What Do We Want From Economic Development?

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Ft is unusual to find communities in agreement on the goals of economic development. Some citizens will urge "more" with confidence that more jobs and more people will lead to improved lives for most people. Others, however, will stress the need to raise the level of income and, in particular, the level of wages. These people see benefits from more dollars. Both viewpoints agree that "more" should not mean less convenience, less sense of community, less elbow room.

If we accept the growth rates of all four factors as being important to economic development, how have Indiana counties fared over the past 10 years (1987 to 1997)? Data from the U.S. Bureau of Economic Anaysis allow us to make these comparisons easily. Interpretation, however, can be difficult.

Four factors of development

• *Employment growth* always seems desirable, but may be of little benefit to the county. Employment measures the number of jobs in the county. It does not measure the number of county residents who have jobs, nor does it tell us whether the jobs in the county are full- or part-time jobs. It is possible that job growth puts money into the pockets of commuters from another county. Likewise, the added jobs may be part-time work, with little in the way of fringe benefits.

• *Population growth* often means that retail stores and other services are able to expand, offering greater diversity of products and possibly lowering prices. Land and housing prices tend to rise. But population growth, unmatched by infrastructure development, can lead to serious congestion, public health hazards, and cost escalation.

• *Per capita personal income (PCPI)* growth occurs when the total income of the community grows faster than the population. In fact, a community with no growth in income, but with declining population, will have an increase in per capita personal income. If children leave home, the income of the parents will not change, but the PCPI for that household goes up. Yet, PCPI is the standard for measuring economic well-being despite the fact that it may under- or over-state buying power. When the community is made up of younger people, who put aside large sums of money for their retirement, PCPI can be high while funds available for housing and retail activity are limited. By contrast, a community of older residents, who are receiving pension payments from their lifetime savings, may have great buying power, but low PCPI (which measures only income from current production).

• *Earnings per job (EPJ)* has become an important measure of economic development in recent years. The idea has been advanced that if jobs are being added, they should be at rates which will raise the average level of earnings in the county. This makes good sense, but as noted above, the benefits may be realized in the home counties of commuters. In addition, as with PCPI, the data tell us nothing about the distribution of earnings. One employee making a million dollars a year can raise the average to acceptable levels even though 100 others are making $15,000 each (in this case EPJ would be $24,752).

In each case we will use the percent change from 1987 to 1997. For dollar values (PCPI and EPJ) the data have been adjusted for changes in prices.

Tiny Ohio was the leading county in *employment growth* between 1987 and 1997 with an 89% increase. This was a direct result of the casino which provided many of the 1,300 added jobs on a base of just 1,500. Hamilton county was right behind Ohio with an 88% increase (nearly 43,000 jobs on a 1987 base of 48,000). Third place belonged to Decatur county at 57% with Hendricks in 4th place at 50%. The statewide increase was 22.4%, comfortably ahead of the nation's 20% increase. Only four counties (Pike, Randolph, Miami, and Warren) experienced job losses during the period (see **Table 1** and **Map 1** for details).

Although many jobs were created in Ohio county in the decade, the *population* of the county grew by just 2.5% (rank 63rd) compared with a 7.2% rate statewide. Hamilton, Johnson, and Hendricks counties (suburban Indianapolis) were the state leaders along with Dearborn (suburban Cincinnati). In all, 26 Hoosier counties exceeded the national rate of population growth (10.5%). At the same time, 19 of our 92 counties lost population from 1987 to 1997 (see **Table 1** and **Map 2**).

Indiana's *growth of per capita personal income (PCPI)*, after adjustment for inflation, was 21.2% statewide, well ahead of the 18.7% national rate. Some of this is due to our slower population growth. Again Ohio county led the way with a 36.1% increase, followed at 35.7% by Jennings county. Others in the top ten were Boone, Brown, Ripley, Porter, Wayne and Wells. Newton trailed in last place with a 2.7% increase, far below the 91st county (Pike) at 9.3% (see **Table 1** and **Map 3**).

