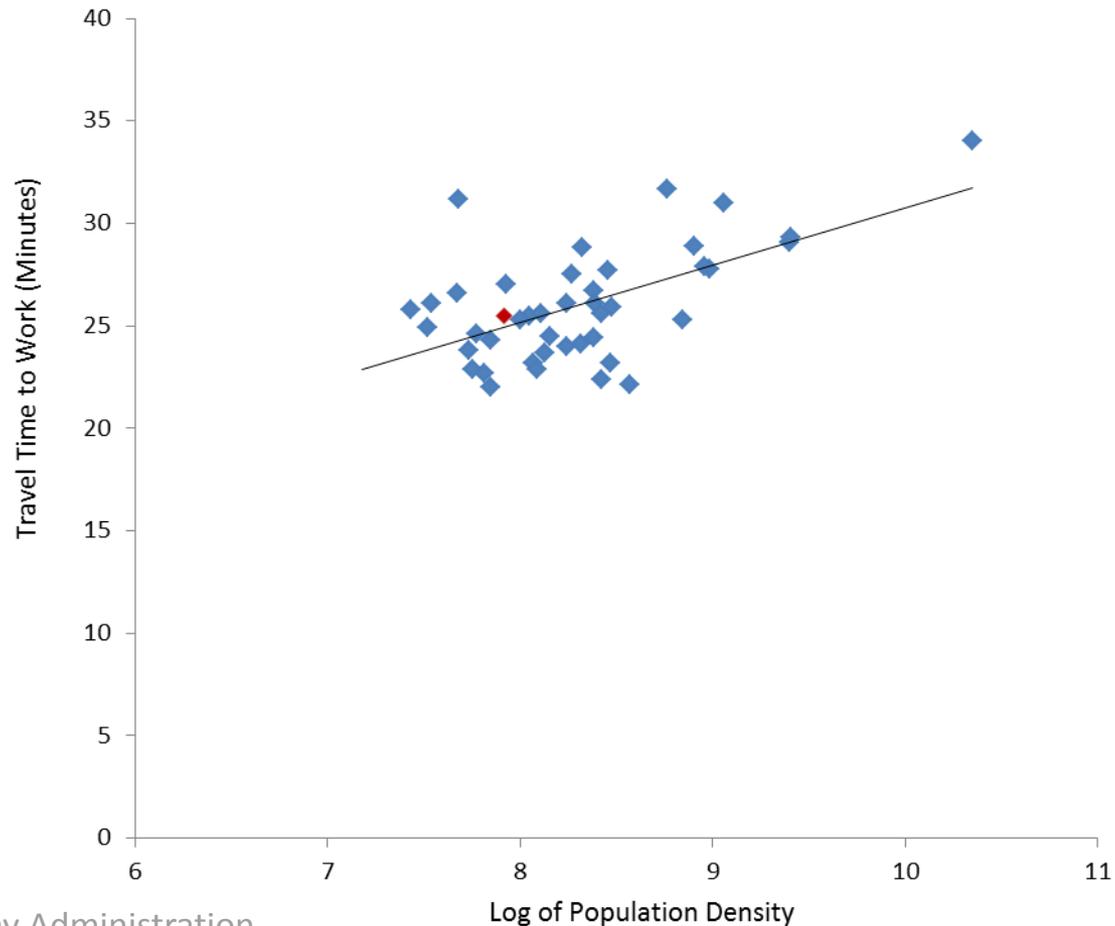


Source: U.S. Census Bureau

Growth is not without costs

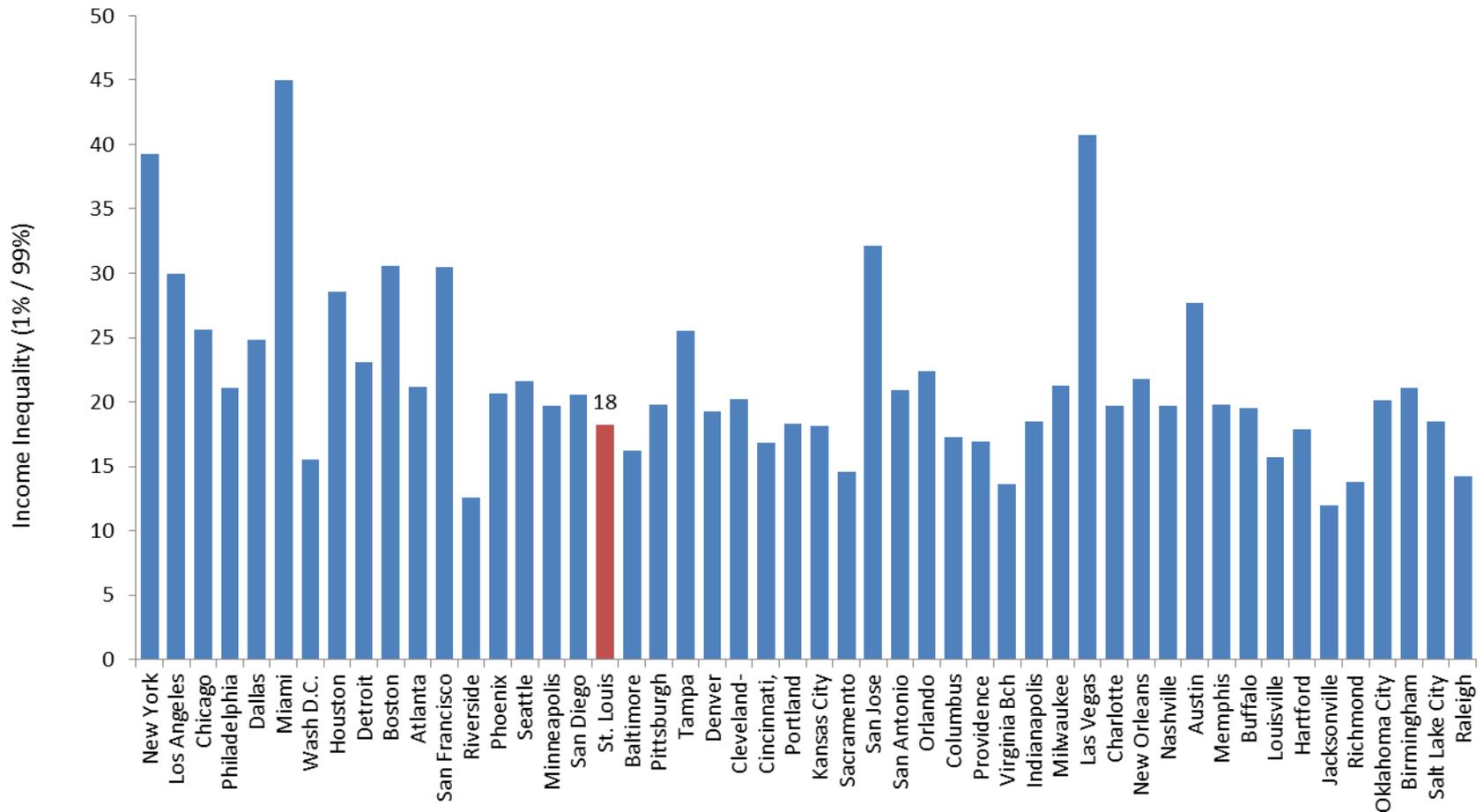
- Pollution
- Congestion
- Inequality
- Affordability

We spend an average of 25 minutes commuting to work.



