



The Cleveland Economy

ClevelandNext ♦ 28 February 2006

The Cleveland Economy

“Three broad trends characterize economic conditions in the Cleveland area over the past two decades ... The total population of the metropolitan area has been declining. Total employment has increased annually but at a much slower rate than the nationwide average. Employment in manufacturing industries has decreased, and employment in non-manufacturing industries has increased.”

-- Rand Corporation

The Cleveland Economy

“Three broad trends characterize economic conditions in the Cleveland area over the past two decades ... **The total population of the metropolitan area has been declining.** Total employment has increased annually but at a much slower rate than the nationwide average. Employment in manufacturing industries has decreased, and employment in non-manufacturing industries has increased.”

-- Rand Corporation

The Cleveland Economy

“Three broad trends characterize economic conditions in the Cleveland area over the past two decades ... The total population of the metropolitan area has been declining. **Total employment has increased annually but at a much slower rate than the nationwide average.** Employment in manufacturing industries has decreased, and employment in non-manufacturing industries has increased.”

-- Rand Corporation

The Cleveland Economy

“Three broad trends characterize economic conditions in the Cleveland area over the past two decades ... The total population of the metropolitan area has been declining. Total employment has increased annually but at a much slower rate than the nationwide average. **Employment in manufacturing industries has decreased, and employment in non-manufacturing industries has increased.**”

-- Rand Corporation

The Cleveland Economy

“Three broad trends characterize economic conditions in the Cleveland area over the past two decades ... The total population of the metropolitan area has been declining. Total employment has increased annually but at a much slower rate than the nationwide average. **Employment in manufacturing industries has decreased, and employment in non-manufacturing industries has increased.**”

-- Rand Corporation
March 1982

Recent Employment Trends

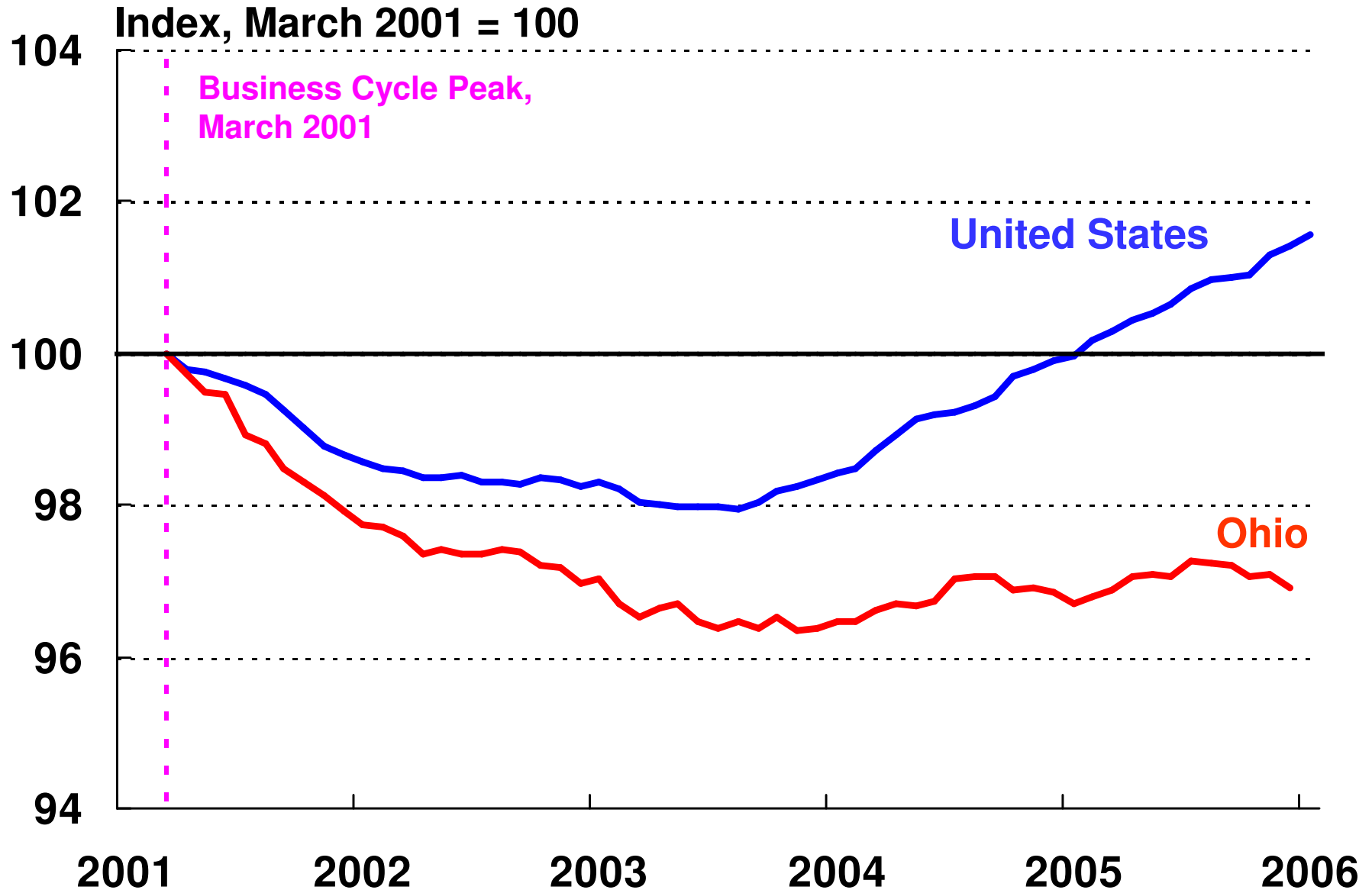
February 1, 2006

Among the largest areas, the only over-the-year percentage decreases in employment were recorded in Detroit-Warren-Livonia, Mich. (-0.6 percent), Indianapolis, Ind., and Cleveland-Elyria-Mentor, Ohio (-0.1 percent each).

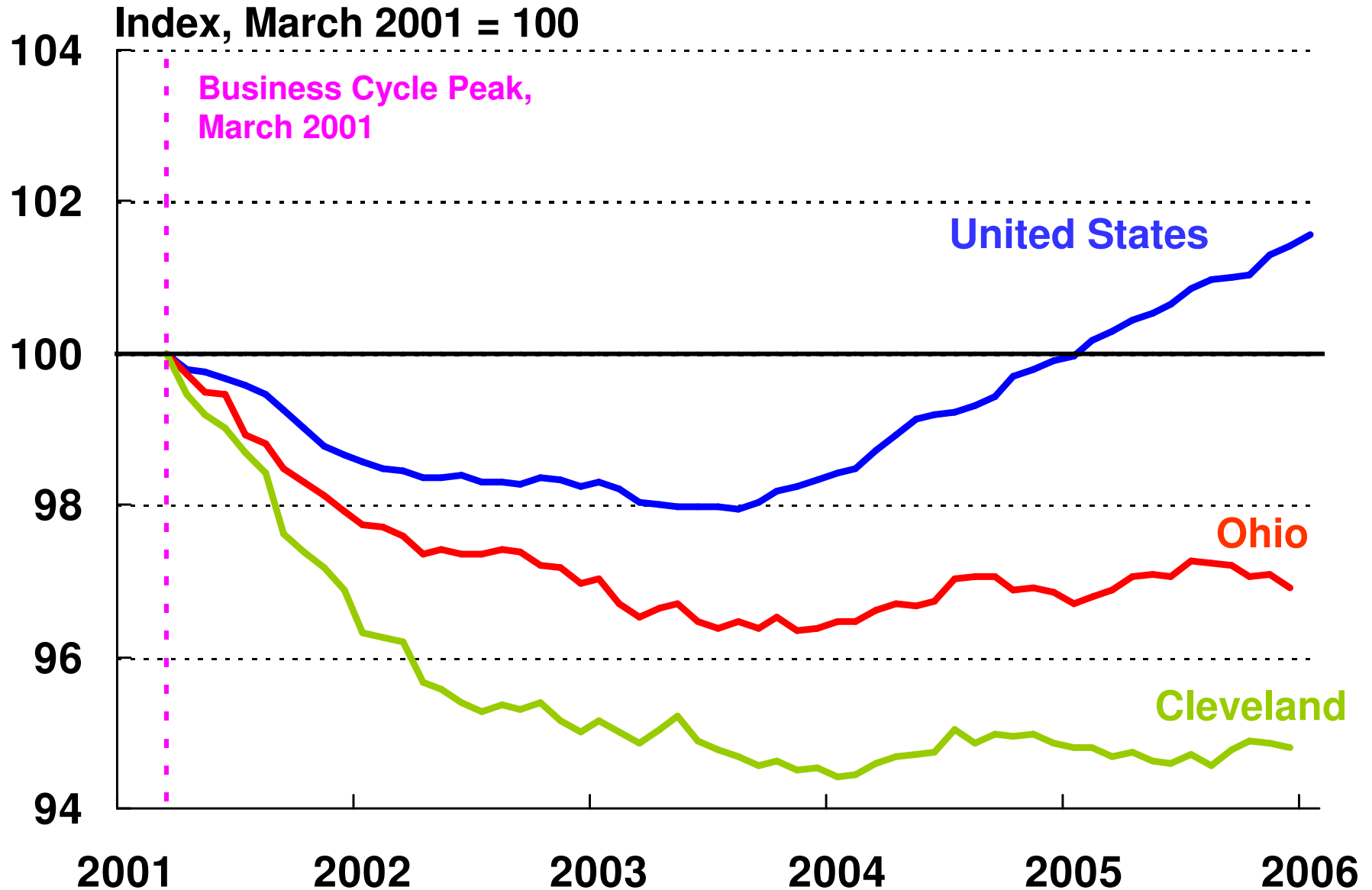
February 1, 2006

Among the largest areas, the only over-the-year percentage decreases in employment were recorded in Detroit-Warren-Livonia, Mich. (-0.6 percent), Indianapolis, Ind., and **Cleveland-Elyria-Mentor, Ohio** (-0.1 percent each).