The advances in *real earnings per job (EPJ)* for Indiana (6.2%) trailed behind the nation's advance of 7.5%. Ohio County's state-leading growth of 136% was a movement from the lowest level in the state ($8,700) to a respectable $20,500, still well below the state's $28,200. Other small county's also showed good growth in EPJ (Switzerland was 2nd at 44%, Owen 3rd at 36%). At the other end of the spectrum were 18 Indiana counties where real earning per job declined during the decade. Among these were Warrick, Pike, Putnam, and Dearborn. For details, see **Table 1** and **Map 4**.

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Table 1

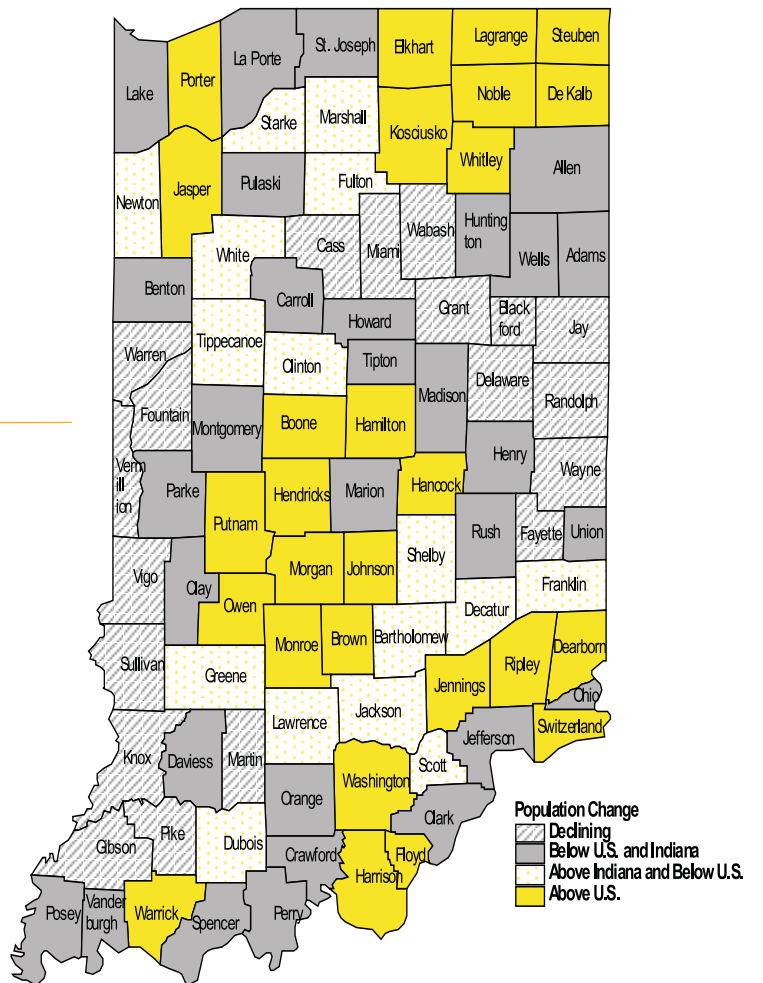|	PERCENT CHANGE:		Real PCPI	Real EPJ	RANKS:		Real PCPI	Real EPJ	Real Composite index
	Employment Map 1	Population Map 2	Map 3	Map 4	Employment	Population			
United States	19.97	10.51	18.65	7.49					
Indiana	22.43	7.16	21.18	6.25					
Adams	19.88	6.32	18.88	-2.86	49	49	48	81	59
Allen	18.57	4.59	23.13	7.27	56	55	19	44	37
Bartholomew	31.34	8.61	18.54	-4.50	19	37	50	86	46
Benton	14.43	1.47	17.22	9.26	68	67	57	37	69
Blackford	0.57	-3.14	14.72	10.06	88	91	73	34	84
Boone	26.45	14.37	29.86	11.07	30	18	5	27	9
Brown	19.00	17.02	26.83	19.57	55	10	7	9	13
Carroll	17.20	7.01	8.41	-4.69	60	45	90	87	83
Cass	15.42	-2.70	19.79	2.99	67	88	42	63	75
Clark	26.75	6.37	22.79	1.80	27	48	22	67	33
Clay	19.62	6.79	13.41	1.30	51	46	80	69	74
Clinton	23.86	7.66	17.23	10.74	36	43	56	31	42
Crawford	11.94	4.07	23.37	14.87	73	57	18	17	36
Daviess	22.08	3.58	16.45	0.76	40	60	63	71	67
Dearborn	38.41	25.35	14.33	-5.53	11	4	75	89	23
Decatur	56.96	7.81	22.38	-2.71	3	42	27	79	17
De Kalb	31.53	12.87	17.02	15.74	18	22	58	16	22
Delaware	16.54	-2.94	22.42	3.13	63	89	25	60	64
Dubois	30.67	7.85	22.15	3.72	20	41	28	56	29
Elkhart	19.45	12.90	14.46	4.90	52	21	74	52	50
Fayette	5.21	-1.66	15.14	0.98	83	84	70	70	85
Floyd	36.13	15.03	21.79	7.96	13	15	30	42	16
Fountain	22.63	-0.18	19.74	18.34	38	75	43	12	43
Franklin	34.28	9.62	15.43	3.14	14	31	68	59	40
Fulton	19.98	10.02	11.90	6.94	48	28	85	47	63
Gibson	2.66	-1.20	10.28	-3.79	86	81	87	85	89
Grant	8.17	-2.99	17.91	-2.23	79	90	53	78	81
Greene	17.21	9.77	10.14	2.93	59	30	88	64	77
Hamilton	88.13	60.65	24.47	25.06	2	1	13	4	2
Hancock	42.50	20.39	32.00	20.55	6	6	3	7	3
Harrison	26.46	17.10	24.17	20.08	29	9	16	8	12
Hendricks	50.17	25.92	23.70	4.05	4	3	17	55	5
Henry	11.84	0.55	24.48	16.42	74	72	12	15	39
Howard	17.85	1.81	20.71	7.74	57	64	36	43	52
Huntington	26.02	5.99	15.05	4.33	32	51	72	54	56
Jackson	30.52	10.01	19.57	13.22	21	29	44	22	25
Jasper	29.05	16.10	7.06	2.92	23	14	91	65	61
Jay	21.00	-0.12	16.18	5.67	44	74	66	49	73
Jefferson	21.95	7.05	20.29	0.35	41	44	39	74	49
Jennings	42.14	17.41	35.74	11.32	7	8	2	26	4
Johnson	47.25	26.10	20.48	14.47	5	2	38	18	6
Knox	17.16	-2.60	20.11	3.07	61	87	40	62	72
Kosciusko	22.11	10.83	19.40	10.12	39	26	45	33	32
Lagrange	33.80	15.02	19.31	17.74	15	16	46	13	15
Lake	16.03	1.42	22.53	2.79	65	68	24	66	54

