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"How Do We Measure Up?"

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Throughout this year's mayoral campaign there was considerable discussion about the need to keep Terre Haute's economy growing. Just how fast has our area's economy been growing and how does its performance over the last few years compare with that of similar cities? With its release of new data on gross domestic product (GDP) by metropolitan area, the Bureau of Economic Analysis (BEA, http://www.bea.gov/regional/) has recently provided us with statistical tools to answer questions like that.

As it turns out, there are a few pleasant surprises for our area.

Between 2001 and 2005 the national economy grew by 11.3 percent in real (inflation-adjusted) terms. According to the BEA, the Terre Haute regional economy grew by 12.4 percent over the same period – so our area's economy grew at a slightly faster rate than the national economy. These percentages tell us how much the region's overall economic base grew during that period – how much larger the economic pie became.

In terms of material standards of living, however, what's important is how big the *average* slice of that pie is. Because of this, economists also like to look at per capita GDP, which is just total GDP divided by population. Once again, there is a pleasant surprise for Terre Haute. In real per capita terms, the national economy grew by seven percent between 2001 and 2005. During the same period, real per capita GDP for the Terre Haute area grew by 13.6 percent. So in terms of both total and per capita real GDP growth, we're above average!

How does our area's economic growth compare to cities and metropolitan areas that are similar to ours? In a sample of 80 metropolitan areas with populations similar in size to the Terre Haute area, real per capita GDP grew by 9.2 percent between 2001 and 2005. Our area's 13.6 percent growth rate compares very favorably.

I don't think it's a mischaracterization to say that many in this area have the impression that Terre Haute's economy underperforms when compared to other areas. But if we are used to thinking pessimistically about our area's economy, these new BEA statistics might give us some reasons to become optimists. While it's true that our area hasn't experienced the boom in real estate prices that other areas now seem to be paying for, or that it hasn't been singled out as one of those "hot" areas that business magazines so often write about, these new statistics paint a picture of a fairly healthy, well-diversified area economy.

We're not one of the fastest growing cities among that sample of 80 small metropolitan areas, but we are nowhere near the bottom. We're solidly above the midpoint, and by at least one interesting measure, our area has more in common with the high flyers than with the laggards.

The BEA breaks regional GDP down in terms of goods-producing and service-producing sectors. In the ten fastest growing areas in that sample of small cities – areas like Cedar Falls, Iowa and Tuscaloosa, Alabama, where per capita GDP grew by more than 20 percent between 2001 and 2005 – 60 percent of GDP came from service-producing sectors. In the 10 slowest growing areas – areas like Springfield, Ohio or Valdosta, Georgia, where GDP actually declined during the same period – 67 percent of GDP came from service-producing sectors. That's not a big difference, but it is statistically meaningful. In the Terre Haute area, 62 percent of our GDP between 2001 and 2005 came from service producing sectors. By this measure, our area's economy is more like the fast-growing areas than the slow-growing areas. This is, once again, a pleasant surprise for our region.

The one dark spot – and in my view a major cause of concern – is that our area's population is stagnant. In fact, it actually declined by one percent between 2001 and 2005 while it grew by four percent in metropolitan areas similar to ours.

That our area actually experienced above-average economic growth during these five years is really quite amazing. Ultimately, however, that economic growth must translate into expanding opportunities that give people reasons to move here instead of move away.

Finally, and in case you missed it, the real per capita GDP growth rates for small metropolitan areas have actually been higher than the national average. In some respects, the economic prospects for cities our size appear to be quite good. We need to wake up to that fact. National newsmagazines, which have recently profiled some notable small-town economic revivals, apparently have already done so. We should learn from those success stories, and support leaders in our community that want to emulate them.