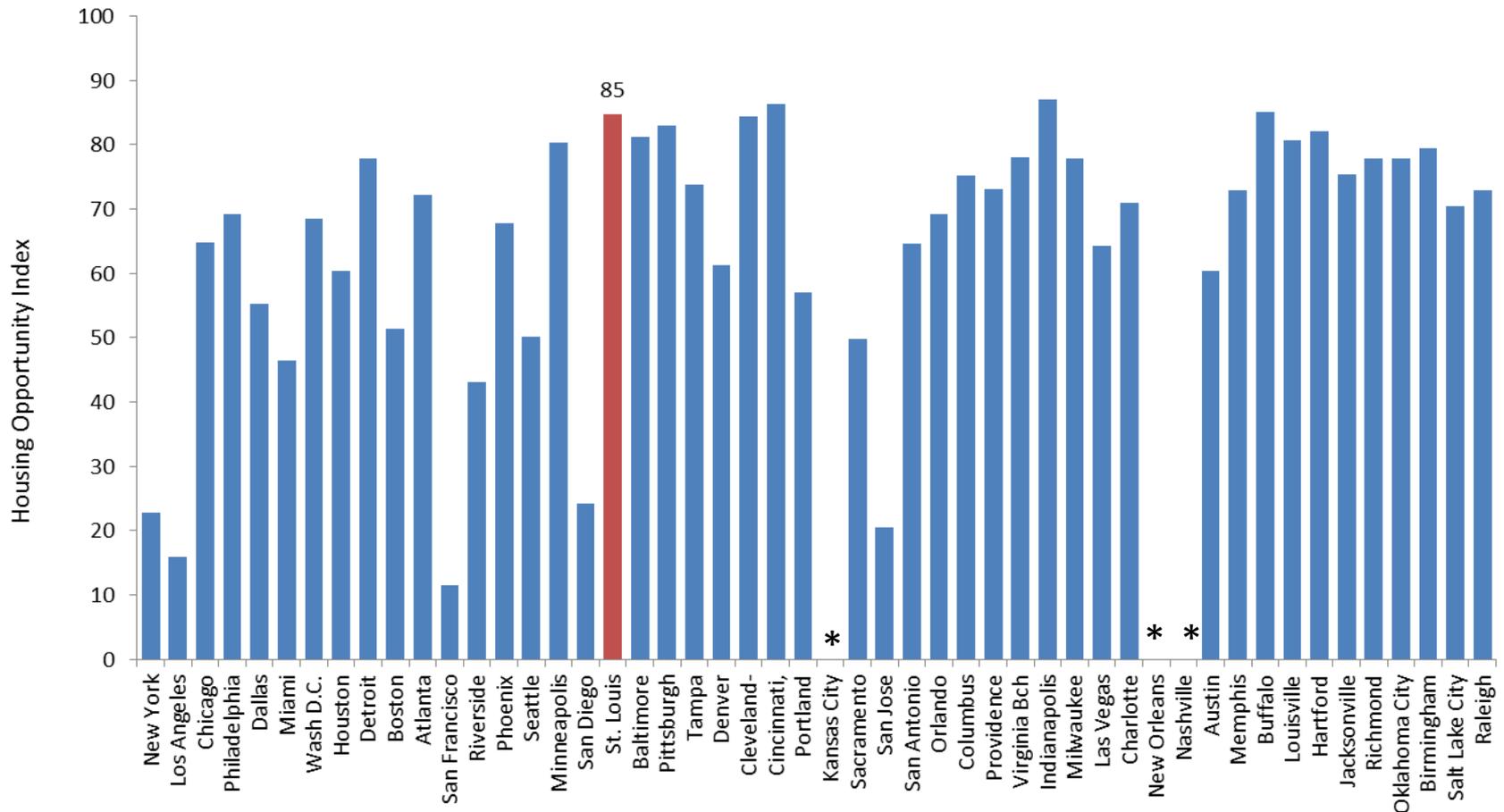
Source: Federal Highway Administration

Inequality is generally higher in larger metro areas.



