



Small City Economic Dynamism Index: Literature Review October 2015

Although many small cities are experiencing population increases at rates faster than has been seen in decades, small cities have been understudied by scholars, policymakers, and practitioners. While there have been studies of small cities focused on economic growth factors, income inequality, a sense of place, and economic development, most are case studies. Bell and Jayne (2009) have argued that urban theorists have ignored small cities and found that despite a significant portion of the population living in small and medium-sized cities, most research on cities is focused on a few large, “global” ones.

There is no standard definition of a small city. The existing literature on definitions of cities based on size or position in the metropolitan region is limited. Hall (2004) suggested a four-level hierarchy of cities, including global cities (5 million plus), subglobal cities (1 million to 5 million), regional cities (250,000 to 1 million), and provincial cities (100,000 to 250,000). Smart Growth America (2012) defined “small metro areas” as MSAs with a population between 150,000 and 1 million that have at least one principal city of at least 50,000 people. Siegel and Waxman (2001) define “third-tier” cities as those with the following three elements: (a) a population between 15,000 and 110,000; (b) cities that are primary to the regional economic base; and (c) cities that were incorporated prior to 1950 and have not tripled in population since 1950. Alan Mallach’s work (2012) on small cities located “in Philadelphia’s shadow” focused on cities with a population of at least 50,000 in 1950 and more than 25 percent of its workforce working in manufacturing at one time.

Small cities face strong headwinds. Erickcek and McKinney (2006), citing Siegel and Waxman (2001), highlight several common challenges facing small cities. These include deteriorating infrastructure, dependence on traditional industry, obsolete human capital, declining regional competitiveness, weakened civic infrastructure and capacity, and limited access to resources. Mallach (2012) provides a detailed economic and demographic history of 13 small legacy cities over the period 1950–2000, which includes disinvestment, hollowing out of the urban core, and increasing poverty and socioeconomic outcomes, especially for the lower-income residents left behind by suburbanization. Further case studies document challenging prospects for smaller cities, especially those with very small populations from which to draw economic momentum. Nord (1980) found that income inequality is high in small cities. Income inequality varies based upon a variety of factors such as capital movement, industrial booms, and variation in education. Nord’s work showed that small cities struggle to create a large amount of labor market diversification, limiting employment opportunities for workers. Further, Siegel and Waxman (2001) point out that smaller metro areas have less resiliency against economic downturns and industrial closings.

Despite headwinds, many small cities are growing. Despite an often-held image of decaying industrial wastelands with deteriorating infrastructure and dwindling populations, small cities

remain elemental to the American landscape and not all are in decline. According to Joel Kotkin's 2014 article in *Forbes*, since 2000 small cities with between 100,000 and 250,000 residents have experienced a 13 percent population growth rate, more than twice that of New York, Los Angeles, and Chicago and roughly 10 percent faster than the national growth rate. Smart Growth America (2012) reports that 22 percent of the U.S. population live in small metro areas—more than 69 million people—and that some of the largest population gains between 2010 and 2011 were made in the smallest metro areas. According to its report, people are increasingly choosing to live in cities in small metro areas, and the small cities with the fastest growth rates are located in the South.

Beyond growth, some small cities are resurging. Resurgent economies in midsized manufacturing-oriented cities have been the topic of significant work from the Federal Reserve Bank of Boston by Kodrzycki and Muñoz and coauthors (2009). The authors have identified 10 such cities that have made substantial progress improving living standards for their residents, as measured by median family income, poverty rates, and population. Further work by Kodrzycki and Muñoz (2013) confirmed that central cities achieve resurgence through a combination of strong leadership, collaboration across sectors and institutions, clear and broad-based strategies, and significant infrastructure investments.

Strong anchor institutions and historical industrial structure matter most for predicting growth in small cities. Erickcek and McKinney (2006) examined the relationship between an area's economic viability and local public policies. Their study found that a large portion of an area's economic future, in terms of personal income growth for residents, is dependent on its industrial past. Small cities located fortuitously alongside growing university/government/business complexes tended to perform best compared to other small city "types." Erickcek and McKinney argued that those with universities, state capitals, or large firms tend to be more successful across several dimensions. Other anchor institutions such as hospitals, faith-based organizations, as well as municipal or local government enterprises can contribute toward economic growth in small cities. Finally, Erickcek and McKinney found that government action through local policy may "nudge" some areas onto a different growth path so that regions can change expected outcomes even if their industrial mix is less than ideal. This finding suggests that aggressive policy may be another critical element of small city economic viability.

Sources

- Bell, D., and Janye, M. (2009). "Small Cities? Towards a Research Agenda." *International Journal of Urban and Regional Research* 33(3), 683–699.
- Erickcek, G., and McKinney, H. (2006). "Small Cities Blues: Looking for Growth Factors in Small and Medium-Sized Cities." *Economic Development Quarterly* 20(3).
- Hall, P. (2004). "European Cities in a Global World." In Eckhardt, F., and Hassenpflug, D. (eds.), *Urbanism and Globalization*. Frankfurt: Peter Lang.
- Kodrzycki, Y.K., and Muñoz, A.P., et al. (2009). "Reinvigorating Springfield's Economy: Lessons from Resurgent Cities." Public Policy Discussion Paper no. 09-6, Federal Reserve Bank of Boston.

- Kodrzycki, Y.K., and Muñoz, A.P. (2013). "Economic Distress and Resurgence in U.S. Central Cities: Concepts, Causes and Policy Levers." Public Policy Discussion Paper no. 13-3, Federal Reserve Bank of Boston.
- Kotkin, J. (2014). "America's Fastest Growing Small Cities." *Forbes*, September 23, 2014.
- Lambe, W. (2013). "Small Town Development Approaches." UN Habitat for a Better Urban Future, *The Global Urban Economic Dialogue Series*.
- Mallach, A. (2012). *In Philadelphia's Shadow: Small Cities in the Third Federal Reserve District*. A Special Report by the Community Development Studies and Education Department, Federal Reserve Bank of Philadelphia.
- Nord, S. (1980). "Income Inequality and City Size: An Examination of Alternative Hypothesis for Large and Small Cities." *The Review of Economics and Statistics* 64(2), 502–508.
- Siegel, B. and Waxman, A. (2001). "Third Tier Cities: Adjusting to the New Economy." *Reviews of Economic Development Literature and Practice* 6. U.S. Economic Development Administration.
- Smart Growth America. (2012). *City Versus Suburban Growth in Small Metro Areas: Analysis of U.S. Census Data in MSAs under One Million People*.
- Storm, E. (2002). "Converting Port into Porcelain: Cultural Institutions and Downtown Development." *Urban Affairs Review* 38(1), 3–21.
- Talen, E. (1999). "Sense of Community and Neighborhood Form: An Assessment of the Social Doctrine of New Urbanism." *Urban Studies* 36, 1361–1379.

[Will Lambe](#), senior community and economic development adviser at the Federal Reserve Bank of Atlanta, is the lead author. Contact him at william.lambe@atl.frb.org or 404-498-7075.