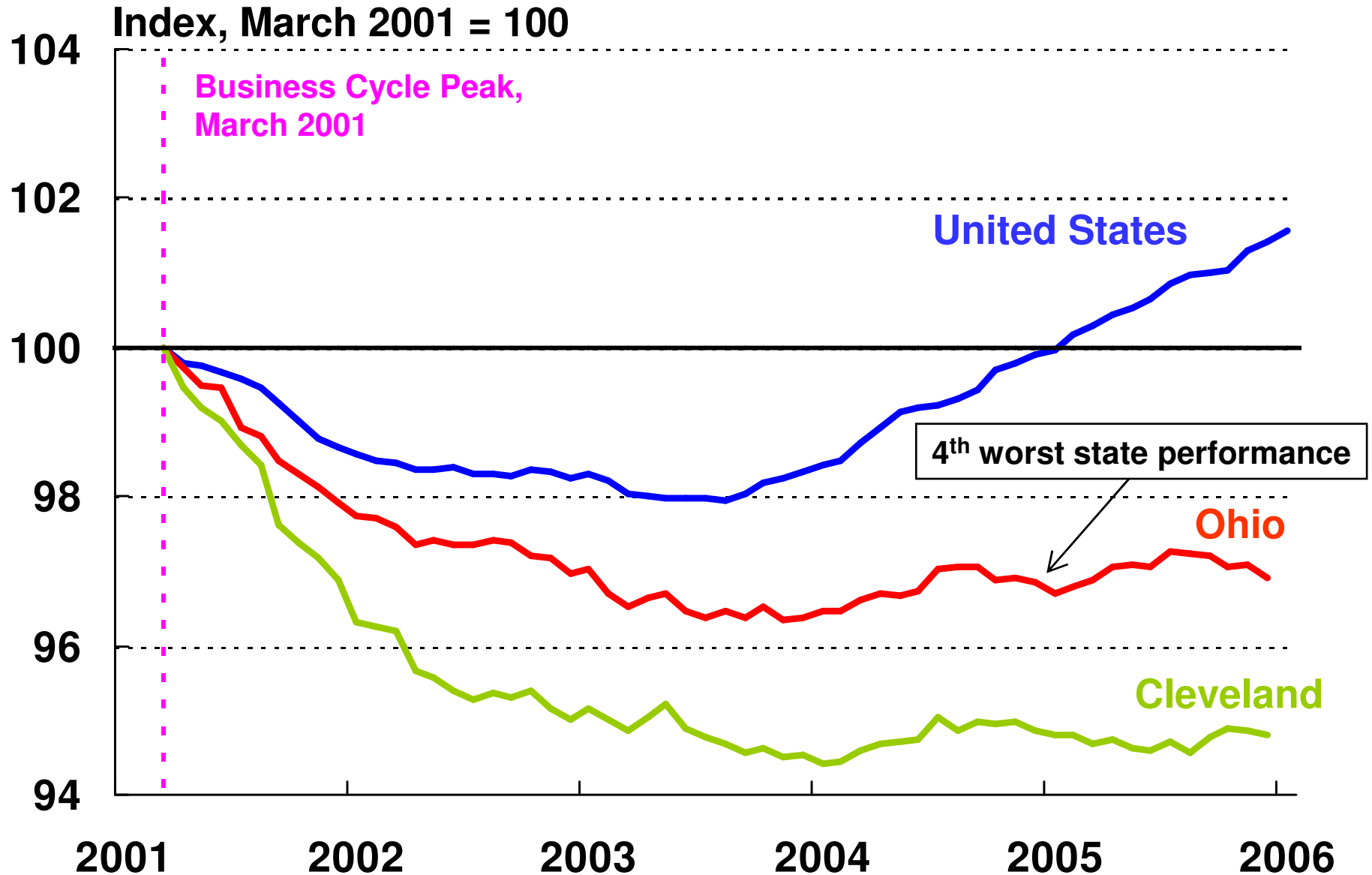
Total Nonfarm Employment



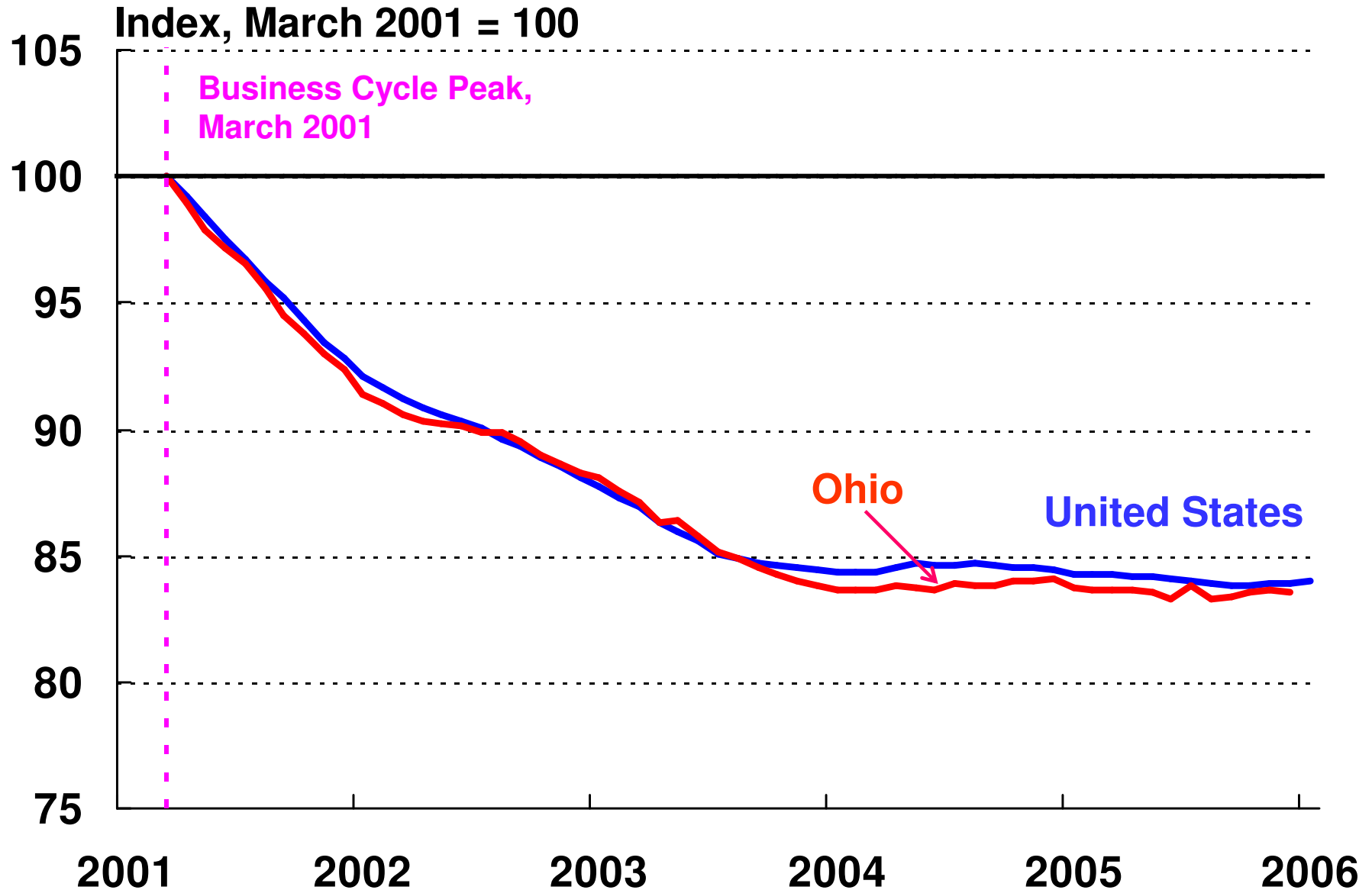
Total Nonfarm Employment



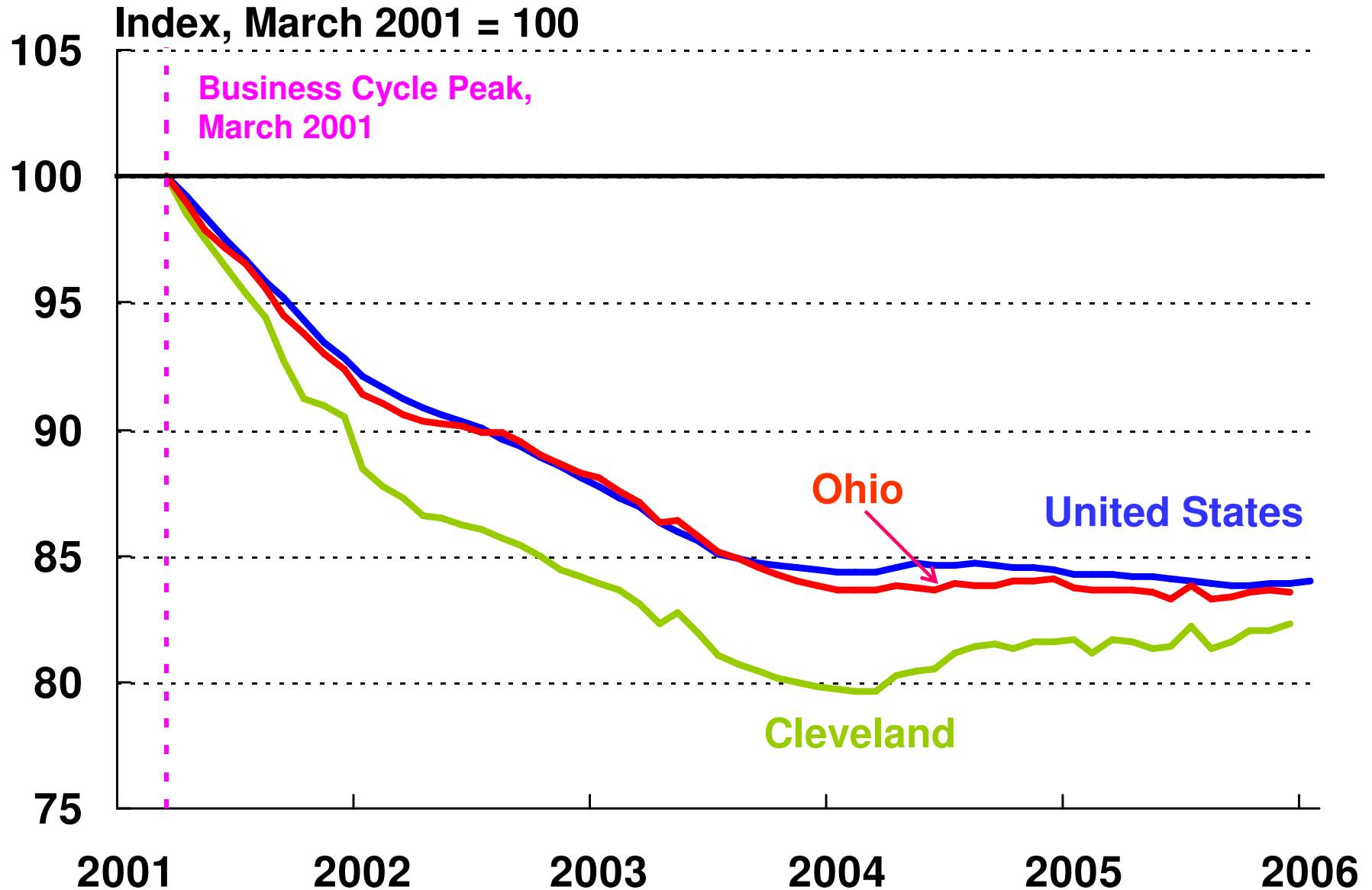
Total Nonfarm Employment



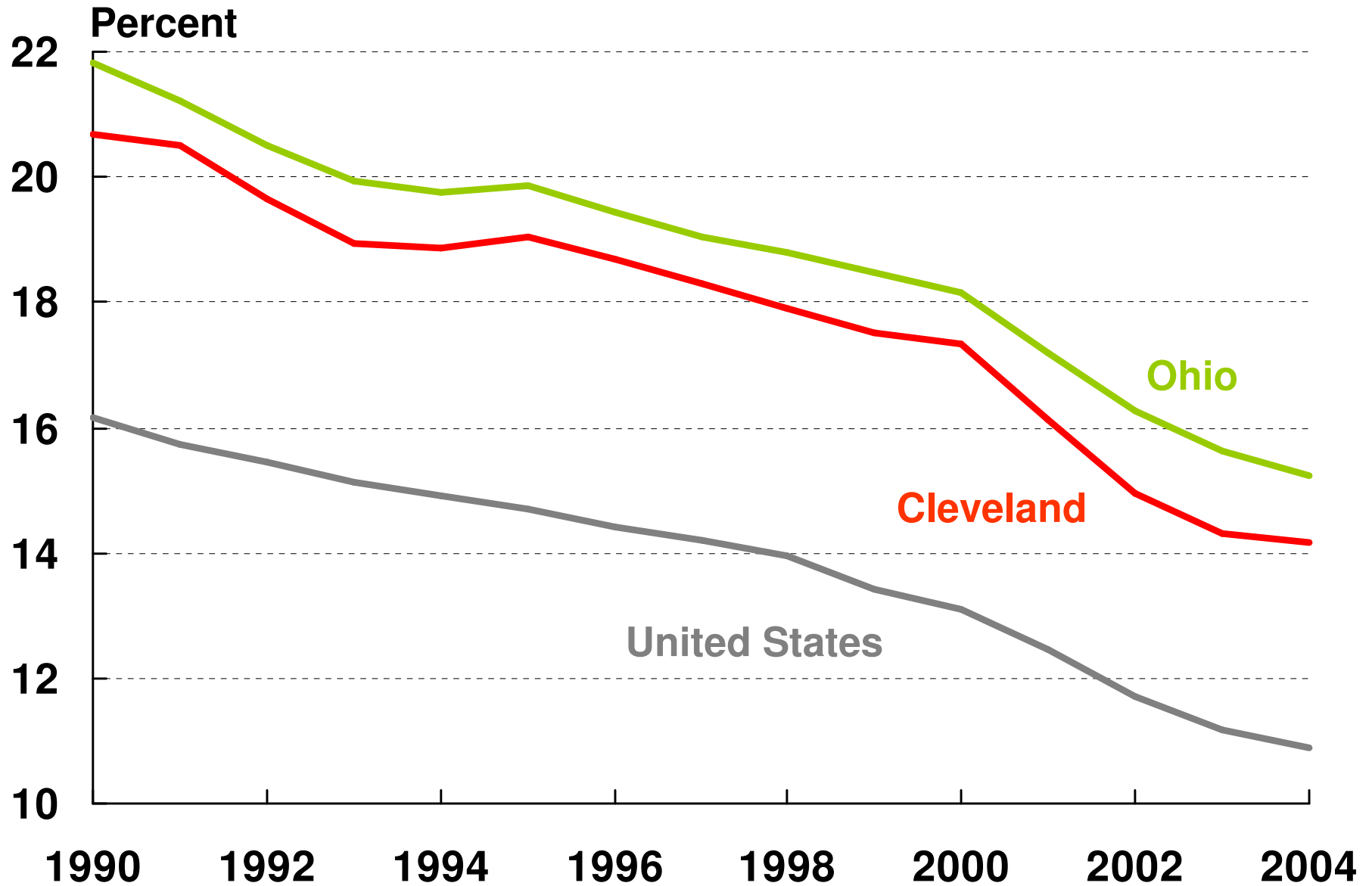
Manufacturing Employment



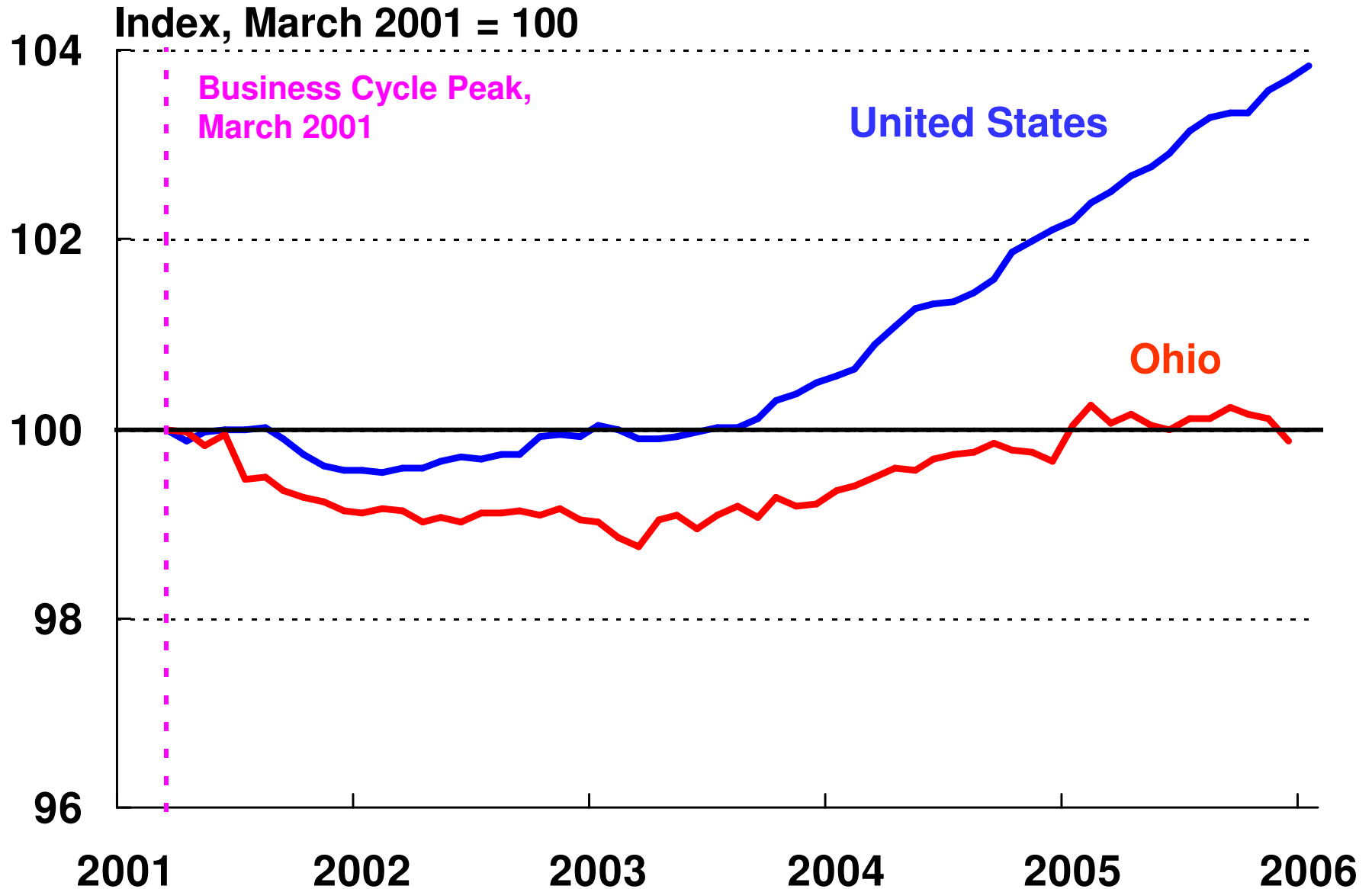
Manufacturing Employment



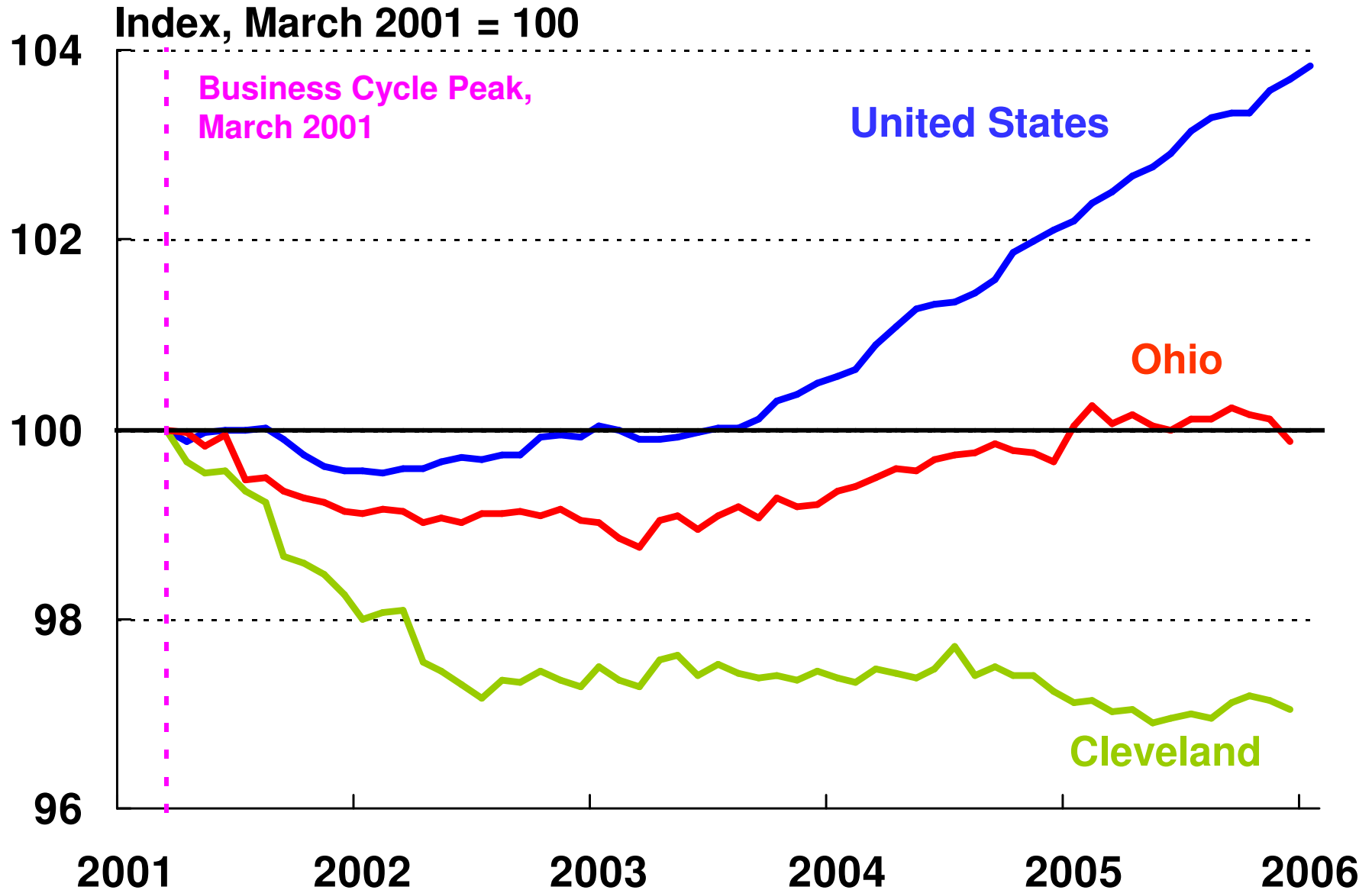