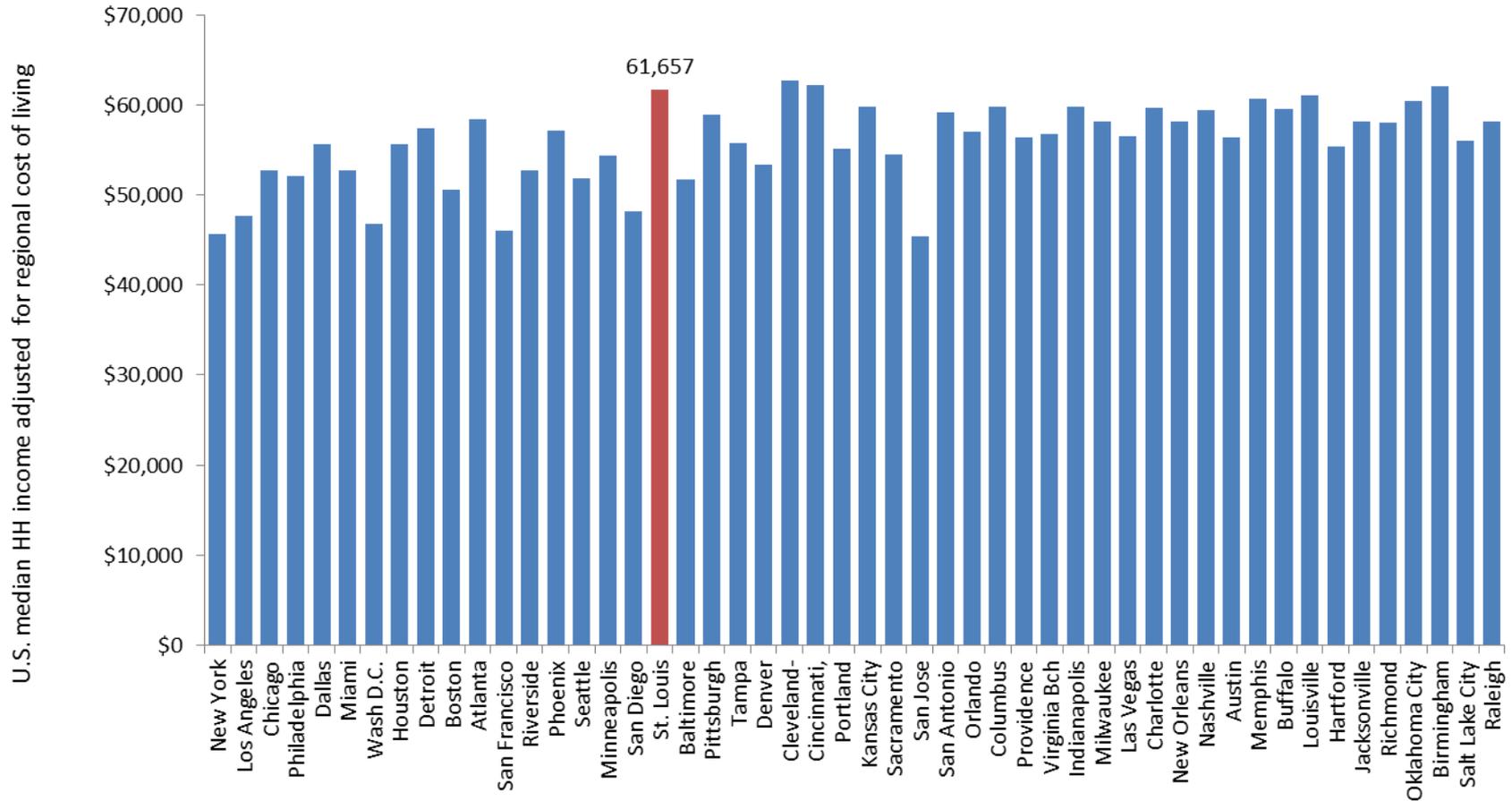
Source: Sommeiller, Price, Wazter (2016); Based on 2013 American Community Survey

