

# Fiscal Research Program

## ARE SMALL URBAN CENTERS MAGNETS FOR ECONOMIC GROWTH

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# Are Small Urban Centers Magnets For Economic Growth?

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## I. Introduction

In a report prepared for Georgia Power, DRI/McGraw Hill stated that distance to Atlanta was an important factor in determining the growth rate of Georgia counties (Alexander, et al., 1993). The implication from this report is that the Atlanta region is a “magnet” for economic growth in the state. This result is consistent with the findings of Voith (1998). Using national data, Voith considers the impacts that large cities (over 100,000 residents) have on their suburban economies. Voith’s research finds that the economies of cities with over 500,000 residents near Atlanta was, d000 54ET1.00000 0.00000

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<sup>1</sup> Voith (1998) considers the impact that city income and population growth have on the income, house values, and population growth of their suburbs.

<sup>2</sup> The impact of Georgia cities over 75,000 residents, Albany, Atlanta, Columbus, Macon, and Savannah, are not considered in the analysis.

<sup>3</sup> Estimates from excluding only the 5-county region proved to be highly similar to the results presented in this report.

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<sup>4</sup> Evidence in support of this conclusion has also been found by Edmiston (2001), who examines the issue of small urban center job growth (via the location of a new large firm) on job growth in

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<sup>5</sup> For a longer treatment of why cities exist, see chapter two of O'Sullivan (2000). This chapter also provides a long list of empirical studies that provide evidence in f

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locate in or near smaller cities in Georgia, as well. This study examines the latter possibility.

Location choices for business firms will also depend on the particular characteristics

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DIST\_ATLANTA, distance to Atlanta, has been shown in previous research to be an important predictor of economic growth in Georgia counties.

CITY1075

CITY1075 is the number of cities between 10,000 and 75,000 residents located within 0000 TDTc3.00 0. Ge(in 17gBT27.4800 0.0ya counties.)TjET1.00000 0.00000 0.

**III. Data**

Using

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<sup>7</sup> City populations were calculated for the year 1990 in order to determine which cities were to be considered in the analysis.

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Alpharetta	Douglas	Lawrenceville	Roswell
Americus	Douglasville	Lithia Springs	Sandy Springs
Athens	Druid Hills	Mableton	Smyrna
Augusta	Dublin	Marietta	Snellville
Bainbridge	Dunwoody	Martinez	South Augusta
Belvedere Park	East Point	Milledgeville	St. Simons
Brunswick	Evans	Moultrie	Statesboro
Carle b-McAfee	Forest Park	Mountain Park	Thomasville
Carrollton	Fort Benning South	Newnan	Tifton
Cartersville	Fort Stewart	North Atlanta	Tucker
College Park	Gaines School	North Decatur	Valdosta
Cordele	Gainesville	North Druid Hills	Vidalia
Covington	Griffin	Peachtree City	Warner Robins
Dalton	Hinesville	Redan	Waycross
Decatur	La Grange	Rome	West Augusta
			Wilmington Island

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Table 2 contains summary statistics for Georgia counties between 1970 and 1990 used to estimate the growth model described in Section II. As shown in Table 2, the counties under study average about 22,300 residents on average and 12,000 total jobs. Approximately 8,900 of these 12,000 jobs are in the non- agricultural



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**TABLE 2. SUMMARY STATISTICS 1970-1990\*, GEORGIA COUNTIES\*\***

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private sector. Over this time period, these counties averaged almost 2,700 manufacturing jobs.

Job growth rates are computed for  $t=1980$  and 1990 in the following manner (we use  $t = 1980$  as an example):

#### **IV. Results**

To answer the policy questions regarding the impact of smaller Georgia cities on their regional economies, we estimated the following equation, which is consistent with the expression in (1):

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statistically significant coefficient on CITY1075. The estimate suggests that a county experienced a 10.0 percentage point increase in private sector job growth over a

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economic benefits to neighboring counties, but these benefits are somewhat smaller than those estimated in the total and private sector job growth regression. We

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more than adding those same jobs to a large city or a rural area. Nevertheless, our evidence is consistent with the economic theory on the benefits of cities; for the

## **V. Policy Implications**

If small urban centers are an important force in generating economic growth, then state policy regarding economic development needs to reflect that. The analysis in

**References**

Alexander, Susan, et al. 1993. "Succeeding in Georgia Through Mutual Cooperation:  
How Can the Diverse Regions of Georgia Work Together to Enhance the  
Overall

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Public Opinion on Issues of Tax Fairness (David L. Sjoquist)

This report contains the results of a public opinion survey of Georgia residents regarding issues associated with tax fairness. FRP Report 59