Share of Employment in Manufacturing



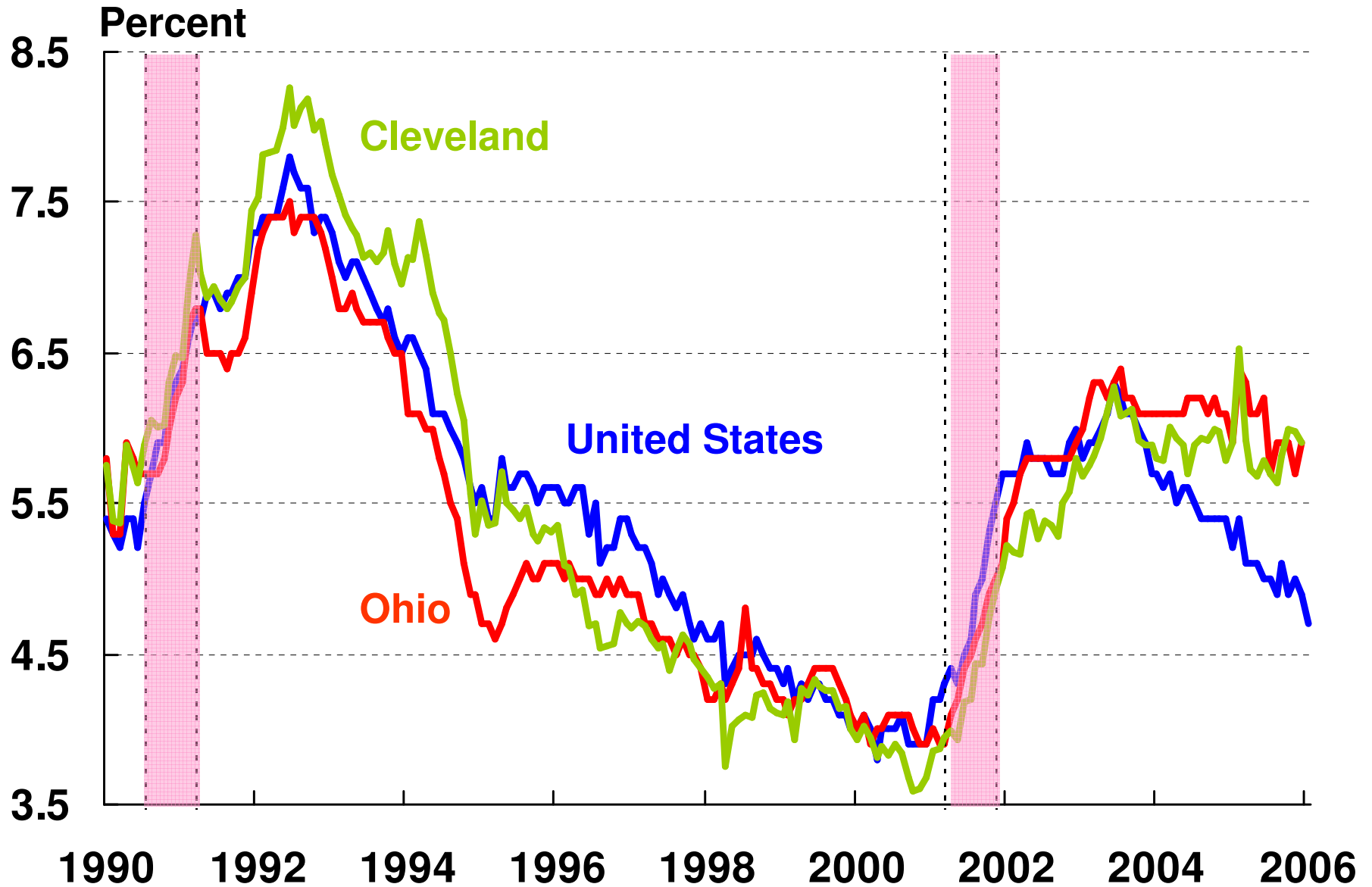
Service Employment



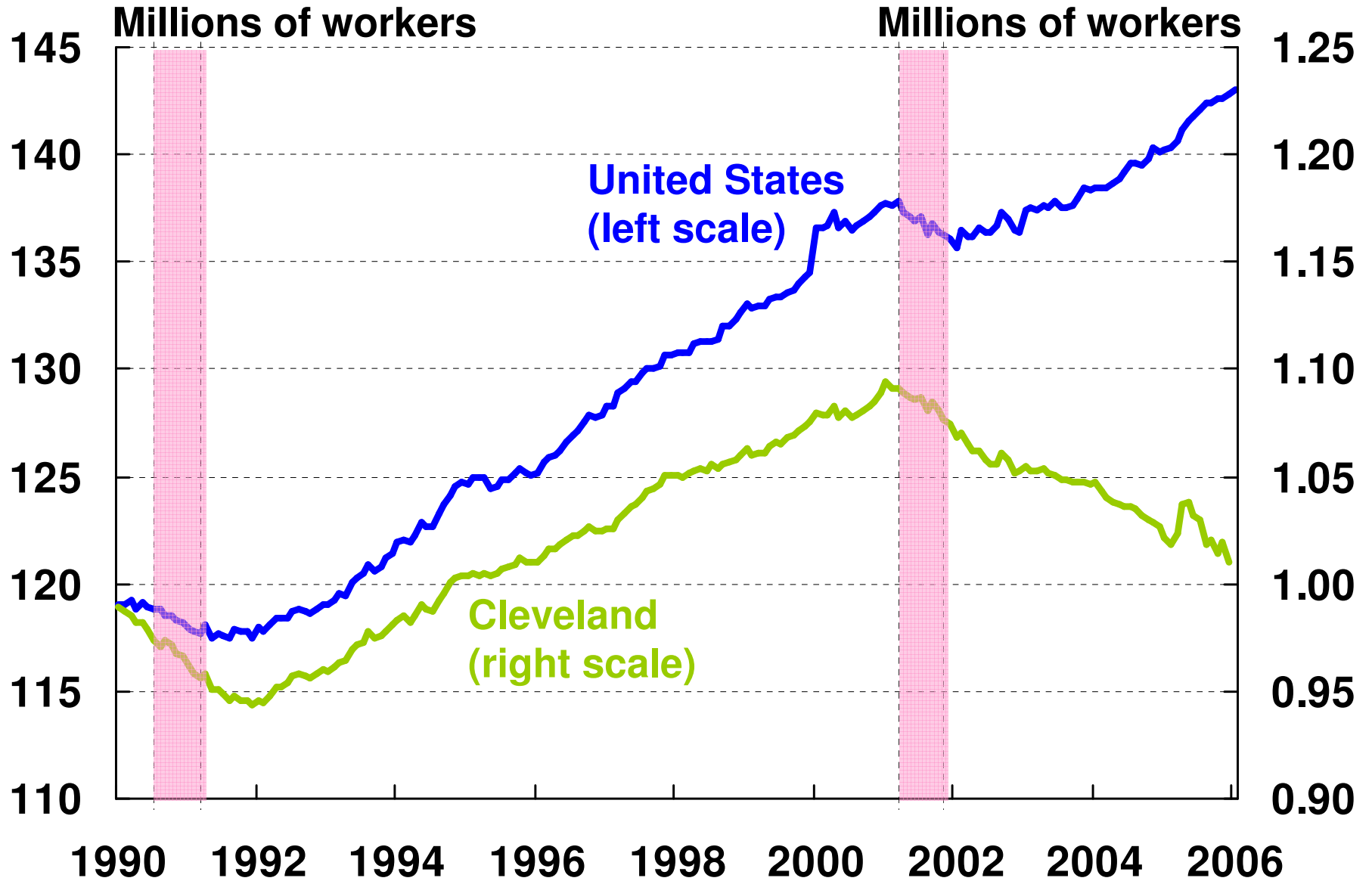
Service Employment



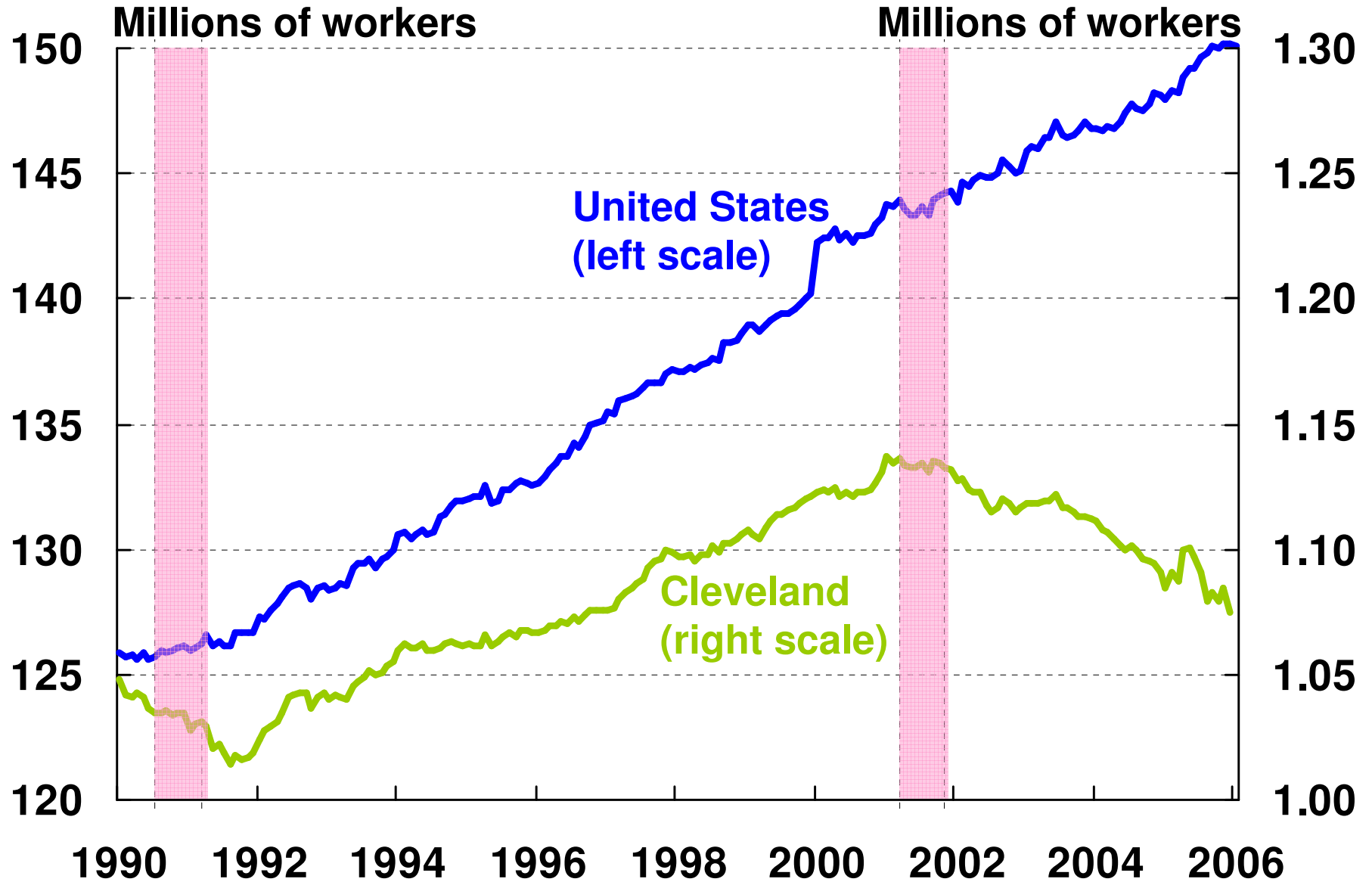
Unemployment Rate



Employment

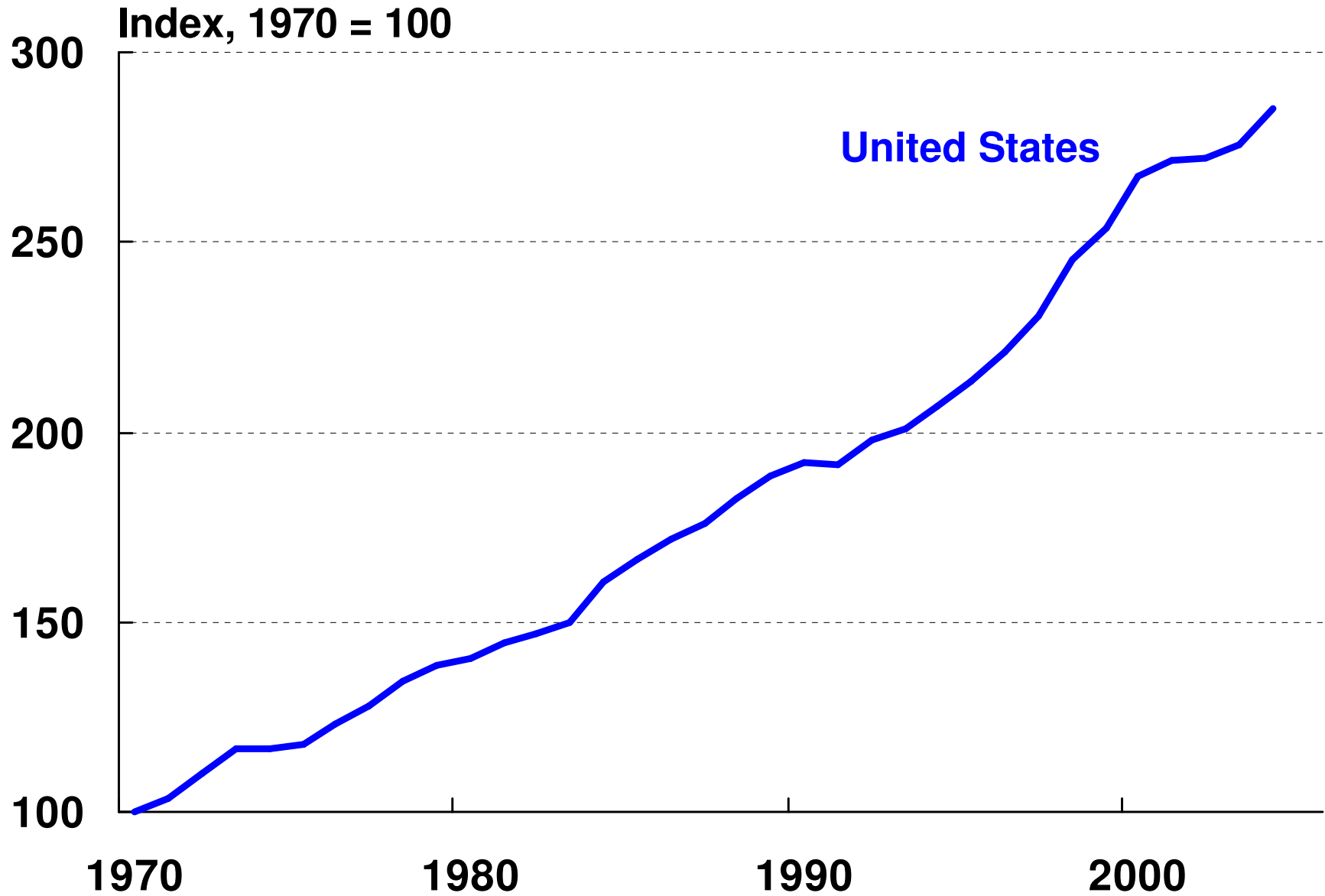


Labor Force

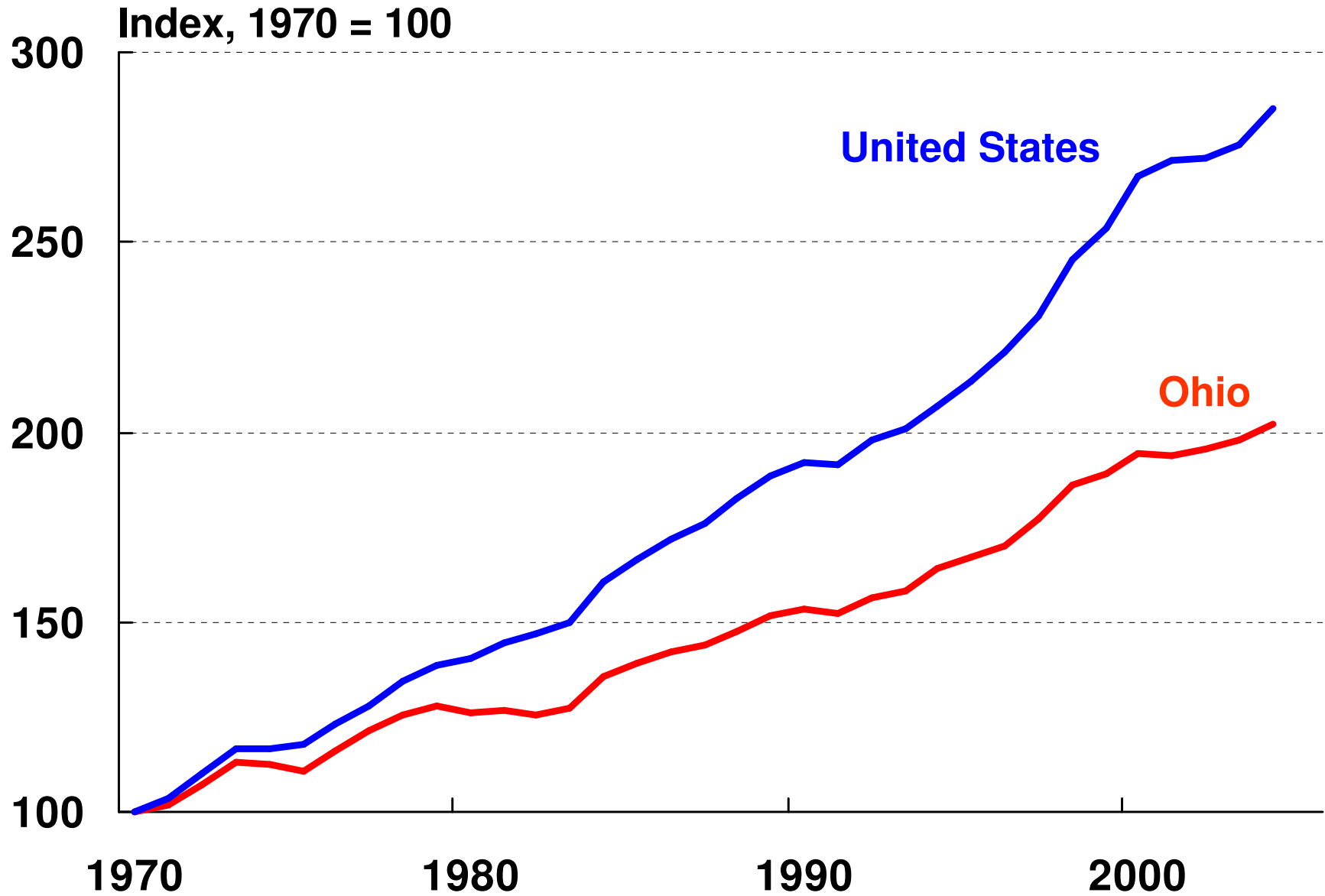


Recent Income Trends

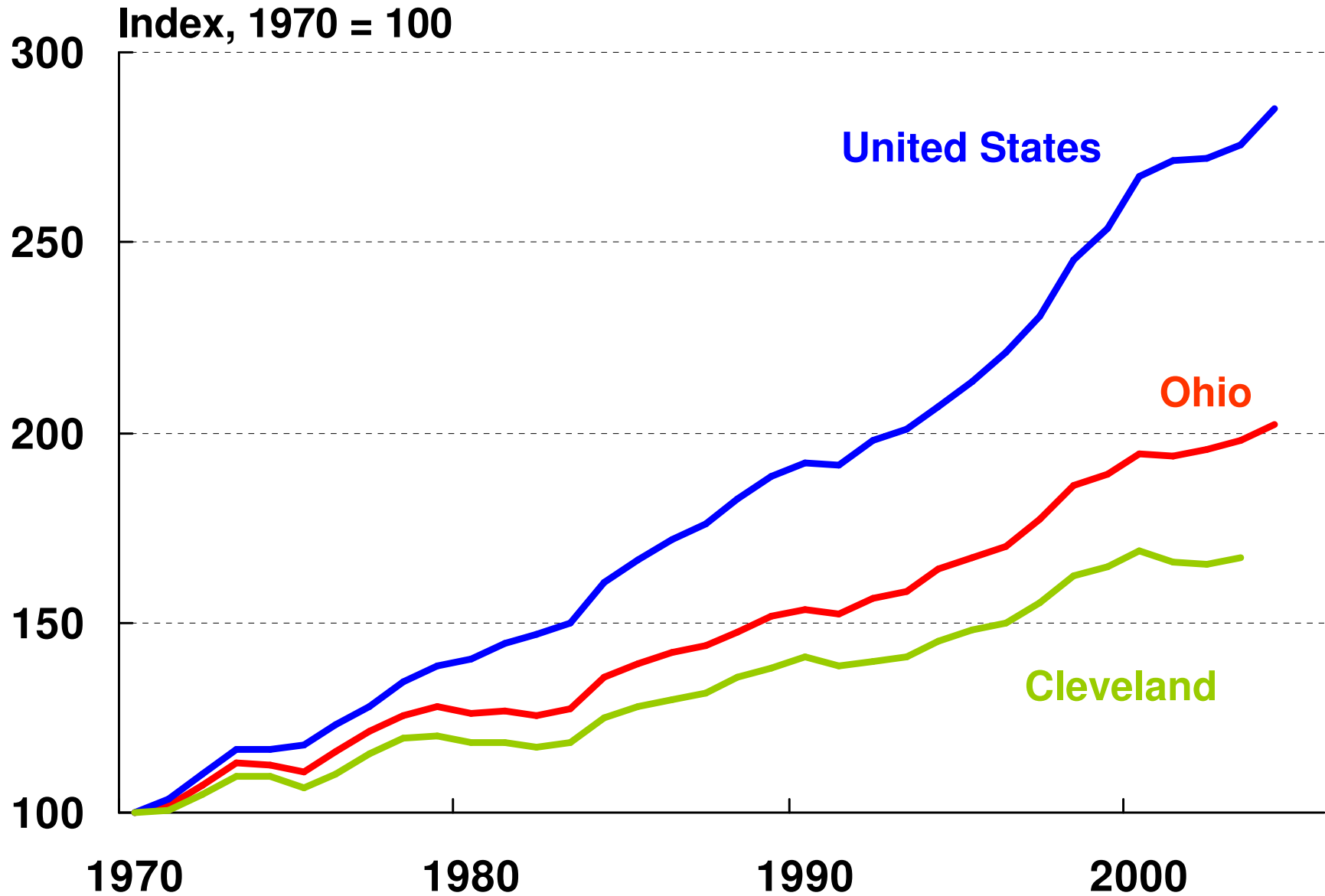