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

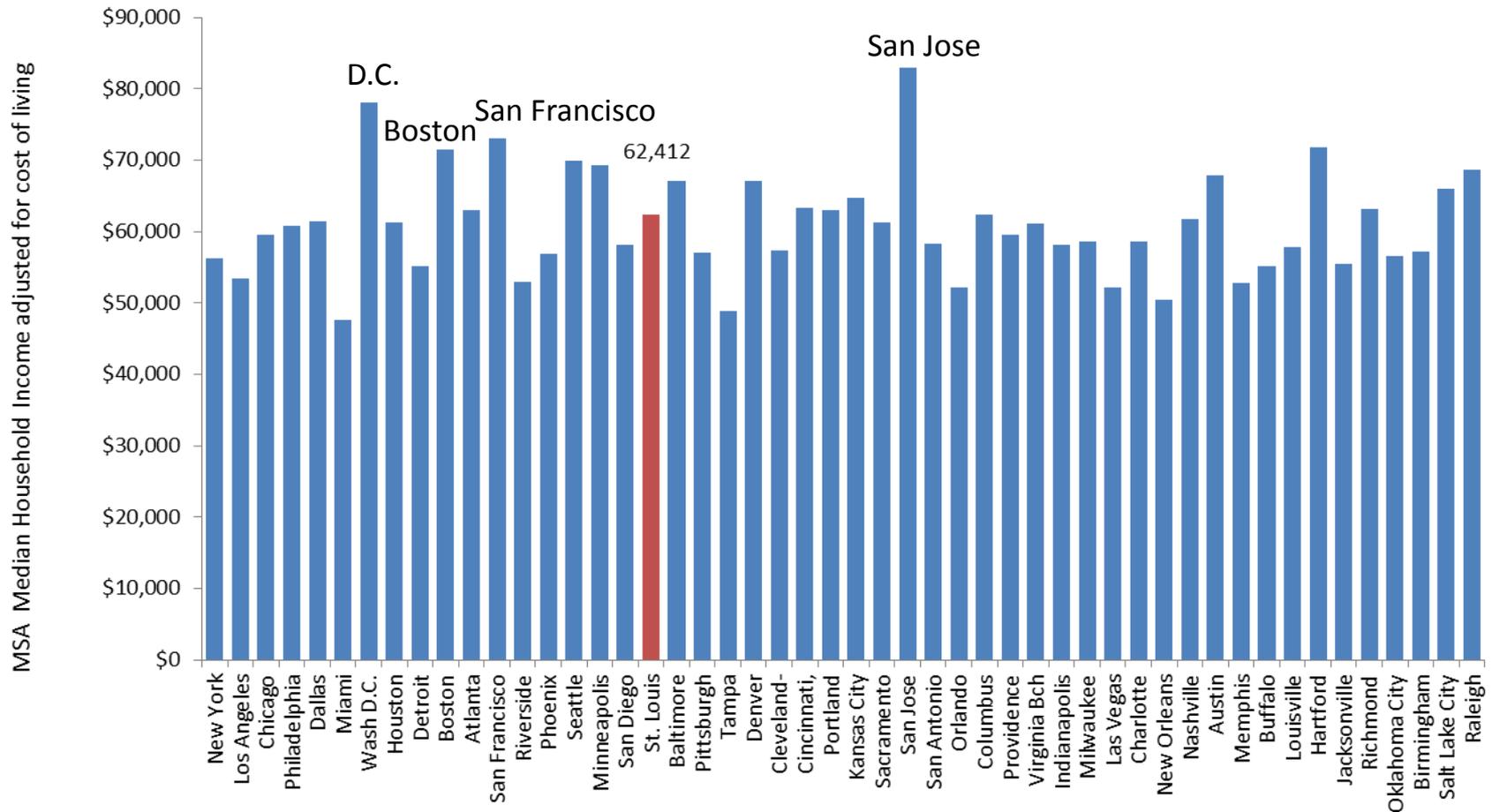


*missing data

