AMERICA'S GROWTH CORRIDORS: The Key to National Revival

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Much of the discussion about American economic recovery and growth in 2012 focused on the usual suspects: regions on the Pacific and Atlantic coasts and on the shores of the Great Lakes. But the best recent economic record, as well as the best prospects for future prosperity, are to be found elsewhere in the United States.

We have identified four regions of the country that we call "growth corridors." What they lack in media attention they make up for in past performance and likely future success. Over the past decade—and, in some cases, far longer—these regions have created more jobs and gained more population than their counterparts along the ocean coasts or along the Great Lakes.

The four growth corridors are:

- 1. The Great Plains region, made up of Montana, Wyoming, Colorado, New Mexico, Texas, Oklahoma, Kansas, Nebraska, and the Dakotas
- 2. The "Third Coast" stretch of counties whose shores abut the Gulf of Mexico and which range through Texas, Louisiana, Mississippi, and Florida
- 3. The "Intermountain West," consisting of counties in the north of New Mexico and Arizona, parts of eastern California and western regions of Montana, Wyoming, and Colorado, as well as the non-coastal eastern regions of Oregon and Washington and all of Idaho, Utah, and Nevada
- 4. The "Southeast Manufacturing Belt" of counties in eastern Arkansas, all of Tennessee, and large swaths of Kentucky, the Carolinas, Georgia, Alabama, Mississippi, and southwestern Virginia

These regions have different histories and different trajectories into the future, but they share certain key drivers of economic growth: lower costs (particularly for housing); better business climates; and population growth. Some have benefited from the strong global market for commodities, particularly food, natural gas, and oil. Others are expanding because of a resurgence in manufacturing in the United States.

In this report, we describe the growth corridors in some detail and explore what their success means for the country as a whole. Part 1 describes what the corridors are, in terms of geography, population, and history. Part 2 explains why they are succeeding while America's traditional economic powerhouses are growing at relatively anemic rates. Part 3 explains how the growth corridors are advancing, noting the key industries in each. Part 4 considers the contrast between the growth corridors and the rest of the nation and explains why the growth-corridor mix of culture and policies is crucial to the future success of the United States.

To be sure, New York, Los Angeles, the San Francisco Bay Area, and Chicago will remain the country's leading metropolitan agglomerations for the foreseeable future. But an important urban story of the coming decades will be the emergence of interior metropolitan areas such as Houston, Dallas–Fort Worth, Tampa, Oklahoma City, and Omaha. On a smaller scale, fast-growing Lafayette (Louisiana), Baton Rouge, Midland (Texas), Sioux Falls (South Dakota), Fargo, and a host of other smaller cities will continue to expand. We may also witness the resurgence of New Orleans as a leading cultural and business center for the south and the Gulf Coast.

This ascendancy of the growth corridors follows one of the great principles of American history. The "most important effect of the frontier," as Frederick Jackson Turner noted, was how it promoted democracy by spreading opportunity.¹ The expanding frontier—then rural, now metropolitan—reinforces the fundamental individualism at the core of American culture.

Equally important, the corridors reveal the most immediate way to propel a broad growth trajectory for the entire United States. By restoring a strong growth path, as well as the optimism that accompanies it, the corridors could help bring about a resurgence whose benefits will extend far beyond their boundaries to touch the entire nation.

ABOUT THE AUTHOR

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America's Growth Corridors: The Key to National Revival

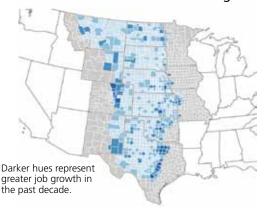
Joel Kotkin PART I: WHERE THE GROWTH IS

uture American economic growth will not be centered in the denser regions of the East and West Coasts of the United States that are often lionized in the national press. Instead, growth in the near future (and likely beyond) will be found in four broad regions that are already doing well, despite a devastating recession and weak recovery. Even as many Americans lower their expectations of future prosperity for themselves and their children, these regions look forward to robust expansion in the years ahead.

We have defined these regions as the nation's "growth corridors:" (1) the Great Plains region, comprising Montana, Wyoming, Colorado, New Mexico, Texas, Oklahoma, Kansas, Nebraska, and the Dakotas; (2) the "Third Coast" stretch of counties whose shores abut the Gulf of Mexico and which range through Texas, Louisiana, Mississippi, and Florida; (3) the "Intermountain West," comprising counties in the north of New Mexico and Arizona, parts of eastern California and western regions of Montana, Wyoming, and Colorado, as well as the non-coastal eastern regions of Oregon and Washington and all of Idaho, Utah, and Nevada; and (4) the "Southeast Manufactur-

The Four Growth Corridors in Detail

Growth Corridor 1: Great Plains Region



With 30 million people, covering roughly 20 percent of the country, the Great Plains region represents both the largest and the least populated of the growth corridors. This is the region that might have been least expected to do well. After its half-century of slow—even negative—population growth, many in the mainstream media had all but written off the region.

As recently as 2006, *The New York Times* described the region as "not far from forsaken." New Jersey academics Deborah E. Popper and Frank J. Popper even proposed that Washington turn the entire region into "the ultimate national park," returning the land and its communities to a "buffalo commons." The Poppers predicted that the region would "become almost totally depopulated." ²

Yet over the past decade, the Plains region has been transformed from "forsaken" into a region of opportunity. Five of the six best cities for "starting over in 2012," according to TheStreet.com, were located in the Dakotas, lowa, and Nebraska.³ Remarkably, the vast majority of migrants coming to the region, according to demographer Ali Modarres, are not returning boomers but young people in their twenties to mid-forties, the key family-raising years.