Real Personal Income



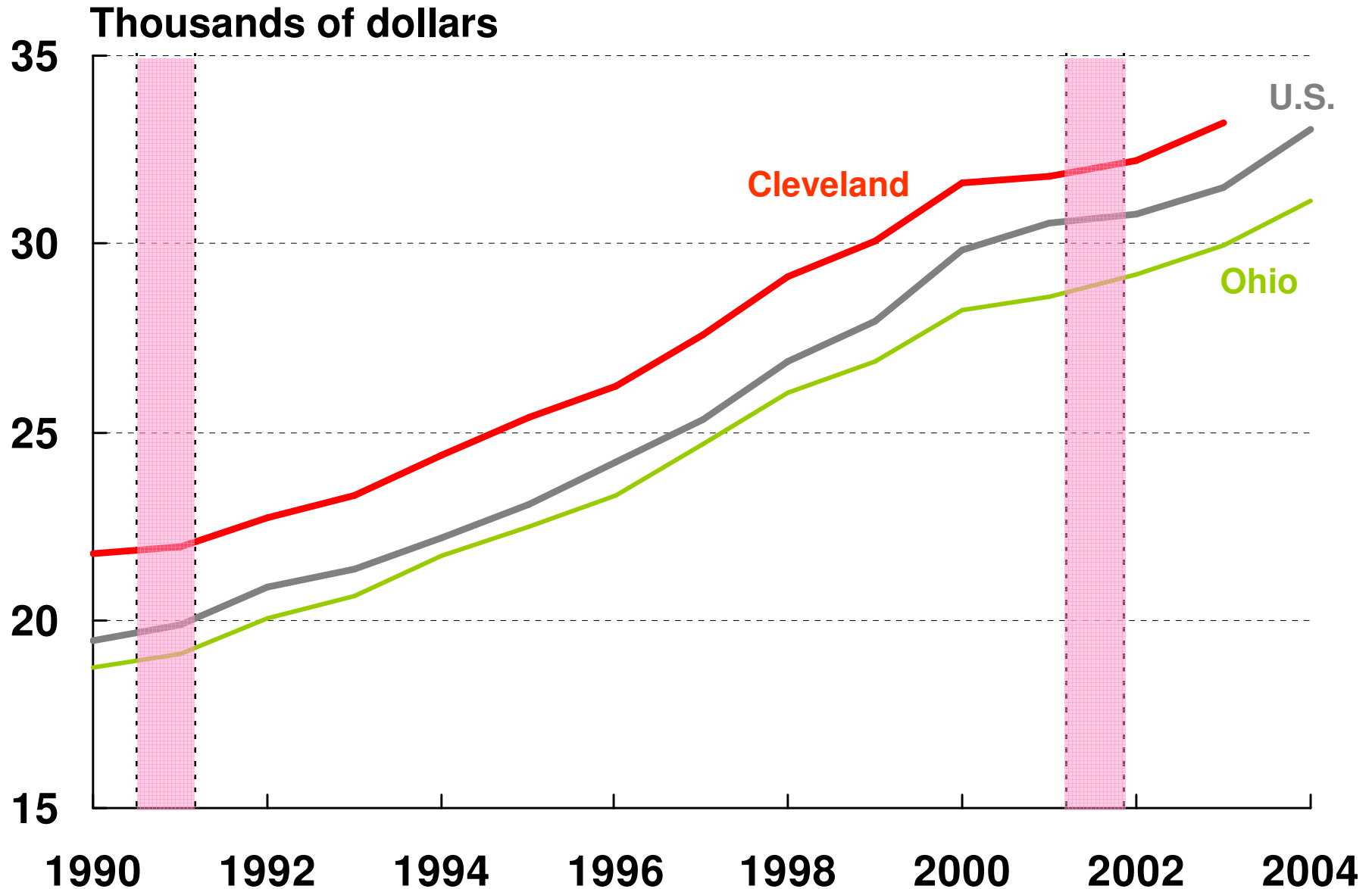
Real Personal Income



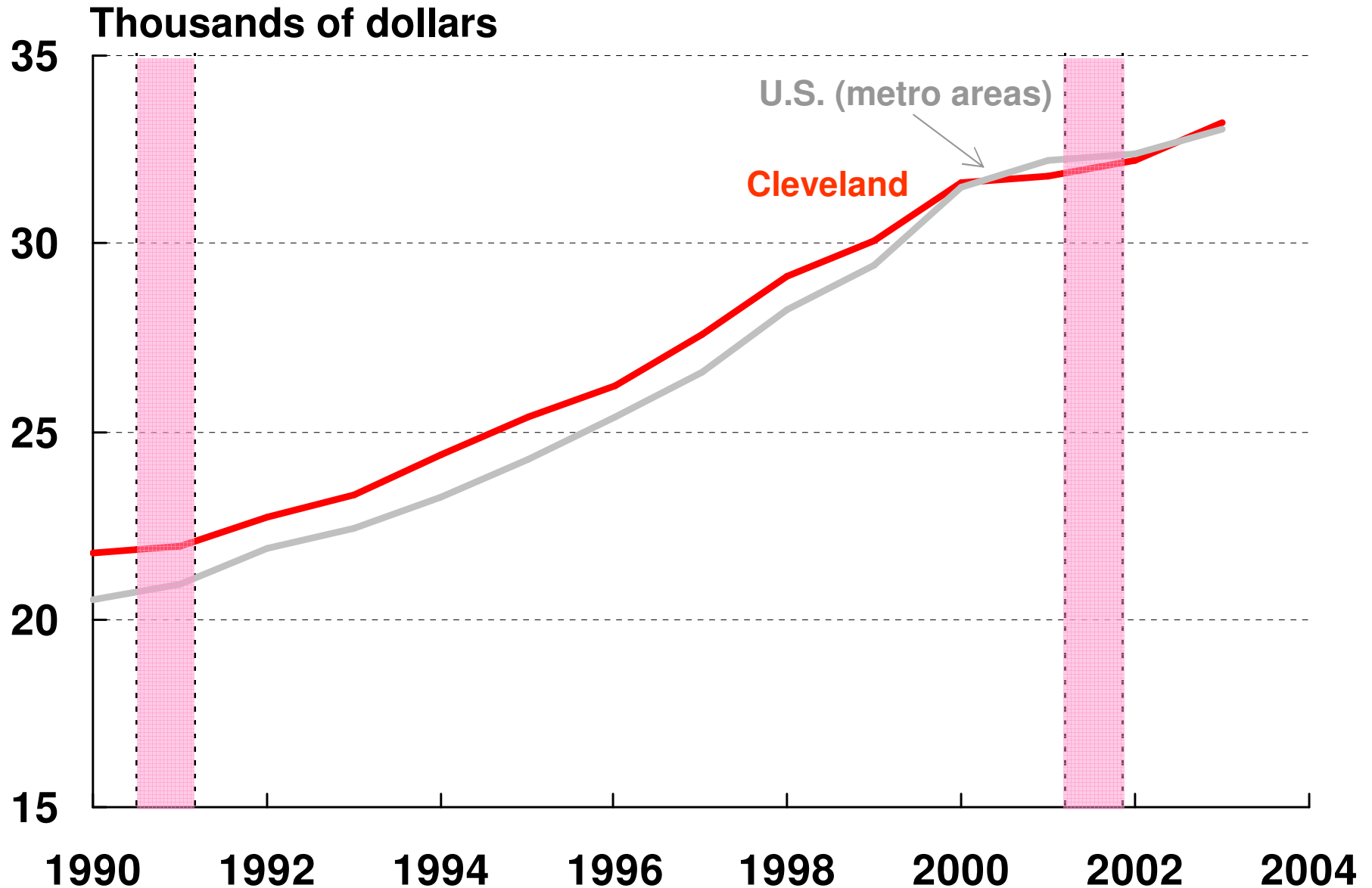
Real Personal Income



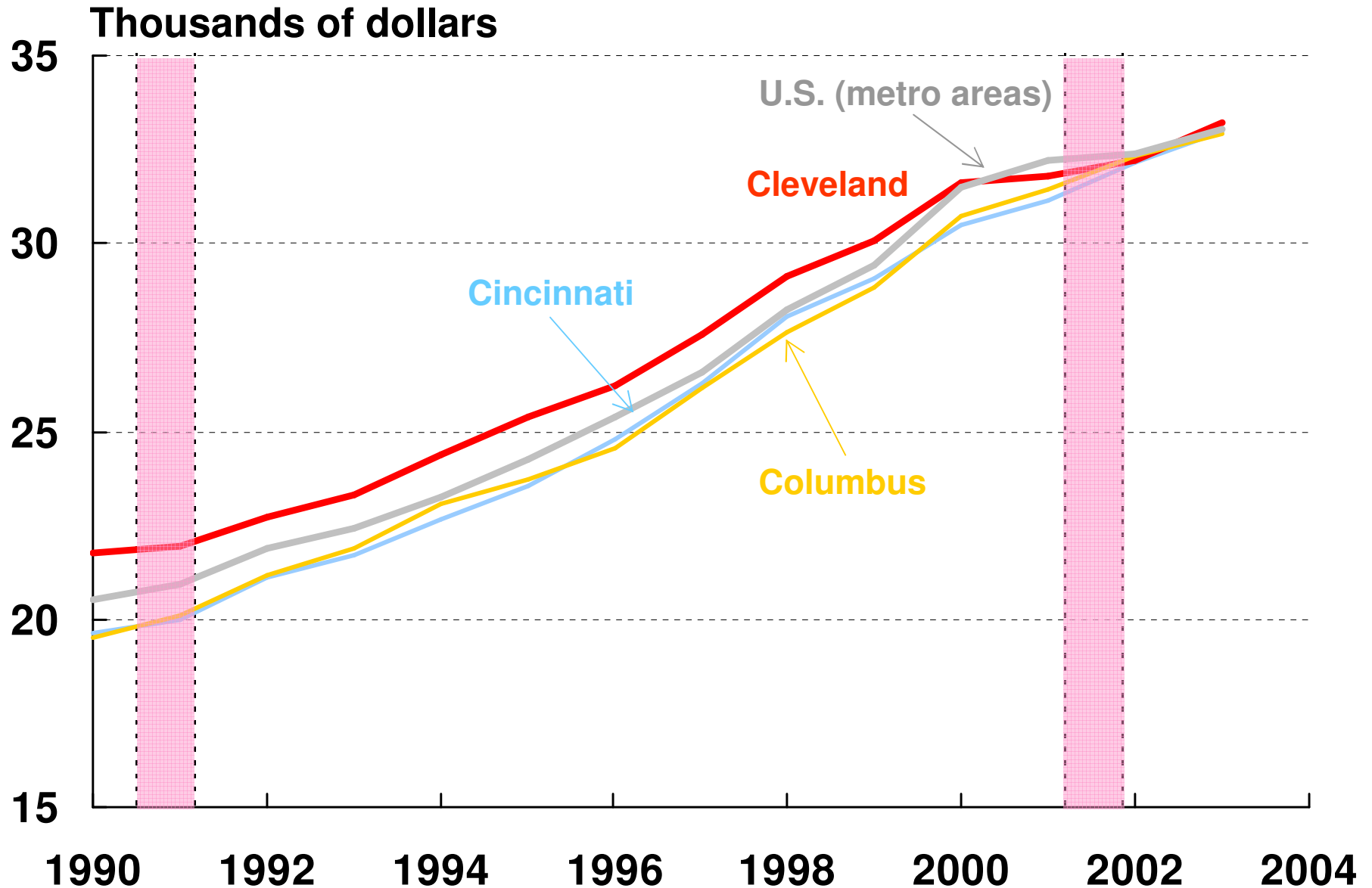
Per Capita Personal Income



Per Capita Personal Income

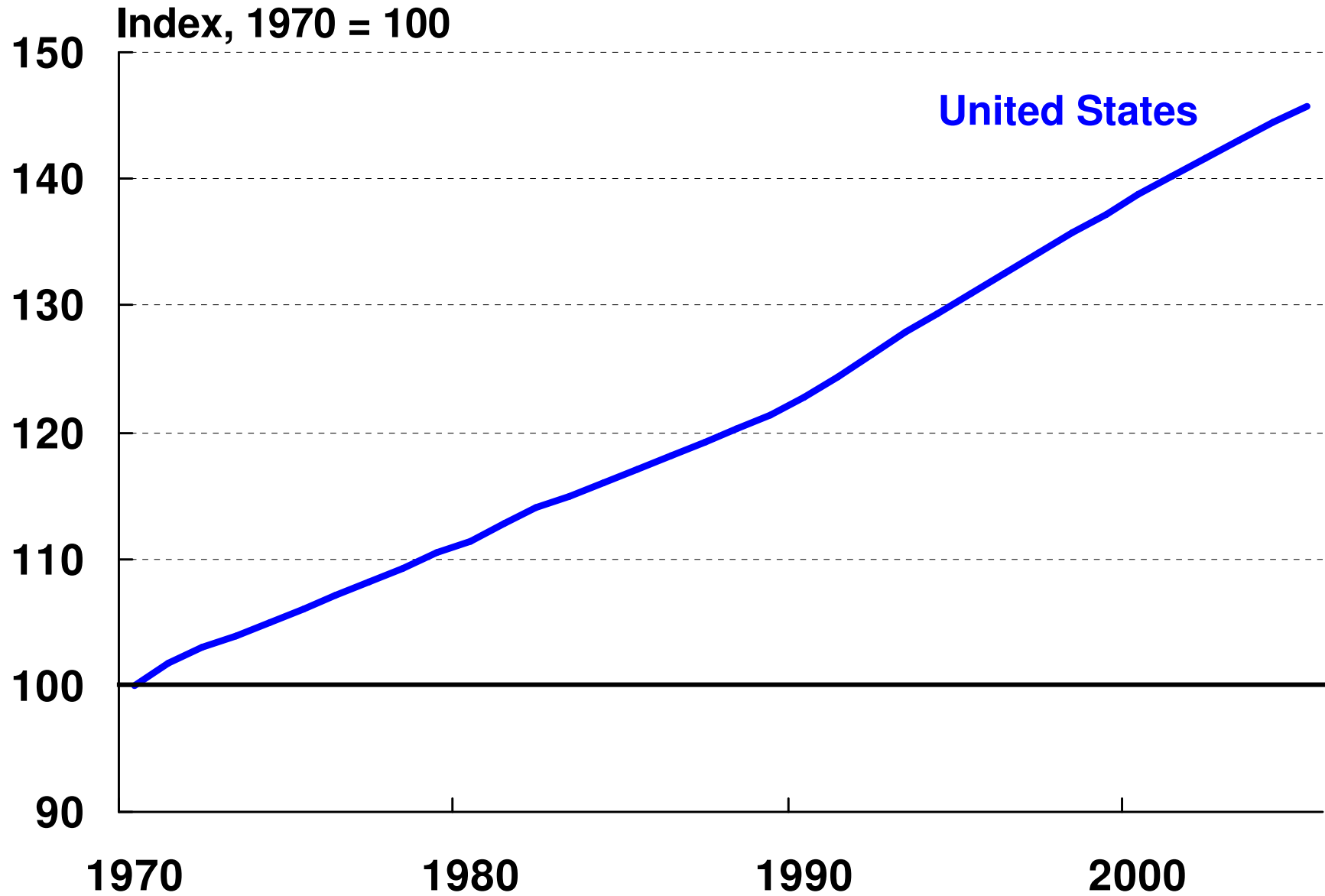


Per Capita Personal Income

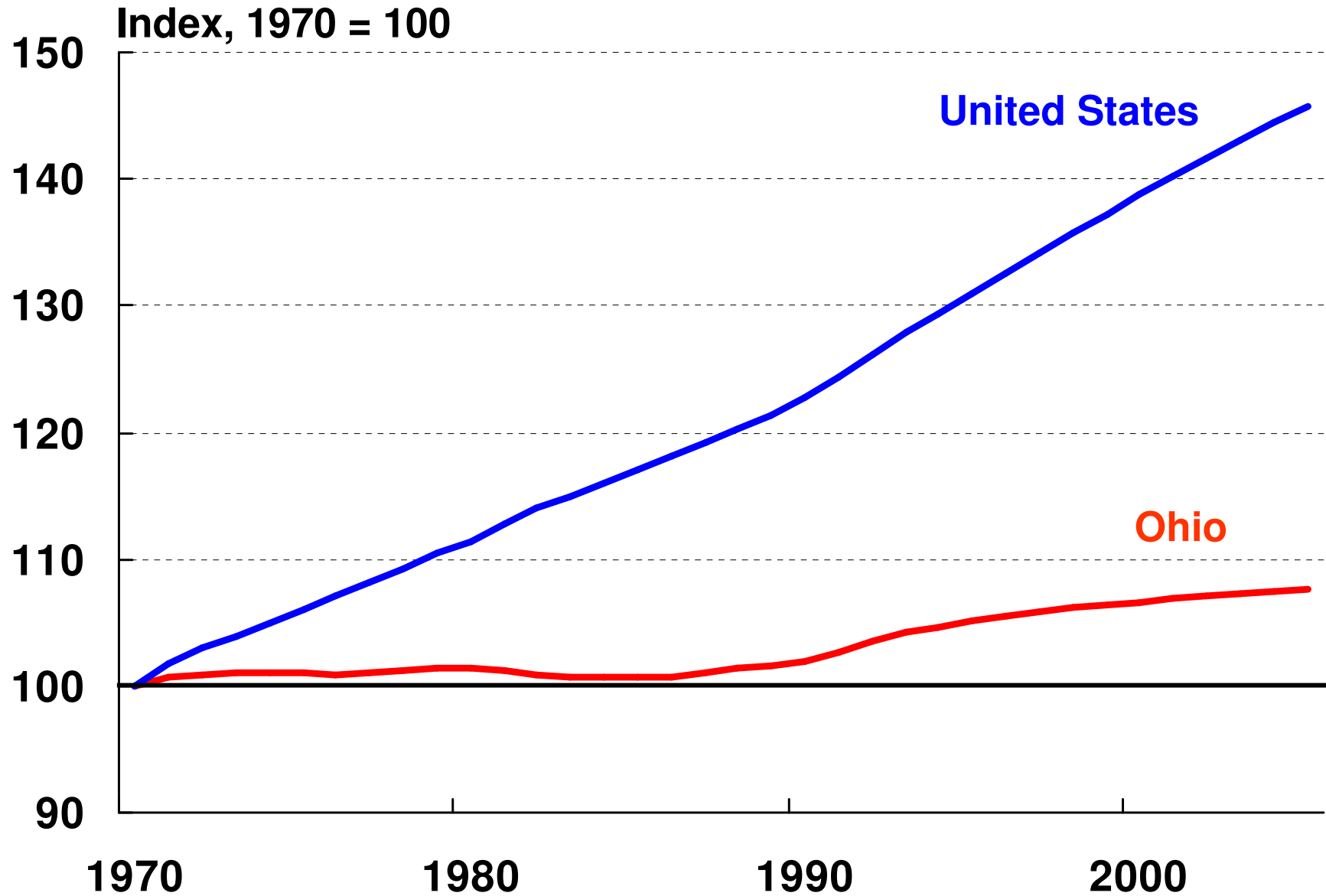


Recent Population Trends