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

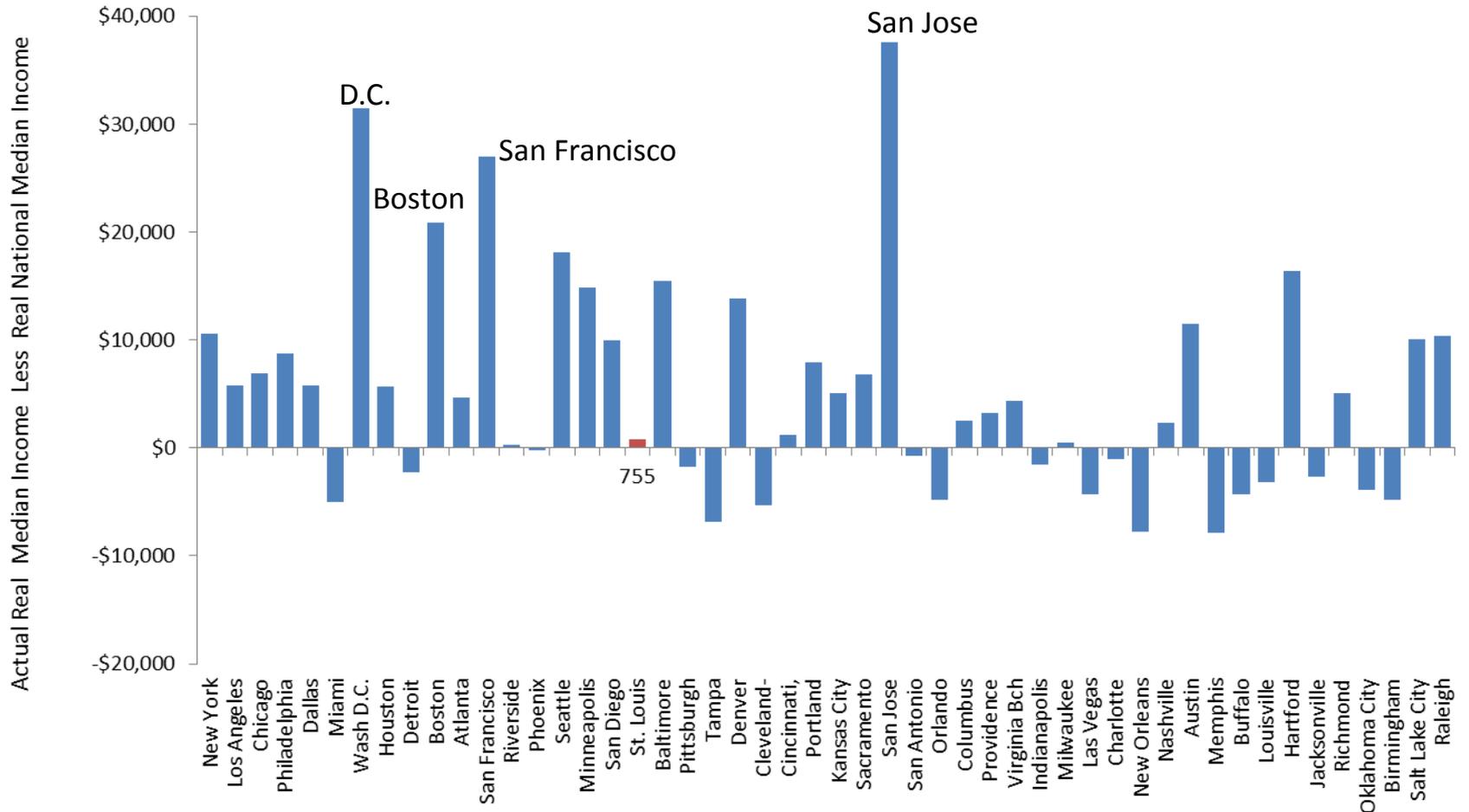


What does the actual median household earn in these cities?



