Midwestern Cities Are Above Average

Job growth, income growth, affordable real estate -- what's not to love again about places like Columbus, Indiana?

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The 21st century has not been great for the Midwest, economically speaking. Job growth and income growth have lagged the rest of the country. Its once-mighty manufacturing sector has been through struggle after struggle. The economic action has all been to the west, the south, even the east.

But there's this thing that sometimes happens after a place has been down in the economic dumps for a while. It starts crawling out. And in the meantime, housing's really cheap!

Some of the contours of this Midwestern resurgence became apparent this week when I set out to discover which, if any, U.S. metropolitan areas were doing better than the country as a whole on each of four different economic indicators. Seven metro areas made the cut. Four are in the Midwest (as were several of the near-misses, which I'll get to later):

The Above-Average Seven

Metro areas that beat the national average in all four metrics (Sources: Census Bureau, Zillow, Bureau of Labor Statistics, Bureau of Economic Analysis)

Why did I pick these four measures? Partly it was just data I'd been looking at lately: Educational attainment figures for metropolitan areas came out earlier this month as part of the Census Bureau's data release from the 2016 American Community Survey; the Bureau of Labor Statistics published metropolitan-area jobs numbers for August on Wednesday. The importance of the job growth and housing affordability numbers (provided by Zillow) is pretty obvious. With the percentage of bachelor's degrees, I was going on the evidence that more people with college degrees in a metro area leads to faster economic growth and higher wages even for those without degrees -- it's a predictor of future growth and affluence. I threw in the increase in per-capita personal income from 2005 through 2015 (the most recent year for which data is available) in part to make sure an area's strong three-year job growth wasn't a fluke and in part to get at wealth creation as well as job creation.

I performed a similar exercise early last year, restricted to the 100 largest metropolitan areas in the country and using less-timely data, and came up with Cincinnati and Columbus, Ohio; Minneapolis-St. Paul; Omaha, Nebraska; and Pittsburgh [1] as places where one could hope to get a job and afford a house. So yes, signs of a Midwestern comeback were evident even then, although with most of those cities they weren't exactly overwhelming. Omaha and Pittsburgh missed out on my new list because employment growth was too slow, Cincinnati and Minneapolis because income growth was too slow. They're all still reasonably healthy, economically speaking. But the metropolitan areas on this new list seem like they might be healthier.

The one Sun Belt metropolis on the list is pretty self-explanatory: The Dallas-Fort Worth "metroplex" is booming, has been booming for a while, and has been able to build enough new housing to keep prices low enough to qualify. In the Northeast, the Manchester (in the outer orbit of Boston) and Philadelphia metro areas have after a very weak 2000s been seeing job growth that's strong enough to make the cut but apparently not strong enough to send house prices skyrocketing.

Among the Midwestern cities, Columbus, Ohio, and Indianapolis aren't surprises. They both get a lot of press for their diverse, thriving economies, and they both obey urbanist Aaron Renn's rule that "if you want to be a successful Midwestern city, it helps to be a state capital with a metro area population of over 500,000." Madison, Wisconsin, fits this description and missed the list because its housing prices are a touch too high and its job growth a touch too low. Des Moines, Iowa, does too, but it missed on income growth -- as did, as I've already mentioned, the metropolitan area of Minnesota's capital, St. Paul. [2]

Then there's Grand Rapids, a metropolitan area of just over a million people with a manufacturing-heavy economy (21 percent of area jobs in August were with manufacturers, compared with just 8.6 percent nationwide) and no state capital or nationally prominent university. [3] That's not really the profile of a thriving U.S. city in 2017! But Grand Rapids' big industry is office furniture, and three of the world's leading makers of the stuff -- Haworth Inc., Herman Miller Inc. and Steelcase Inc. -- remain headquartered in the area, with lots of designers and other high-skilled people on staff. So it's doing well.

Columbus, Indiana, is a similar story, if on a much smaller scale, with a metropolitan-area population of just 81,402. That means, among other things, that its bachelor's-degree percentage comes with a seriously large margin of error -- the actual number could be anywhere from 30 percent to 36.3 percent. [4] But even 30 percent is awfully high for a small Midwestern manufacturing city (the sector accounts for 37.5 percent of metro-area payroll employment) with no college in town. The main reason for it is that Cummins Inc., founded in Columbus in 1919, remains headquartered there and remains a world leader in designing and building engines for trucks, trains and other large vehicles. Also important is that a Cummins heir decided in the mid-20th century to make the city a world-renowned showcase for modern architecture, and succeeded. There's a new movie, "Columbus," starring John Cho and a lot of that architecture, that has a 97 percent rating on Rotten Tomatoes. Oh, and Vice President Mike Pence is from there. So Columbus is ... unique. Though if anything bad ever happens to Cummins, it could be in really big trouble.

Several college towns almost made the list. Iowa City, Iowa (University of Iowa), probably would have qualified if Zillow had price-to-income data for it. Blacksburg, Virginia (Virginia Tech), came up a bit short on job growth. Fayetteville, Arkansas (University of Arkansas), just missed out on the bachelor's degree percentage -- probably because it's part of a sprawling metropolitan area of more than 500,000 people. (The official name given by the Census Bureau is Fayetteville-Rogers-Springdale, but Bentonville, the home of Wal-Mart Stores Inc., may be its most famous city.)

The nearest miss of all was probably the Kalamazoo-Portage metropolitan area (population 336,877), in southwestern Michigan midway between Chicago and Detroit, which came up a tenth of a percentage point short of the national average on income growth. Kalamazoo was a company town that lost its company, pharmaceutical maker Upjohn, first to a merger with Pharmacia in 1995 and then to acquisition by Pfizer Inc. in 2002. But Pfizer remains a big employer, as do some other big-name manufacturers and Western Michigan University. There are a lot of microbreweries, too. Plus a couple of distilleries. And the median house price, according to Zillow, is $143,000.

It's low real estate prices like these that do the most to explain the Midwest's prominence on my list and the ranks of near-misses. These low prices are in large part the product of past economic distress and stagnation. But as the region puts the worst behind it, they're starting to look like a pretty great selling point, too..