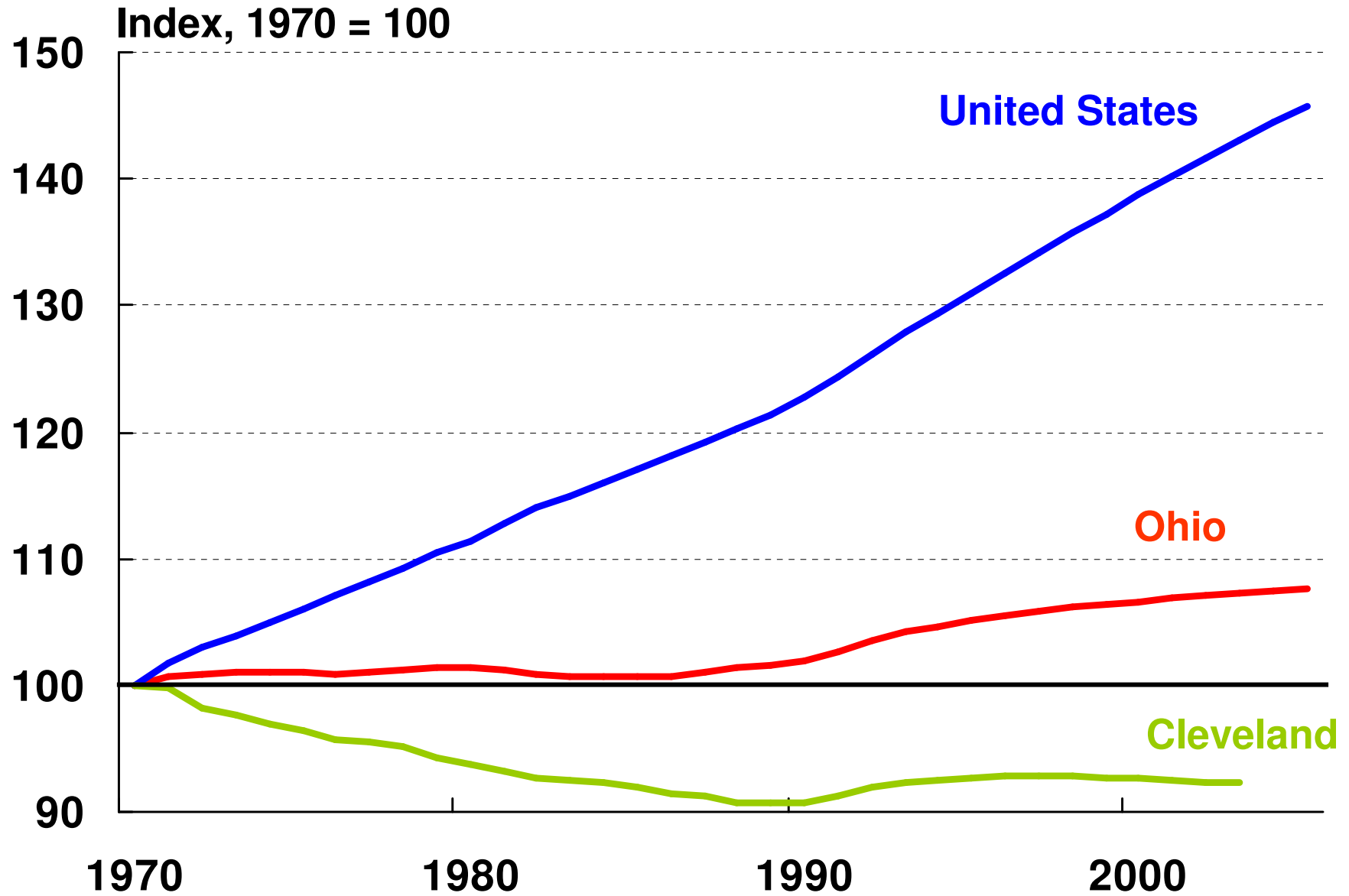
Population



Population

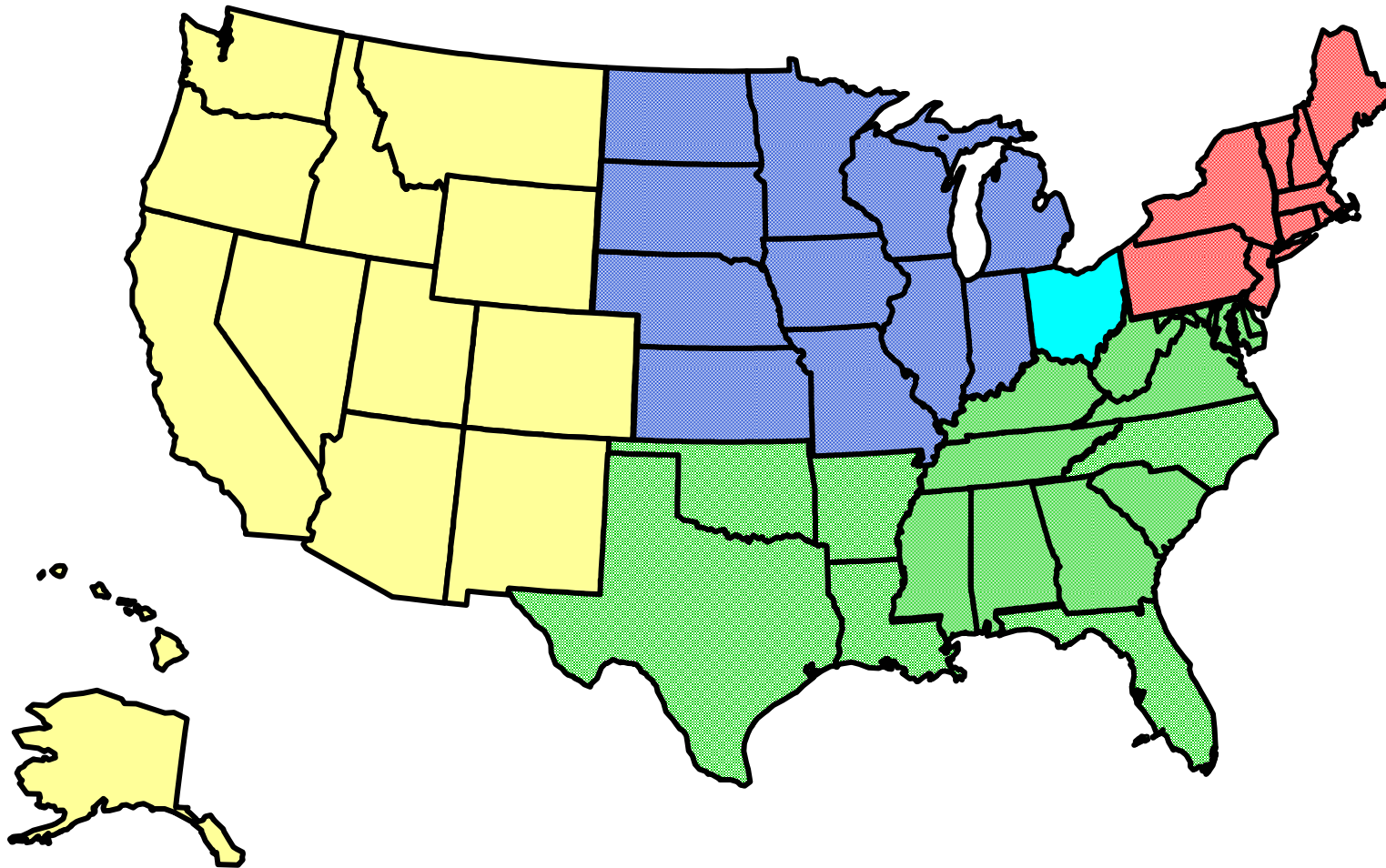


Population



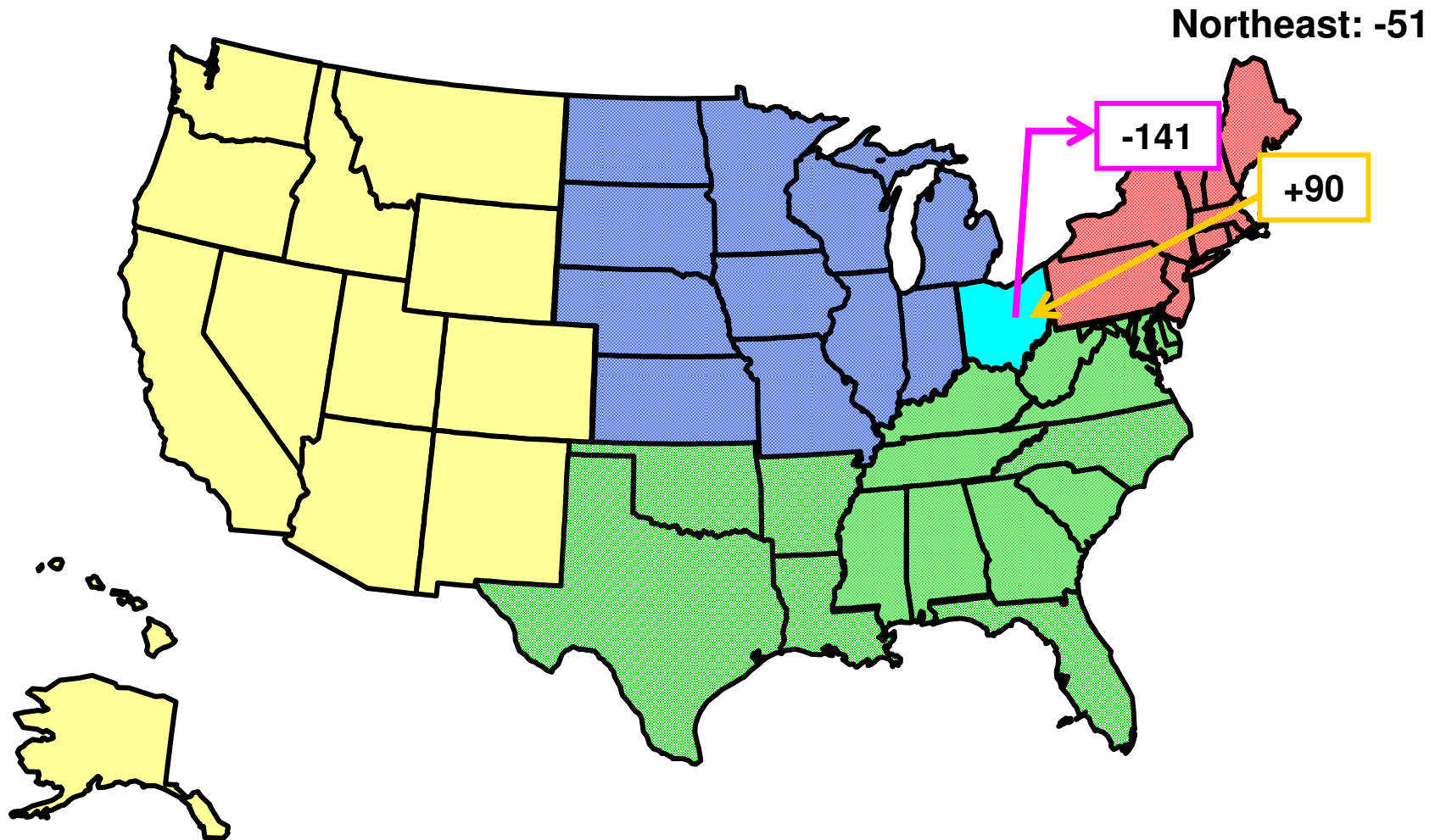
Migration

March 1993-March 1998 (in thousands)



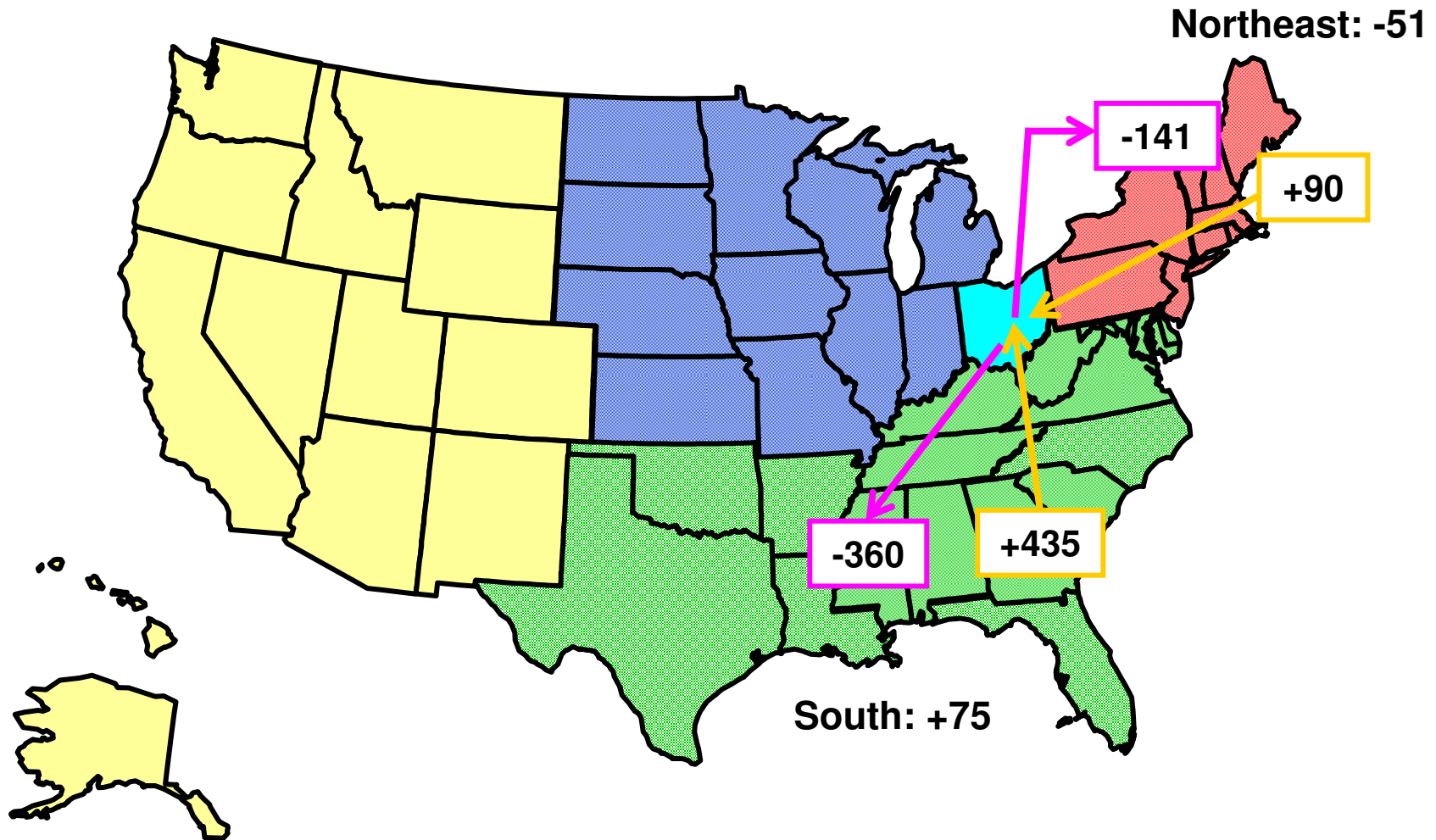
Migration

March 1993-March 1998 (in thousands)



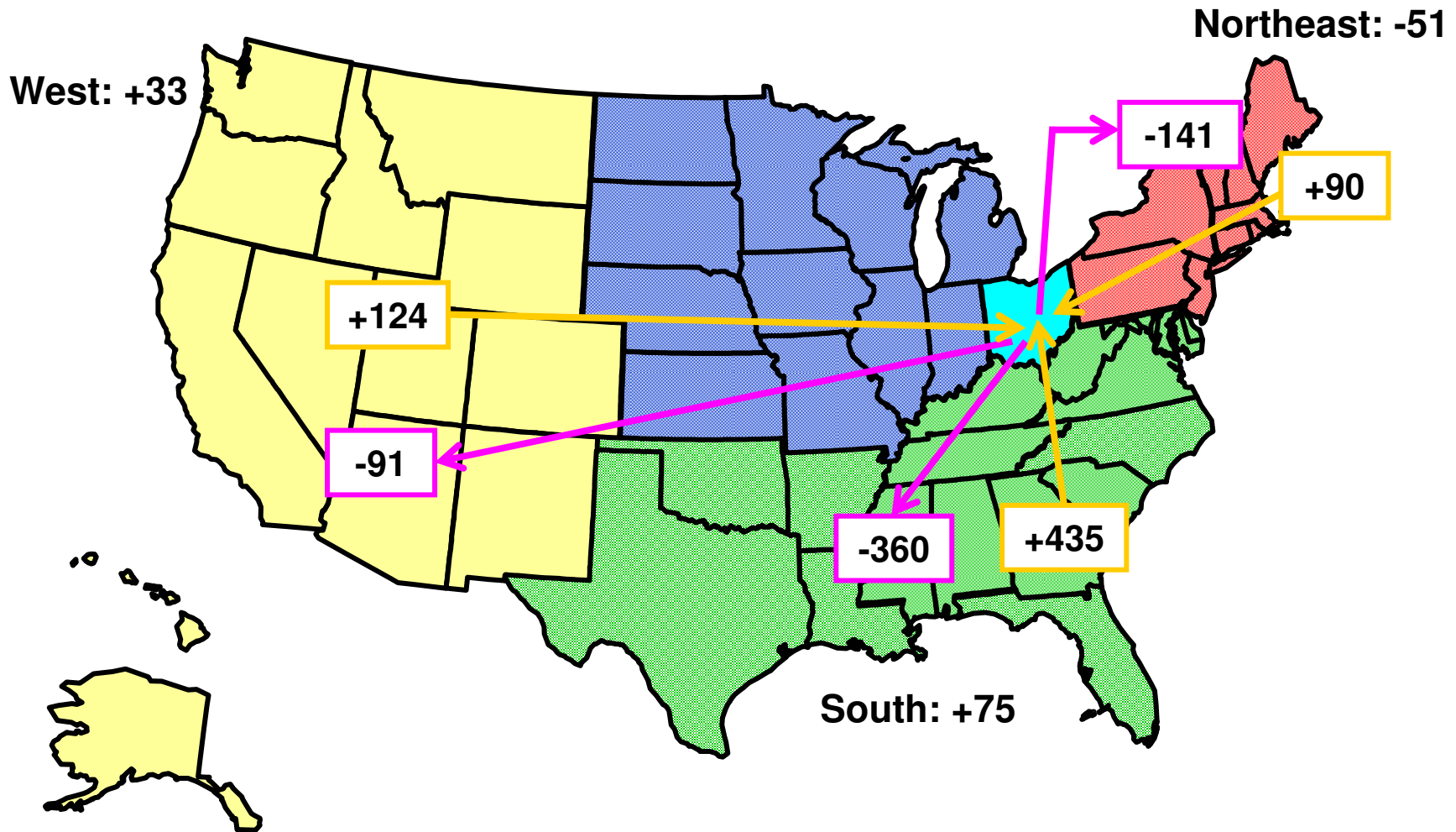
Migration

March 1993-March 1998 (in thousands)