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La Porte	16.84	3.00	19.25	3.07	62	62	47	61	*62*
Lawrence	28.67	8.52	16.94	0.43	24	38	59	73	*47*
Madison	4.58	0.64	16.71	-2.81	85	71	61	80	*82*
Marion	21.71	3.90	21.72	9.12	42	59	33	38	*38*
Marshall	24.21	9.08	15.34	8.21	35	34	69	40	*48*
Martin	2.45	-2.33	24.71	14.15	87	86	11	21	*58*
Miami	-13.17	-11.93	14.11	-4.91	90	92	77	88	*92*
Monroe	25.42	12.02	22.39	7.11	33	25	26	46	*24*
Montgomery	26.73	5.51	22.14	11.04	28	53	29	28	*30*
Morgan	24.43	18.81	21.76	8.53	34	7	32	39	*18*
Newton	4.77	8.97	2.67	8.10	84	35	92	41	*87*
Noble	38.66	12.50	24.38	16.86	10	23	14	14	*11*
Ohio	88.54	2.49	36.10	135.67	1	63	1	1	*1*
Orange	11.46	4.25	14.12	1.55	76	56	76	68	*78*
Owen	31.90	23.51	12.17	27.45	16	5	84	3	*14*
Parke	6.16	6.02	16.11	14.35	81	50	67	19	*66*
Perry	10.60	0.34	21.26	12.50	77	73	35	23	*55*
Pike	-13.67	-0.54	9.34	-8.43	92	77	89	91	*91*
Porter	36.38	16.51	29.80	7.24	12	12	6	45	*7*
Posey	12.05	1.65	24.28	18.64	72	66	15	11	*34*
Pulaski	11.80	3.27	14.08	10.82	75	61	78	29	*76*
Putnam	40.36	14.15	10.50	-7.34	9	19	86	90	*51*
Randolph	-13.35	-0.74	12.35	-3.61	91	78	82	84	*90*
Ripley	23.42	12.12	31.11	14.22	37	24	4	20	*10*
Rush	20.06	1.78	21.61	11.46	47	65	34	25	*44*
St. Joseph	19.65	6.53	16.48	3.51	50	47	62	58	*60*
Scott	31.54	8.83	21.76	10.81	17	36	31	30	*21*
Shelby	19.29	8.04	22.85	24.79	54	40	21	5	*19*
Spencer	20.83	5.82	16.23	5.60	45	52	64	50	*57*
Starke	12.62	8.49	12.39	9.94	71	39	81	35	*71*
Steuben	41.03	16.68	15.09	0.67	8	11	71	72	*27*
Sullivan	26.44	-0.53	17.52	-1.03	31	76	54	75	*70*
Switzerland	7.55	14.96	24.92	43.77	80	17	10	2	*8*
Tippecanoe	29.69	9.18	20.04	9.31	22	32	41	36	*28*
Tipton	9.36	1.22	22.73	19.46	78	69	23	10	*45*
Union	17.75	5.14	18.37	21.15	58	54	51	6	*35*
Vanderburgh	19.31	0.74	18.22	4.80	53	70	52	53	*65*
Vermillion	5.98	-1.30	16.23	-3.49	82	82	65	83	*86*
Vigo	16.31	-2.24	17.40	-1.15	64	85	55	76	*79*
Wabash	13.63	-1.54	16.76	-1.77	70	83	60	77	*80*
Warren	-6.34	-1.03	13.51	-2.98	89	79	79	82	*88*
Warrick	14.06	14.06	20.48	-10.96	69	20	37	92	*53*
Washington	15.81	16.18	18.81	10.50	66	13	49	32	*31*
Wayne	21.42	-1.07	25.61	6.23	43	80	9	48	*41*
Wells	27.45	3.96	26.78	11.85	25	58	8	24	*20*
White	20.75	9.12	12.19	3.59	46	33	83	57	*68*
Whitley	27.27	10.80	23.12	5.01	26	27	20	51	*26*