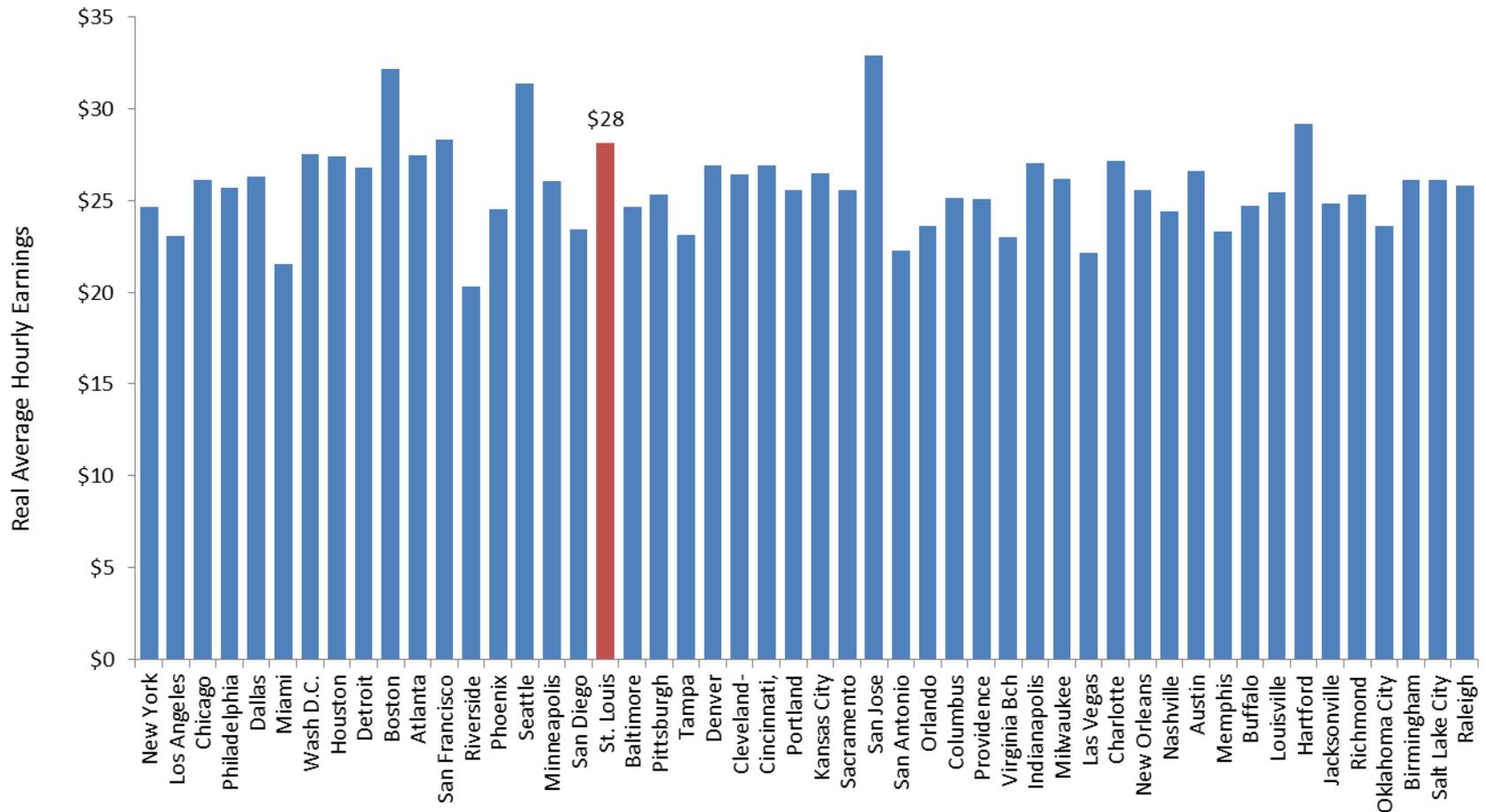
Source: U.S. Census Bureau/Bureau of Economic Analysis

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

- 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