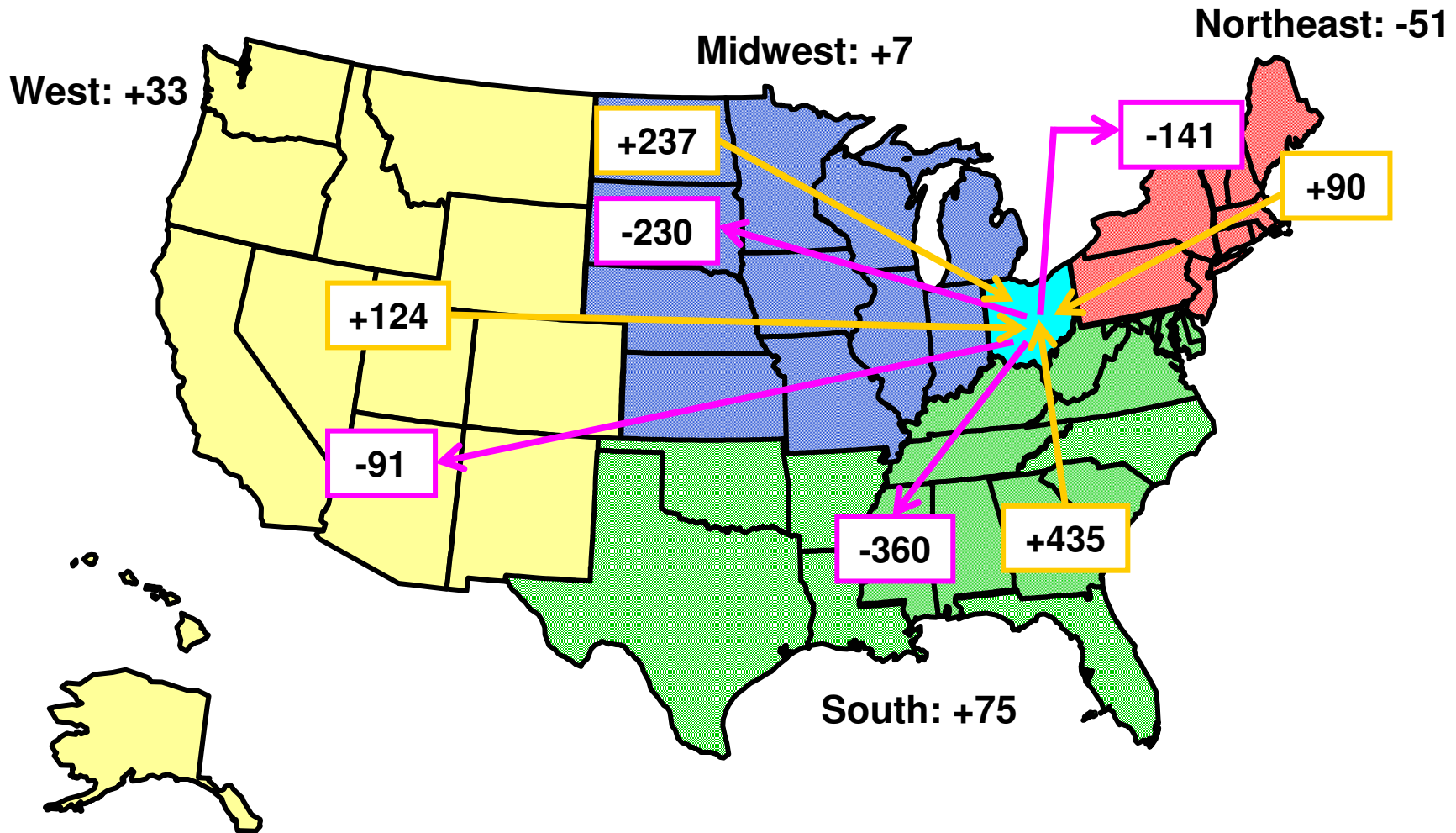
Migration

March 1993-March 1998 (in thousands)



Migration

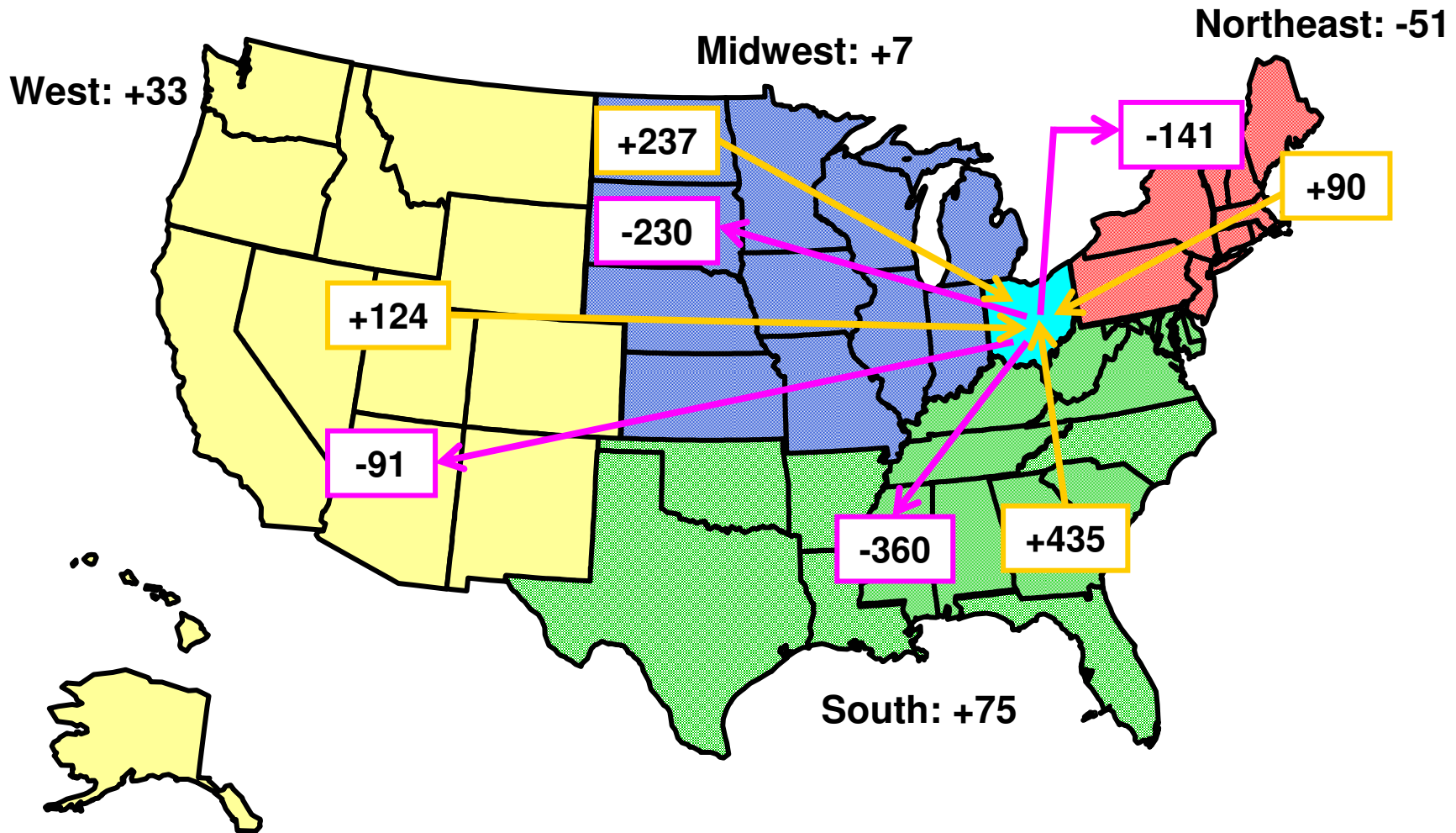
March 1993-March 1998 (in thousands)



Migration

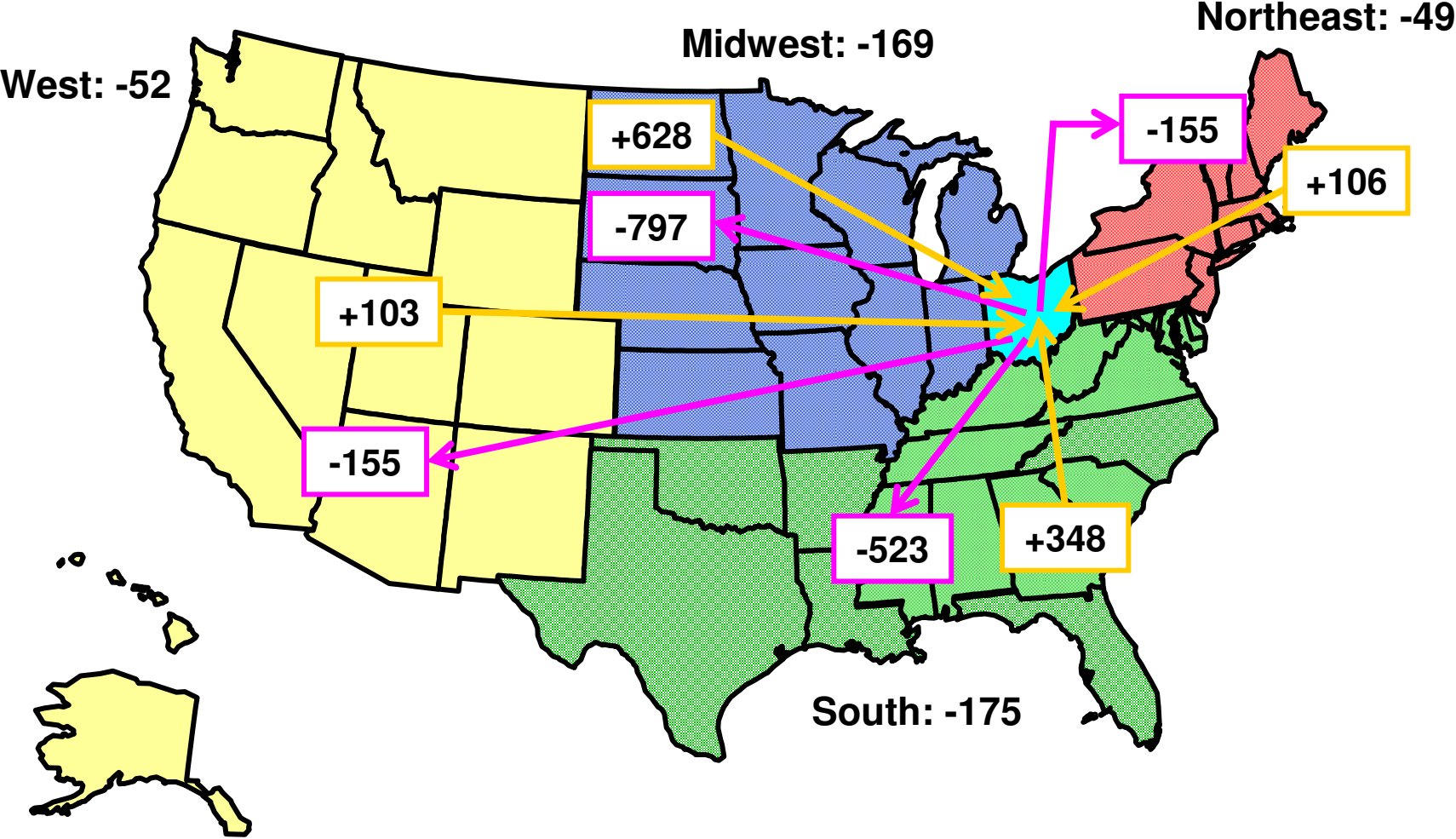
March 1993-March 1998 (in thousands)

Average Annual Net Domestic Migration: +13



Migration

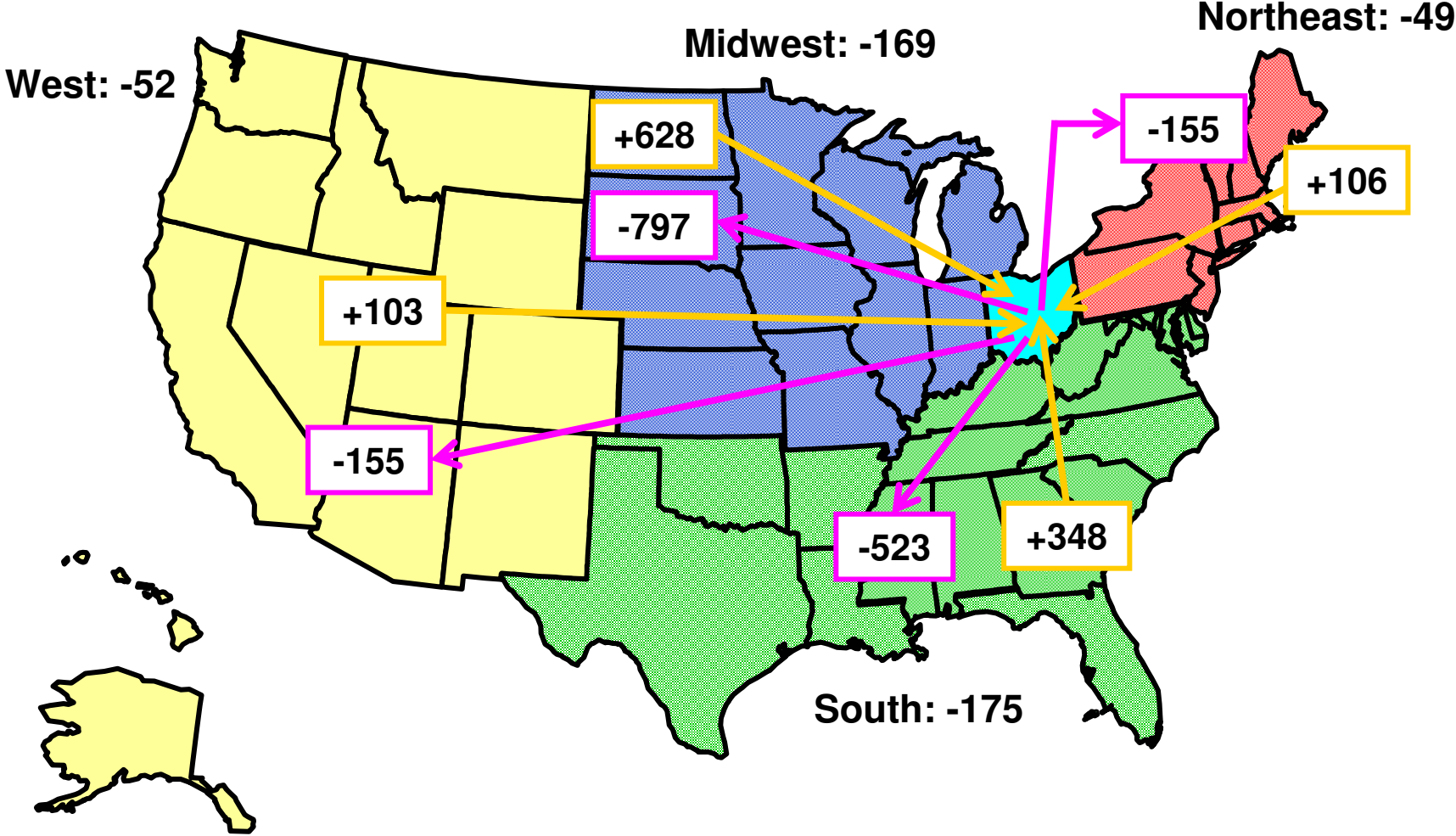
March 1998-March 2004 (in thousands)



Migration

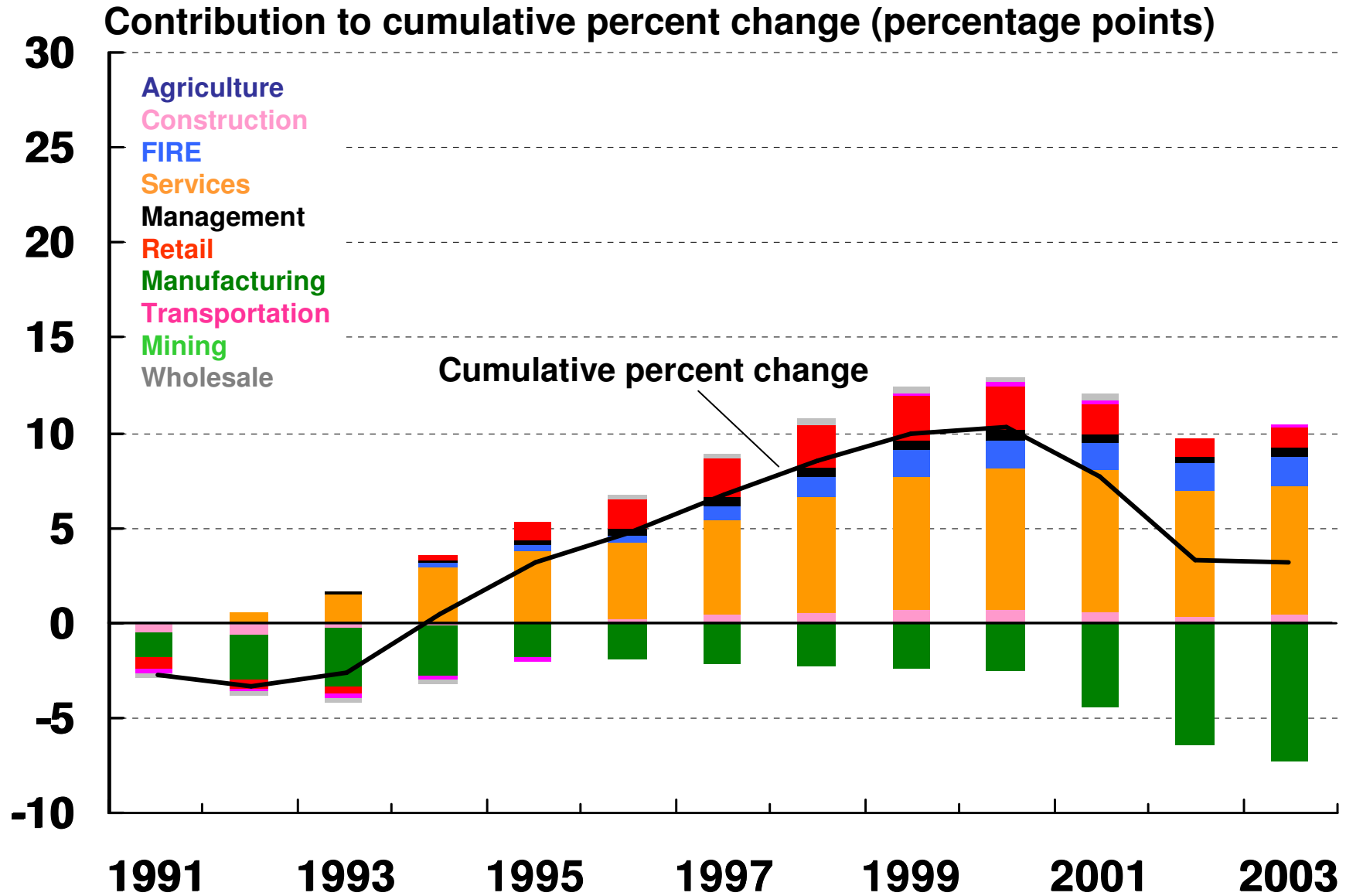
March 1998-March 2004 (in thousands)

Average Annual Net Domestic Migration: -74



Why Are People Leaving?

Employment Growth in Cleveland MSA



What Explains the Poor Performance?

The typically offered explanations include ...

- Too much manufacturing
- The wrong types of manufacturers
- Too dependent on industries in decline (e.g., autos and steel)
- A deficit of “New Economy” enterprises

Testing the Theories

A thought experiment ...