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Map 1

Employment Growth
- Declining
- Below U.S. and Indiana
- Above U.S. and Below Indiana
- Above Indiana

Map 2

Population Change
- Declining
- Below U.S. and Indiana
- Above Indiana and Below U.S.
- Above U.S.

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Map 3

Growth of PCPI
- Below U.S. and Indiana
- Above U.S. and Below Indiana
- Above Indiana

Map 4

Real Earnings Per Job
- Declining
- Below U.S. and Indiana
- Below U.S. and above Indiana
- Above U.S.

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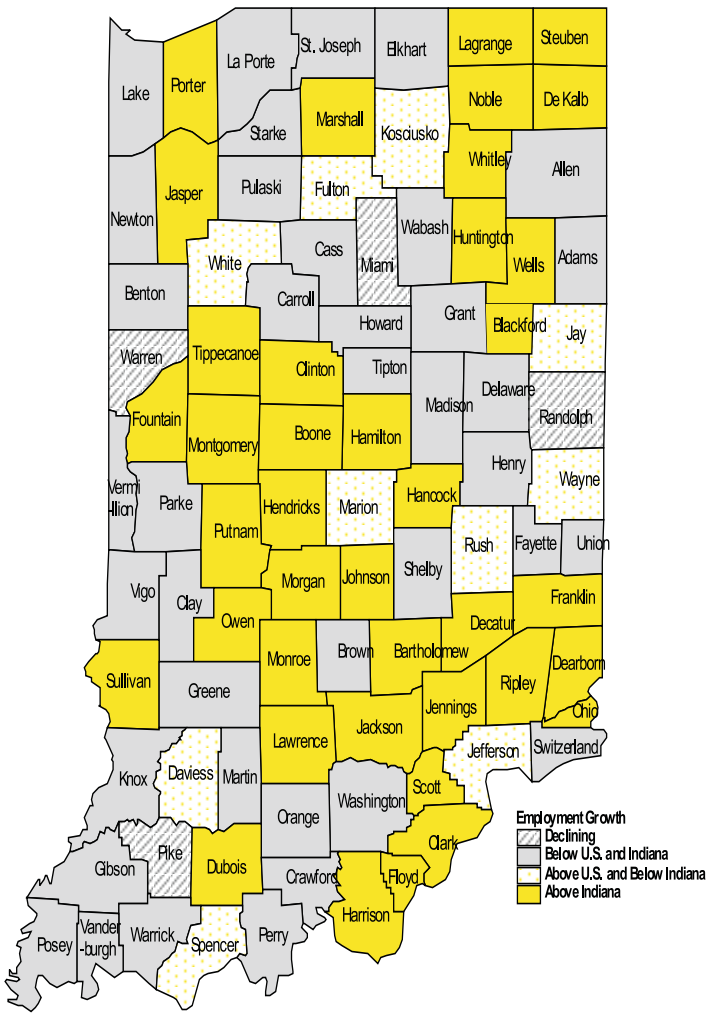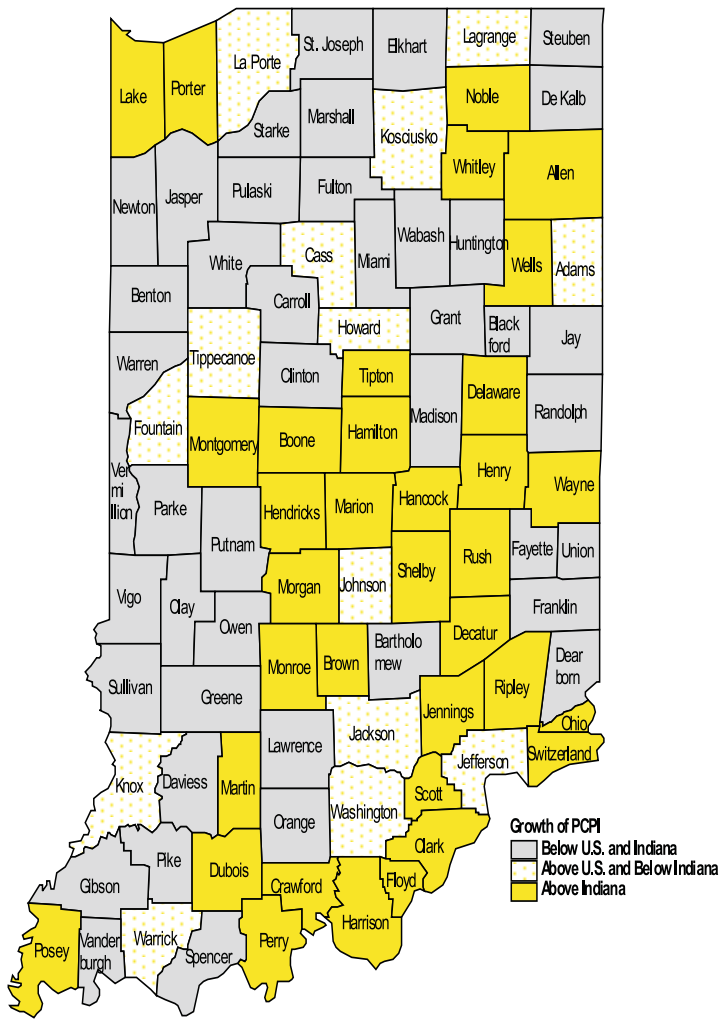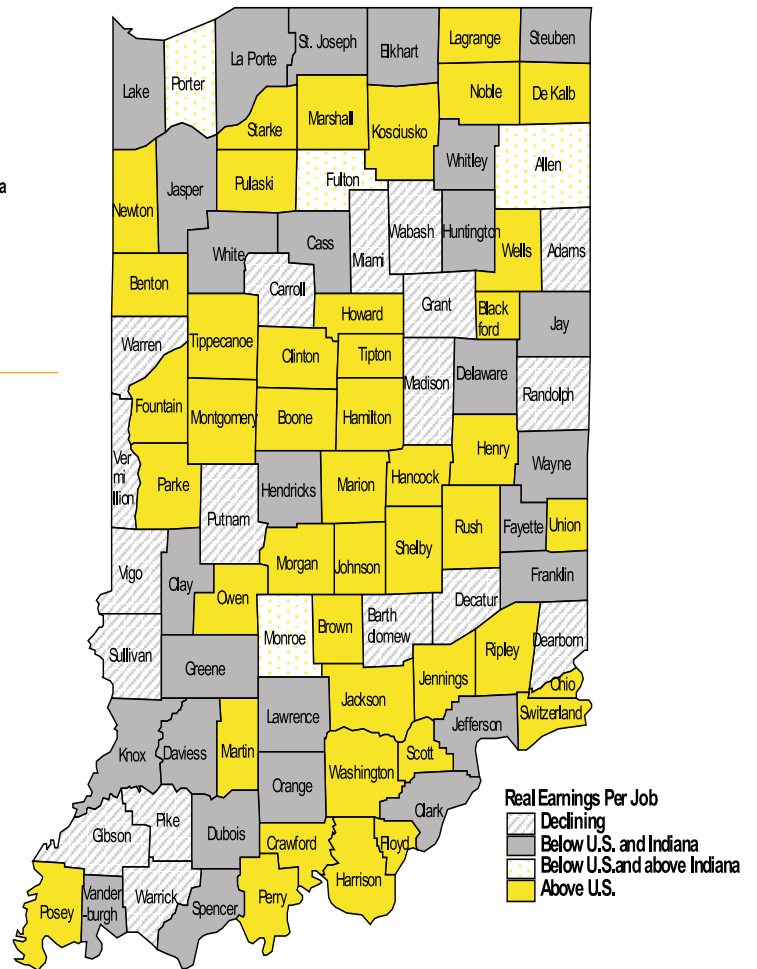
A composite development index

