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Recession Reorders CDI Rankings

Small towns rule in this year's Top 10 College Destinations.

by AIER Staff

The recent economic downturn had a disproportionate effect on the 227 cities and towns that make up AIER's College Destinations Index. Four Major Metros—Boston, New York, Washington, and San Francisco—were knocked out of the overall Top 10 list, although they remain consistent draws for students. They were replaced by College Towns with populations under 250,000 such as Morgantown, W. Va.; Ithaca, N.Y.; and Ames, Iowa.

This upset was primarily determined by three of the factors the CDI uses to decide standings. *Arts and leisure* measures the number of arts, entertainment, and recreation establishments per 100,000 residents. *Unemployment* refers to the official unemployment rate. *Entrepreneurial activity* measures the net increase in total number of businesses per 100,000 residents. Together, these three measures form a pretty good proxy for economic health.

It may not be immediately obvious why *arts and leisure* is an economic variable, but a lively economy is likely to offer a higher number of arts and leisure establishments. In an economic downturn, however, expenditures in this category typically fall along with incomes. Even if a community's commitment to cultural offerings remains the same, establishments may close down.

Rising *unemployment* implies that general conditions are worsening. For students, high unemployment also means fewer openings for the part-time work and internships that are crucial to landing jobs after graduation.

A high score for *entrepreneurial activity* suggests

that communities are expanding and offering more professional opportunities. The score is based on year-to-year change, and a rising score implies an accelerating economy.

Entrepreneurial activity was hit hard by the downturn. Most of the Top 10 College Destinations in each division—College Towns, Small Cities, Mid-size Metros, and Major Metros—posted negative numbers in that measure. This means that, overall, cities and towns lost businesses. The only

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exceptions were College Towns Morgantown, W.Va., and State College, Penn., both on the Top 10 list; Major Metro Houston, ranked

ninth in its division and 62nd overall; and Mid-size Metro Austin, ranked second in its division and 42nd overall.

Small Cities and Major Metros suffered the biggest declines in *entrepreneurial activity*. Business activity in both small and large metropolitan areas surged during the bull market. The drastic losses in entrepreneurship that these areas experienced are in part consequences of strong past performances.

During the boom, Major Metros and Small Cities also experienced sizeable jumps in two other CDI categories that measure professional opportunities for students: *research capacity* and *city accessibility*. Both large and small cities enjoyed rapid job growth, a steady stream of business startups and expansions, and expanding consumer demand. Then the country was hit with the worst downturn since the Great Depression.

College Towns, on the other hand, are compara-

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tively recession-proof because they are dominated by schools and the students who form a consistent population of spenders. As a result, their economies tend to be more stable, neither experiencing remarkable growth nor going through cataclysmic losses. In addition, when the recession hit, many people who were considering entering the workforce postponed their job searches and chose to pursue higher education. Other newly unemployed workers decided to wait out the recovery in school. Both groups served to boost college-area markets with even more students.

Morgantown is a prime example of this phenomenon. Morgantown rose in the most recent College Town rankings, jumping from 18th to 9th place, and placed 10th in the overall Top 10 list. The town of 30,000 near the Pennsylvania line is one of the few College Destinations to have greater *entrepreneurial activity* than in previous years. But the primary reason for Morgantown's leap in the rankings was its stability. Many of Morgantown's stats did not change during the Great Recession.

Not all College Towns were as impervious to the economic crisis. Charlottesville, Va., just 130 miles southeast of Morgantown, dropped from 6th to 13th among College Towns. In terms of academic environment, one of the CDI's three broad ranking classifications, Charlottesville had the exact same relative position as it had in the last CDI. Its noticeable drop in *degree attainment* was offset by higher *student concentration* and *research and development* expenditures.

Charlottesville's fall comes from large losses in the quality-of-life classification. Among other things, Charlottesville has a large restaurant and music scene. Since the last CDI, *arts and leisure* there experienced a 16 percent drop.

In contrast, Charlottesville's performance in the professional opportunity classification didn't change in three out of four categories. Its *income* and *unemployment* levels, and *brain gain or drain*, which measures the percent of the population with a bachelor's degree, were relatively stable. *Entrepreneurial activity*, however, declined significantly.

The recession impacted the rankings of Mid-size Metros differently than it did the cities and towns in the other size divisions. Across the board, the mid-size cities regularly score below both larger and smaller metropolitan areas. This year's CDI is no exception. But as a group, the Mid-size Metros' relative scores looked better this year because of the downturn's effect on other areas. Mid-size Metros, for example, did not experience nearly as much growth during the boom as the Small Cities. Therefore, they did not collapse as much when the economy went south.

There are precise reasons for this division's idiosyncratic performance. Many areas in the mid-size division are old industrial cities in the Northeast such as Pittsburgh and Hartford. They were already struggling when the recession hit. The downturn did not make a big difference in their scores.

Other areas have solid job bases, but have depressed scores because they do not offer much opportunity for growth. Albany, New York's state capital, is a case in point. The economy is driven by government jobs. While relatively stable during the downturn, the public sector just doesn't compare to the private sector as an engine for expansion and job creation.

The very stability of government jobs may change, further altering the economic health of many mid-size state capitals. Because governments rely on tax revenues, recessions hit the public sector later than the private sector. State houses across the country are feeling the pain now. The extent of that pain should register in future editions of the CDI.

The mid-size division also contains cities at two extremes. Former mid-size boom towns, Orlando, Fla., and Las Vegas, Nev., were devastated by the meltdown of the housing market. But San Jose, Calif., a boom town situated at the heart of Silicon Valley, remains one of the country's most attractive locations for students and businesses alike.

Economic conditions rise and fall, but values and other strengths incorporated into local cultures persist. Some of the changes in the CDI rankings are dramatic, but this doesn't mean that students and their families should drastically reconsider school choices. Nonetheless, the CDI captures valuable information about economic trends. Armed with information the CDI provides concerning such factors as job opportunities and general quality of life, students, retirees, and others considering relocation can make more fully informed decisions.

Overall Top 10

2010-2011 CDI

- 1 Ithaca, N.Y.
- 2 State College, Pa.
- 3 Boulder, Colo.
- 4 Iowa City, Iowa
- 5 San Francisco, Calif.
- 6 Ames, Iowa
- 7 New York, N.Y.
- 8 Washington, D.C.
- 9 Boston, Mass.
- 10 Ann Arbor, Mich.

2012-2013 CDI

- 1 Ithaca, N.Y.
- 2 Ames, Iowa
- 3 State College, Pa.
- 4 Iowa City, Iowa
- 5 Corvallis, Ore.
- 6 Ann Arbor, Mich.
- 7 Champaign-Urbana, Ill.
- 8 Lafayette, Ind.
- 9 Lawrence, Kan.
- 10 Morgantown, W.Va.