- The typical explanations broadly suggest that Cleveland's industrial structure is the issue
- We can hold constant Cleveland's industrial structure in 1990, but substitute in national employment changes
- This will allow us to see in isolation the impact of Cleveland's industrial composition

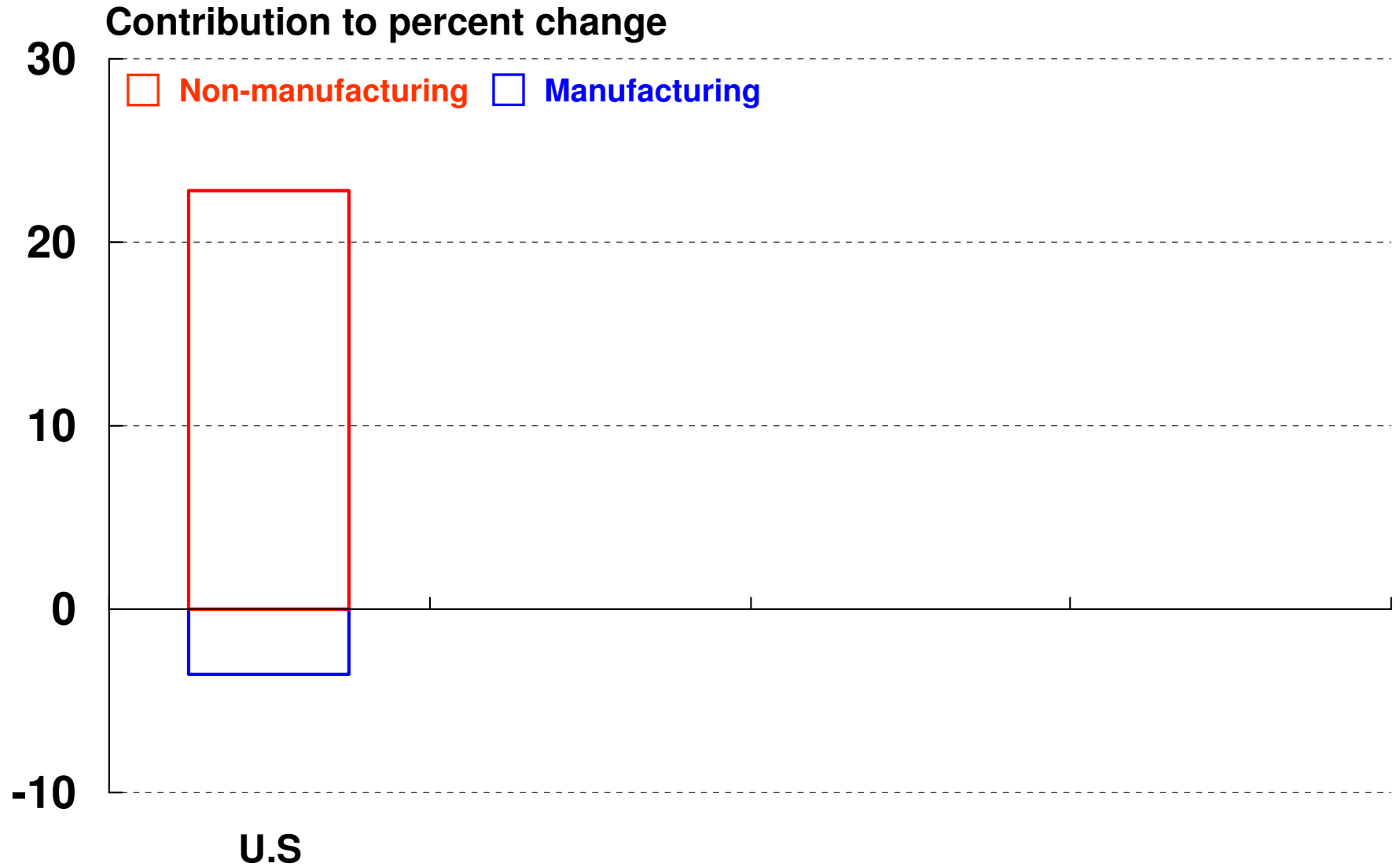
Testing the Theories

At a broad and narrow level ...

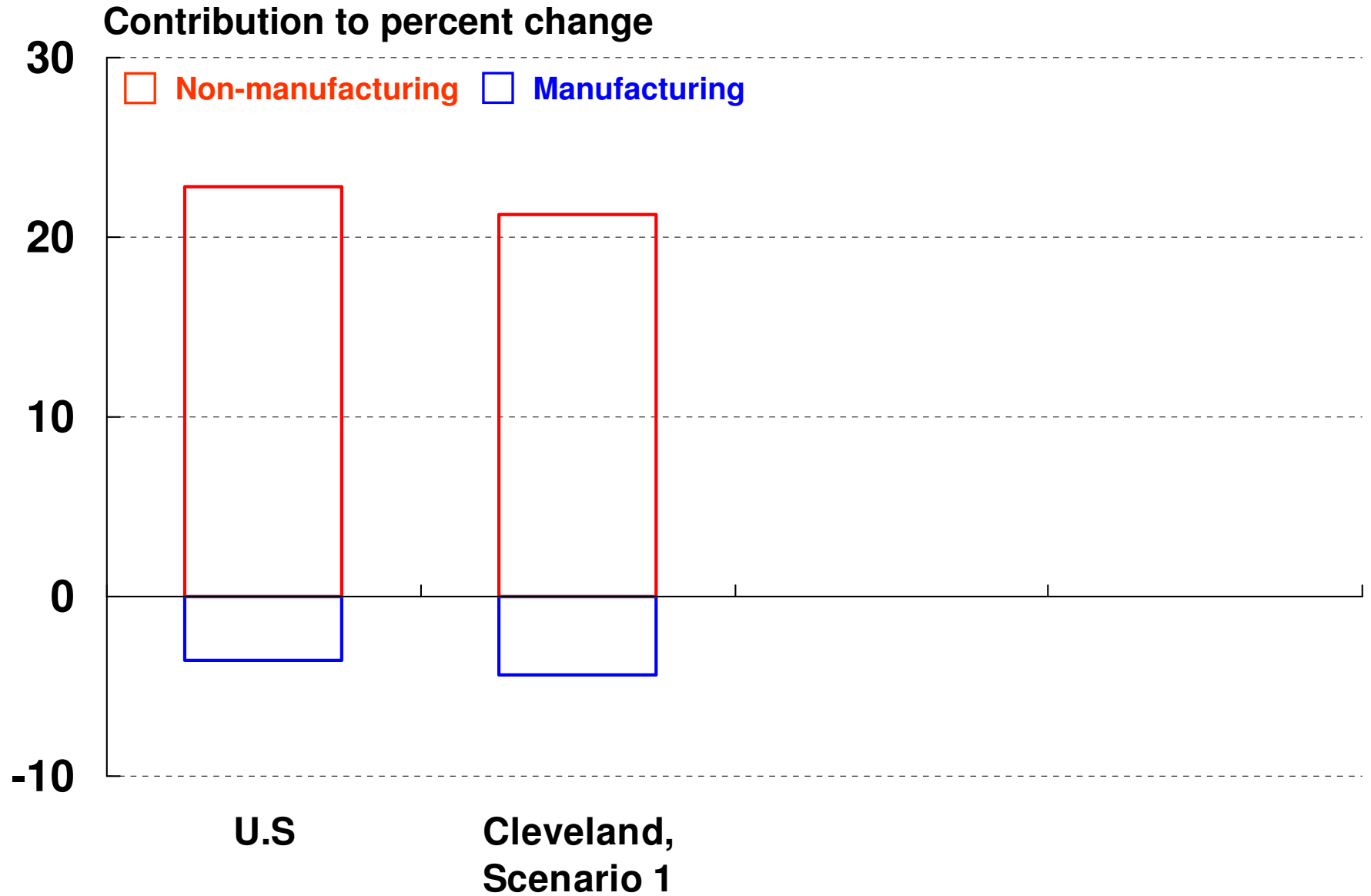
Scenario 1

- **Broadly separates Cleveland's economy into its manufacturing and non-manufacturing components**
- **Can address whether too much manufacturing was an issue**

Employment Growth – 1990-2003



Employment Growth – 1990-2003



Testing the Theories

At a broad and narrow level ...

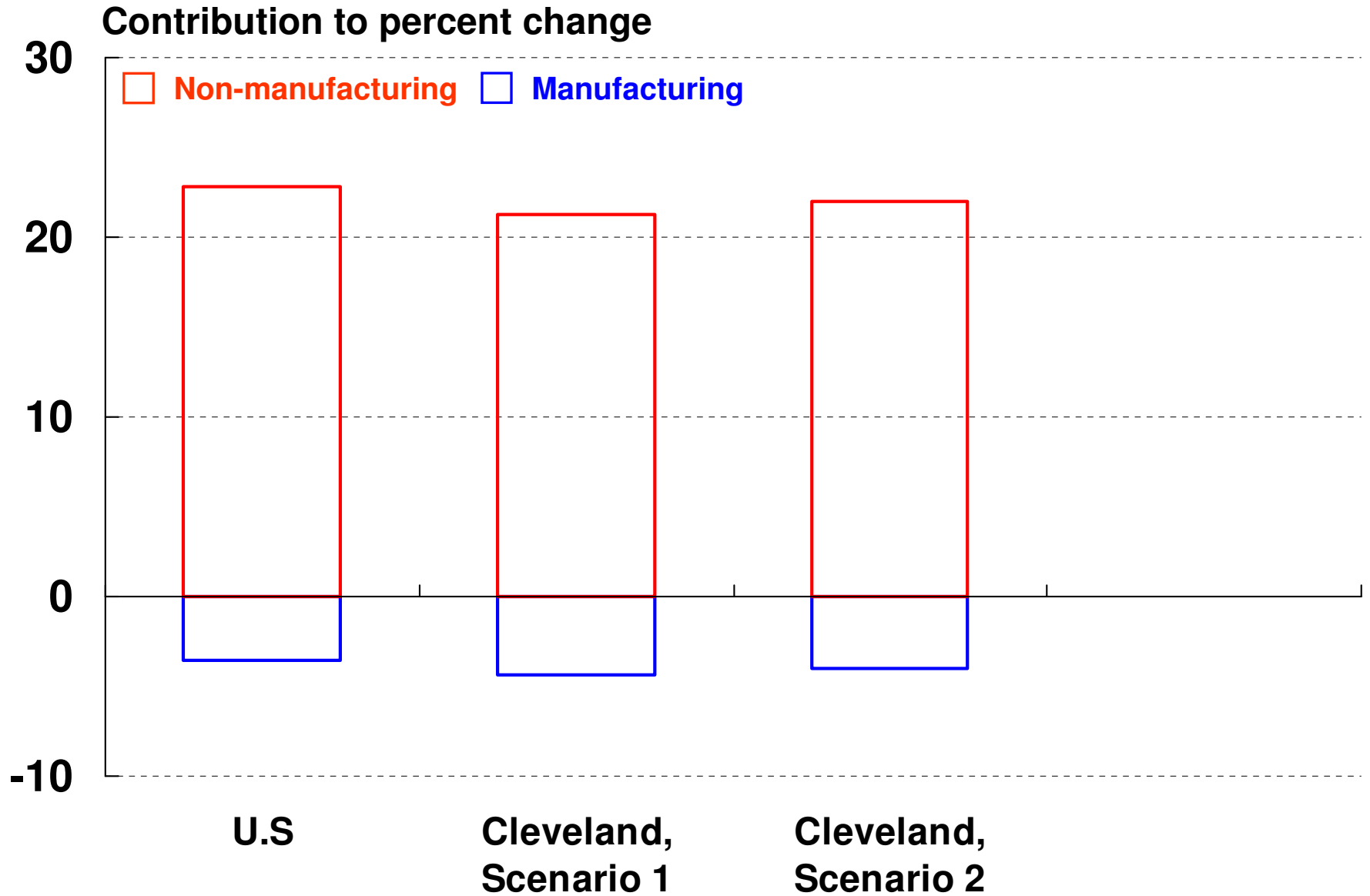
Scenario 1

- Broadly separates Cleveland's economy into its manufacturing and non-manufacturing components
- Can address whether too much manufacturing was an issue

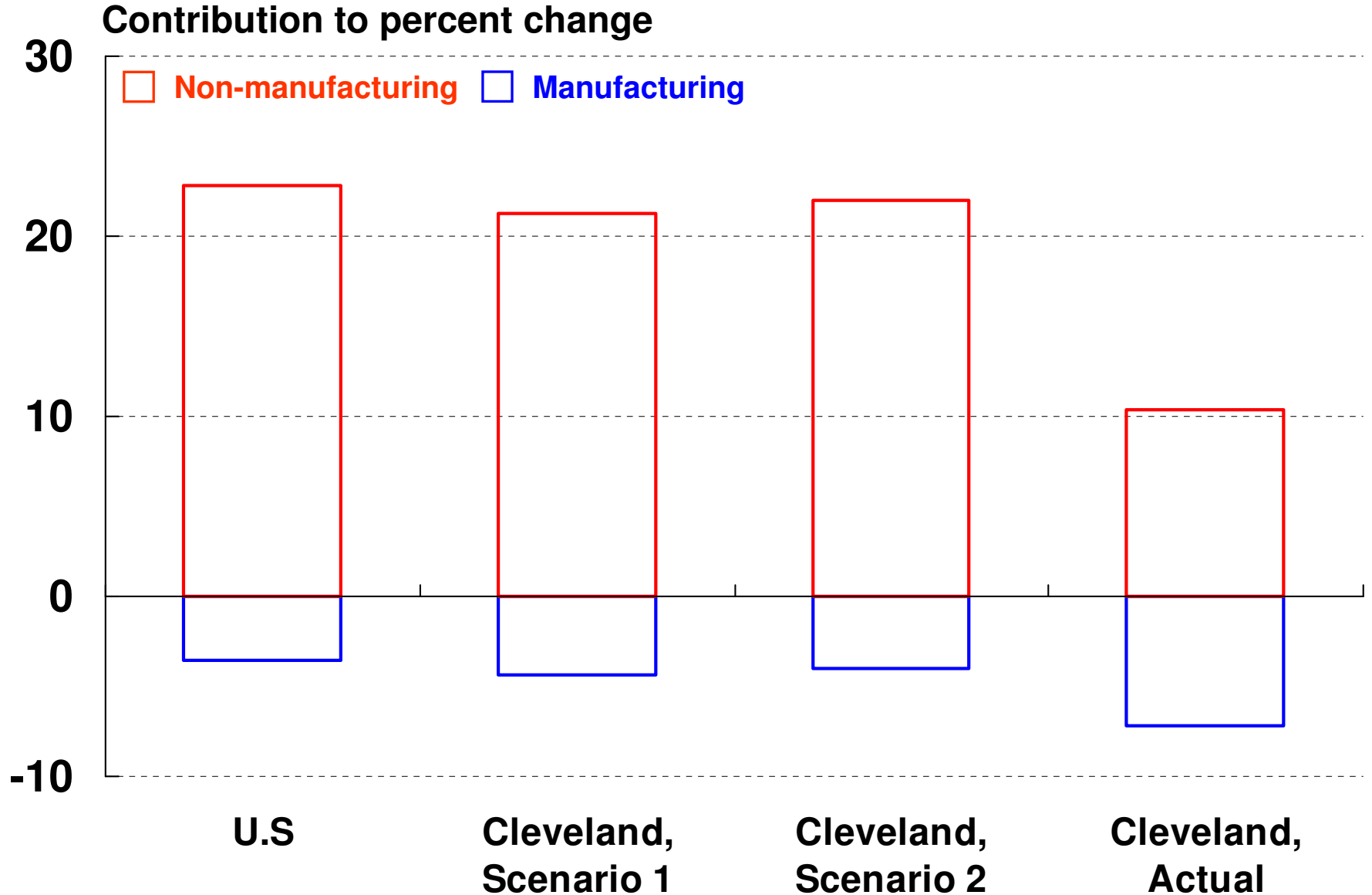
Scenario 2

- Narrowly separates Cleveland's economy into 80 manufacturing and non-manufacturing industries
- Can address whether we had the "wrong" industries