Each of the four factors can be standardized and those scores added to produce a composite index of economic development.[1] Although far from a definitive measure, this index gives equal value to each of the four factors, places each county's performance in the context of the state's 92 counties, and reflects the variability of experience throughout the state (see **Table 1** and **Map 5**).

Not surprisingly, Ohio county wins the economic development derby for the period 1987 to 1997. A project of the magnitude of the riverboat on a small, economically depressed county is bound to be dramatic. Nor will anyone be surprised to learn that Hamilton, Hancock, Hendricks, and Johnson counties held the 2nd, 3rd, 5th, and 6th places. But would you have expected to find Jennings County in 4th place? Jennings was in the top ten for three of the four measures, missing out only on EPJ, where it ranked 26th.

Miami, Pike and Randolph counties held positions 90 to 92 in the composite ranking. Miami is a good example of how such studies as this tell us the truth but pervert our view of reality. The partial closure of the Grissom Airbase led to a decline in population, employment and earnings in Miami County. But that is old news from the earlier years of the period under consideration. Miami has done much better and would not be trailing the list if we had chosen a five-year rather than ten-year period.

A Concluding note

No number can describe success or failure. But, if we have chosen important factors for assessing economic development, then the relatively simple technique used here, gives a quick and useful first cut at evaluating the efforts of and the obstacles faced by professional and volunteer developers across the state.

Notes

[1] Each percentage change is expressed as a Z-value (the difference between the observed value and the mean of distribution, divided by the standard deviation of the distribution). These values are then summed and ranked to provide the information in **Table 1** and **Map 5**.

Map 5