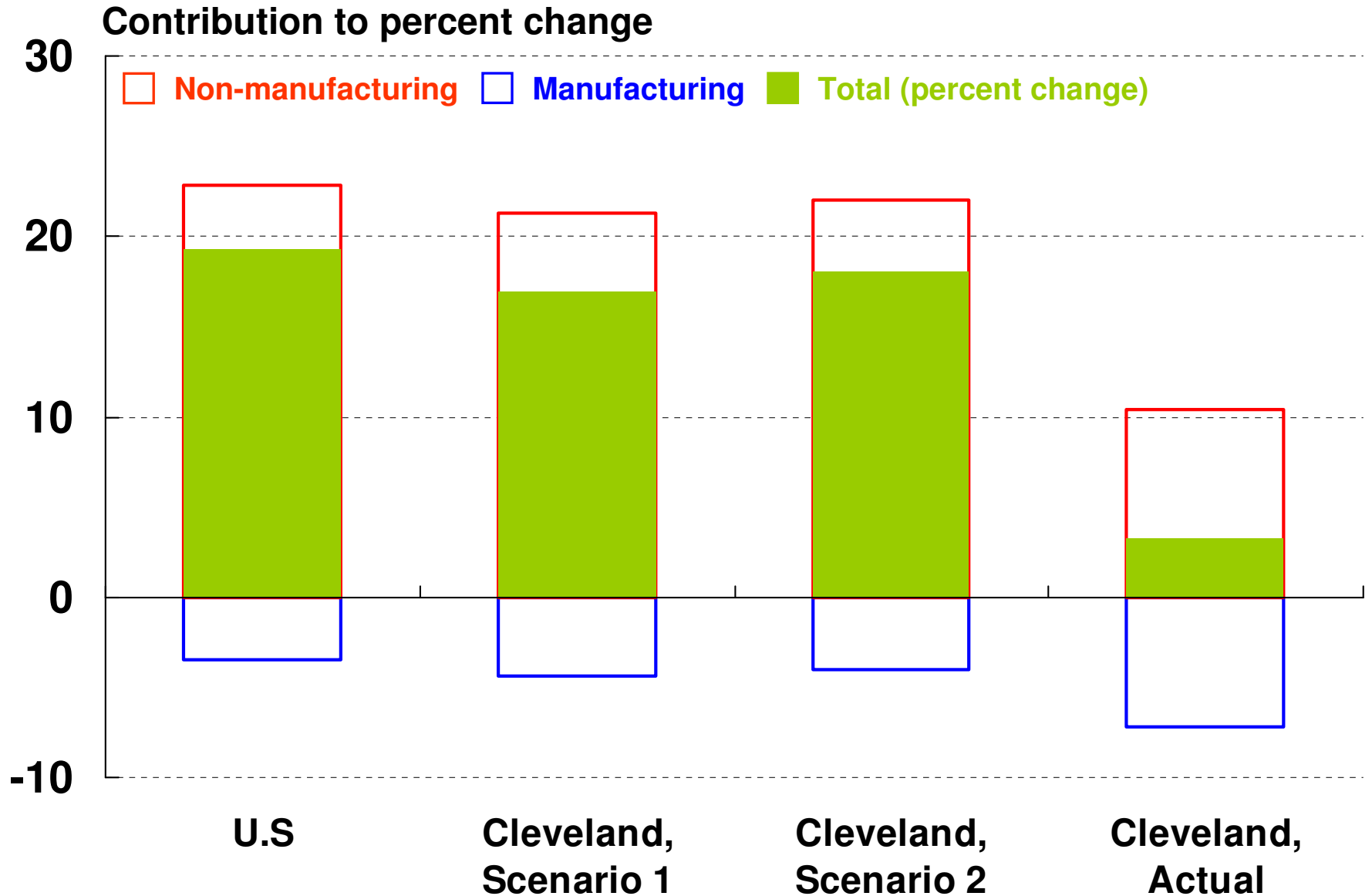
Employment Growth – 1990-2003



Employment Growth – 1990-2003



Employment Growth – 1990-2003

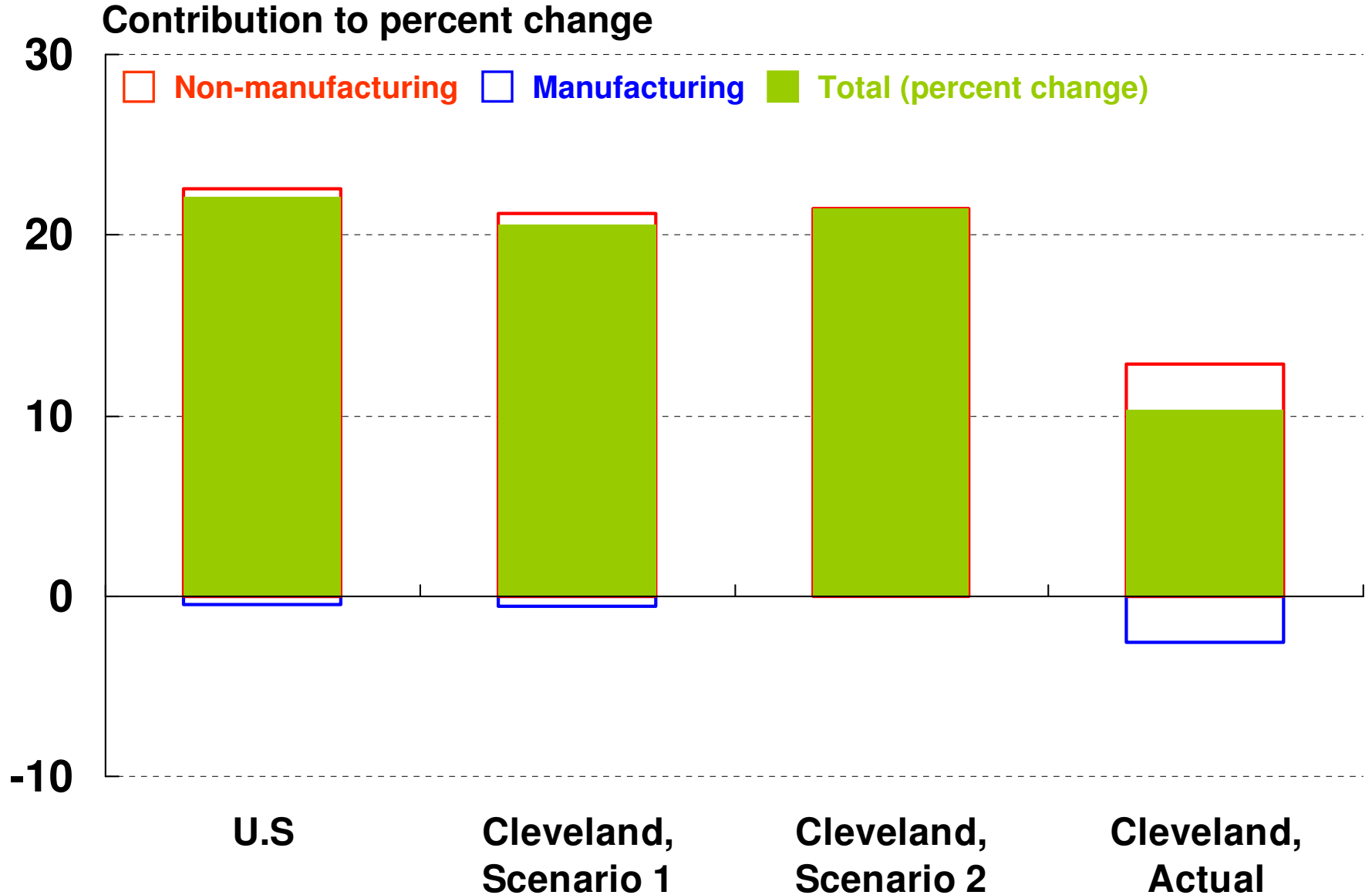


Questioning the Answers

What are we to conclude?

- The typical explanation are not borne out by the data
- Instead of industrial structure as the cause, Cleveland performed more poorly because most of its industries did
- From 1990 to 2003, roughly 80% of Cleveland's industries saw slower employment growth than their national peers

Employment Growth – 1990-2000

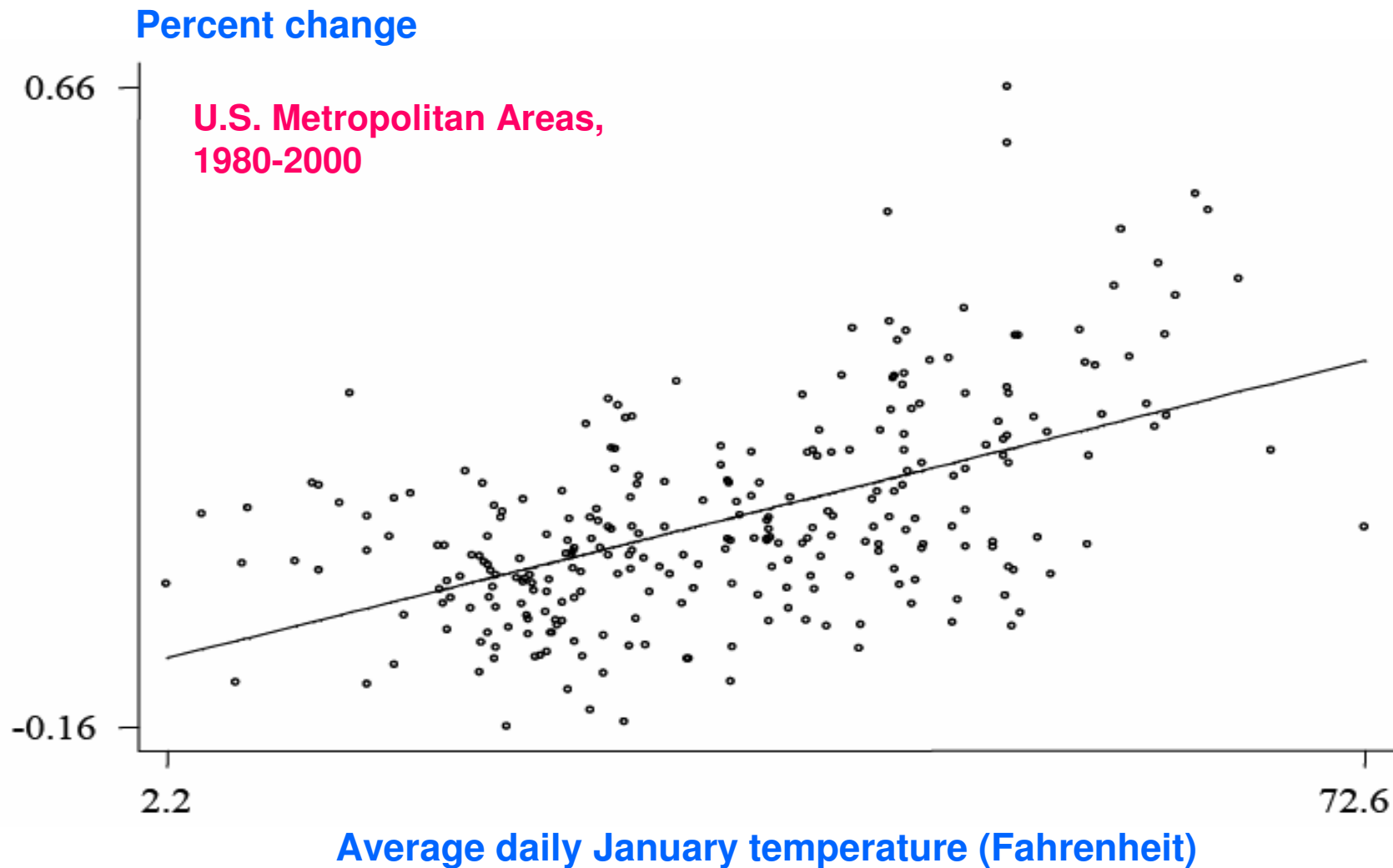


So, again ...

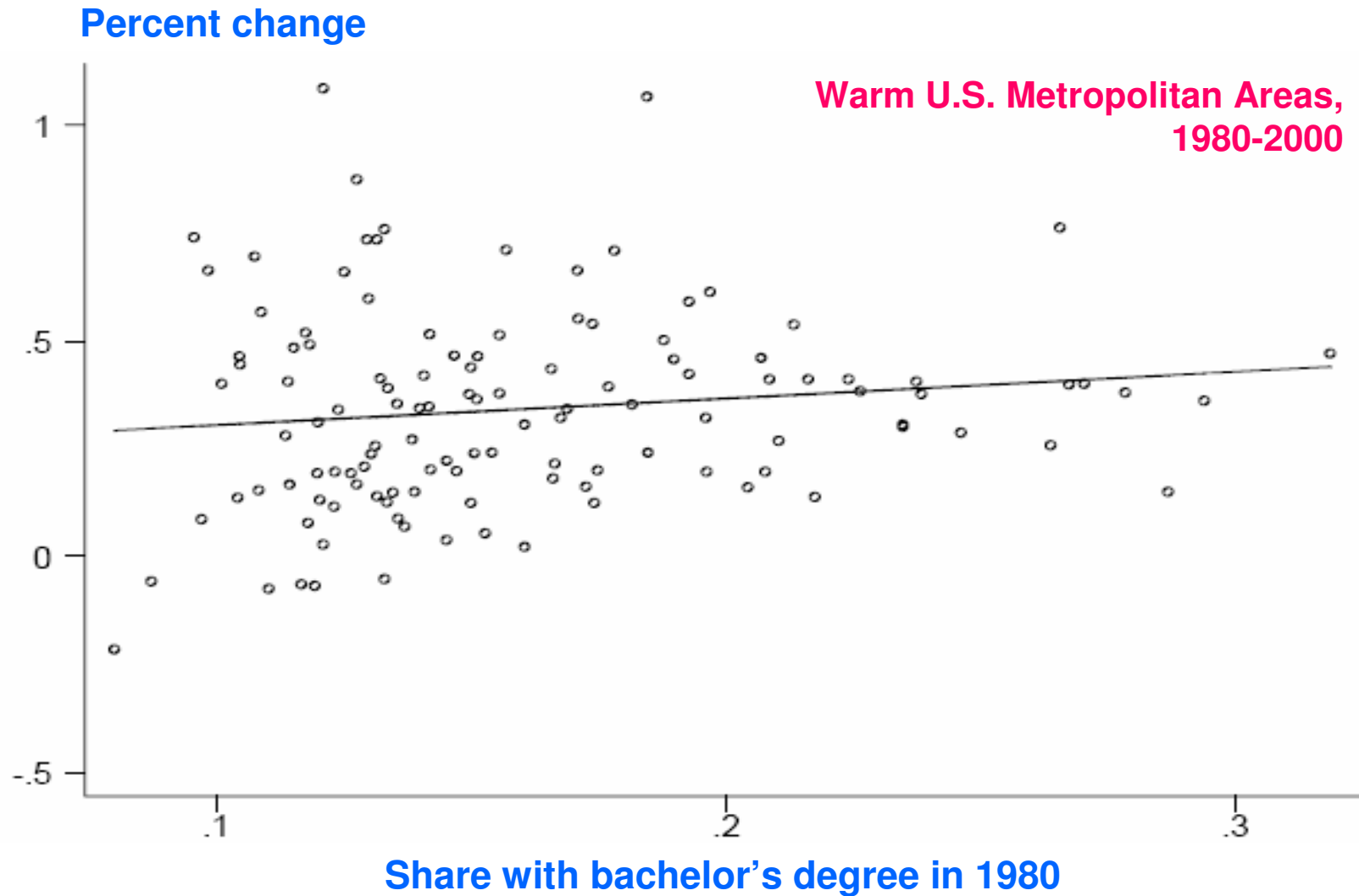
Why Are People Leaving?

... And What Can We Do About It?

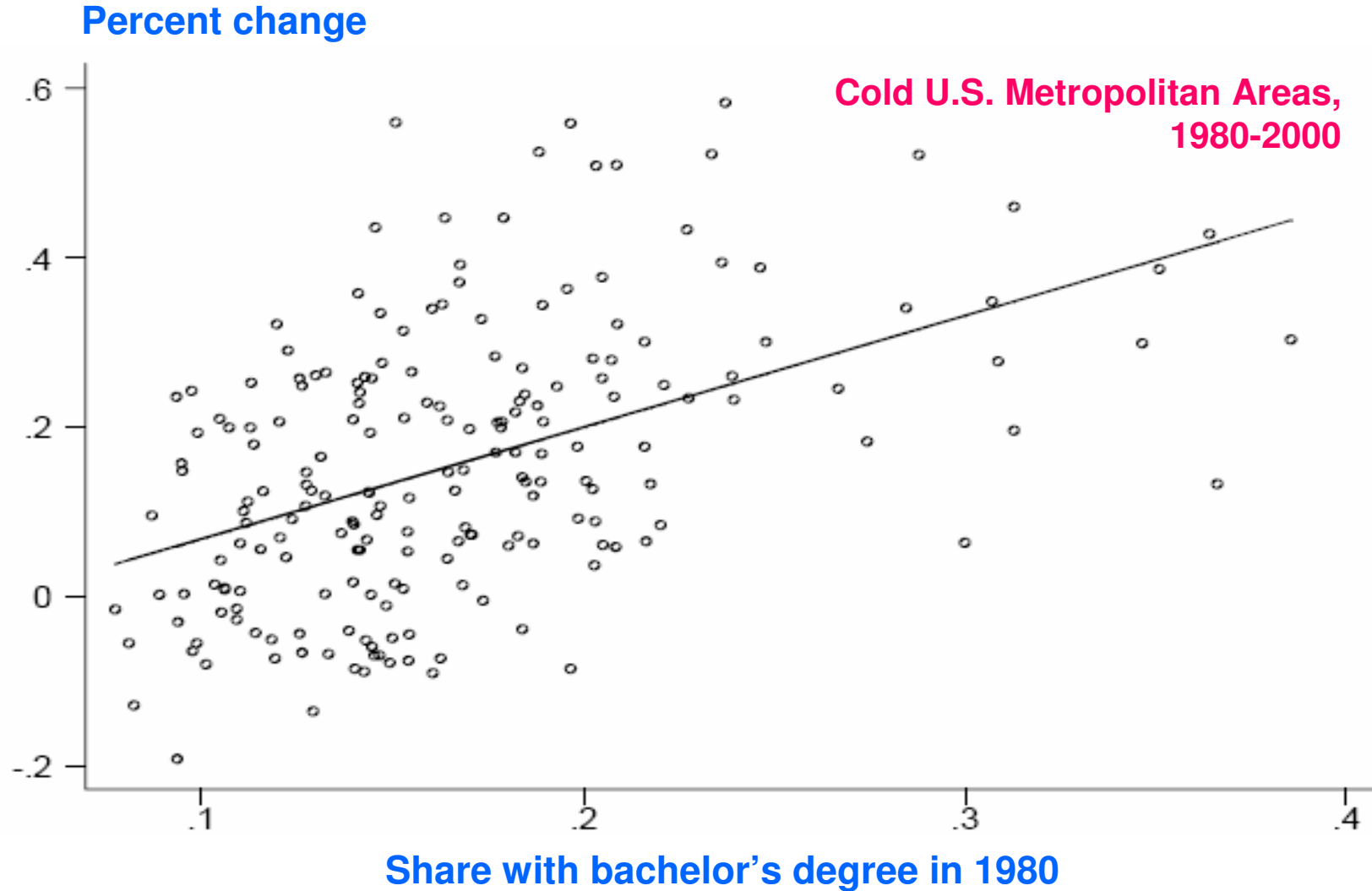
Population Growth & Temperature



Population Growth & Educational Attainment



Population Growth & Educational Attainment



Percent with Bachelor's Degree or Greater

Rank	Place	Percent
1	Seattle city, WA	51.3
2	San Francisco city, CA	51.0
3	Raleigh city, NC	49.7
4	Washington city, DC	47.7
5	Austin city, TX	45.1
6	Atlanta city, GA	42.9
7	Minneapolis city, MN	41.1
8	Boston city, MA	40.9
9	Lexington-Fayette, KY	39.2
10	San Diego city, CA	39.0
...		
67	Cleveland city, OH	14.3

Source: American Community Survey

Percent with Bachelor's Degree or Greater

Rank	County	Percent
1	Boulder County, CO	57.5
2	Fairfax County, VA	57.4
3	Montgomery County, MD	57.3
4	Howard County, MD	55.5
5	New York County, NY	54.5
6	Washtenaw County, MI	53.3
7	San Francisco County, CA	51.0
8	Somerset County, NJ	50.5
9	Wake County, NC	49.4
10	Johnson County, KS	48.7
...		
140	Cuyahoga County, OH	27.8

Source: American Community Survey

Percent with Bachelor's Degree or Greater

Rank	State	Percent
1	Massachusetts	37.4
2	Maryland	34.8
3	Connecticut	34.6
4	Colorado	33.7
5	New Jersey	33.3
6	Virginia	32.7
7	New Hampshire	32.1
8	Vermont	32.0
9	Washington	31.3
10	New York	30.5
...		
39	Ohio	23.3

Source: American Community Survey

Is There Any Hope?

An Impossible Dream?

“In 2005, Cleveland was a declining city in a middle-income metropolitan area in a cold state. Over the 60 year period between 1940 and 2000, Cleveland’s population had fallen from 758,000 to 563,000 ... There was little reason at that date to suspect that Cleveland would be any more successful than Rochester or Pittsburgh or St. Louis over the next few decades. Twenty years later [however], Cleveland looks like the future not the past.”

An Impossible Dream?

“In 2005, Cleveland was a declining city in a middle-income metropolitan area in a cold state. Over the 60 year period between 1940 and 2000, Cleveland’s population had fallen from 758,000 to 563,000 ... There was little reason at that date to suspect that Cleveland would be any more successful than Rochester or Pittsburgh or St. Louis over the next few decades. Twenty years later [however], Cleveland looks like the future not the past.”

An Impossible Dream?

“In 2005, Cleveland was a declining city in a middle-income metropolitan area in a cold state. Over the 60 year period between 1940 and 2000, Cleveland’s population had fallen from 758,000 to 563,000 ... There was little reason at that date to suspect that Cleveland would be any more successful than Rochester or Pittsburgh or St. Louis over the next few decades. **Twenty years later [however], Cleveland looks like the future not the past.”**

... or a Blueprint?

“In **1980**, **Boston** was a declining city in a middle-income metropolitan area in a cold state. Over the 60 year period between **1920** and **1980**, **Boston**’s population had fallen from 758,000 to 563,000 ... There was little reason at that date to suspect that **Boston** would be any more successful than Rochester or Pittsburgh or St. Louis over the next few decades. Twenty years later [however], **Boston** looks like the future not the past.”

-- Reinventing Boston: 1640-2003
Edward L. Glaeser



The Cleveland Economy

ClevelandNext ♦ 28 February 2006