With the influx of a younger, better-educated, and more diverse population, the Plains region will also change: it will be more urban, ethnically diverse, and sophisticated than ever before; and it will be poised to become a major long-term contributor to the nation's economic future.

Growth Corridor 2: Third Coast Region



The Third Coast region surrounds the Gulf of Mexico from Brownsville, Texas, to Tampa, Florida, and is home to 16 million people. It is one of the most rapidly growing regions in the country. Not only has population growth been far greater than the national average; job growth has been greater, too.

One critical growth industry for the future of the Gulf Coast lies in medical services. In Houston, for example, the massive Texas Medical Center is now the largest concentration of medical facilities in the world. This is a major reason that Houston now ranks as the country's 12th-largest business district in terms of square feet, ahead of downtown Los Angeles, with plans to expand so that it will rival Philadelphia's (the seventh-largest) in size by 2014.4

Houston, the clear center of the Third Coast economy, has emerged as one of the country's megacities. Over the past decade, Houston has had one of the largest increases in employment of any major metropolitan area—up 15 percent between 2000 and 2011.

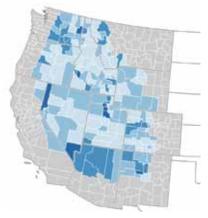
Meanwhile, New Orleans' demographic revival reflects not only the return of evacuees from Katrina but also the movement of younger, educated people into the area. There has been a steady growth of industries, including energy, and also in such fields as digital effects, entertainment, and software. *Inc. Magazine* described New Orleans as the "coolest start-up city in America." Though New Orleans was long plagued with one of the worst business climates in the nation, Marketwatch now places it in the top third.⁵

With the region's traditional education gap continuing to narrow and other economic engines humming, the Third Coast appears likely to continue to grow rapidly. In the process, it will challenge the long-time supremacy of the Atlantic and Pacific economies and open a new era anchored along the somewhat less scenic, but increasingly economically vital, shores of the Mexican Gulf.

¹ Timothy Egan, "As Others Abandon Plains, the Indian and Bison Come Back," *The New York Times*, May 27, 2001; and Richard Rubin, "Not Far from Forsaken," *The New York Times*, April 9, 2006.

² Deborah Epstein Popper and Frank J. Popper, "The Great Plains: From Dust to Dust," *Planning Magazine*, December 1987.

Growth Corridor 3: Intermountain West Region

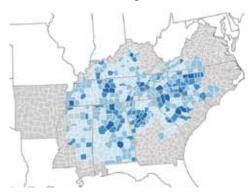


Perhaps none of our corridors has better prospects than the Intermountain West region. It has the advantages of a well-educated and growing population, as well as enormous natural resources. A vast region covering 655,000 square miles between the Rocky Mountain foothills and the Sierra and Cascade mountain ranges, it is home to 12.8 million people.

Over the past ten years, the Intermountain West has had the highest growth in jobs of any area—some 14.7 percent, more than three times the national average. At the same time, the region's population grew 20 percent, the highest of any corridor, and almost three times as quickly as the rest of the country. It has consistently showed the greatest growth of any region in terms of high-tech jobs.

Given the area's natural attractiveness and a continued good business climate, the Intermountain West should enjoy strong growth over the coming decades.

Growth Corridor 4: Southeast Manufacturing Belt Region



In contrast to the other corridors, some states that constitute the Southeast Manufacturing Belt region—Alabama, Mississippi, Georgia, Tennessee, Kentucky and the Carolinas—have recovered slowly since the Great Recession. Yet we believe in the continued emergence of this region, largely because of the continuing shift of population to this region, which is home to some 40 million people and extends over 222,000 square miles.⁶

The key to the Southeast Manufacturing Belt region's future lies in its ability to bring skilled labor and investment into the area, particularly for higher value-added industries. "Southerners don't have any rich relatives. God was a Northerner," the head of the pro-development Southern Regional Council told the journalist Joel Garreau three decades ago. "Without a heritage of anything except denial, Southerners, given a chance to improve their standard of living, are doing so."

This effort once focused on U.S.-based low-tech firms, but increasingly the region targets are higher-wage industries. As measured by "location quotient"—the concentration of a particular sector in a state—Alabama, Mississippi, the Carolinas, and Tennessee rank within the top 15 of states most reliant upon manufacturing for the health of their economies.

This emphasis on manufacturing could help spark future growth. European, Japanese, and Korean firms appear likely to continue shifting operations into the Southeast. All these countries suffer from the effect of aging populations (a looming shortage of working-age people), and the economies of Europe and Japan will remain weak for the foreseeable future. China, once the obvious destination for manufacturers, is plagued by political problems, rising costs, and an unreliable legal system. This leaves the Southeast Manufacturing Belt a likely recipient of new, large-scale industrial global investment.8

³ Jerold Leslie, "6 Best Cities for Starting Over in 2012," TheStreet.com, December 19, 2011.

⁴ Robert W. Gilmer, Robert F. Hodgin, and Mary Schiflett, "Economic Impact of the Texas Medical Center on Southeast Texas," *Houston Business*, October 2001; and "Texas Medical Center: Collaboration Beyond Boundaries," 2011.

Douglas McCollam, "The Big Easy's Business Leap Forward," The Wall Street Journal, March 17, 2012; and Russ Britt, "New Orleans Business: Most Improved in 2011," The Wall Street Journal, December 13, 2011.

⁶ U.S. Census estimated2010

⁷ Joel Garreau, *Nine Nations of North America* (Boston: Houghton Mifflin, 1981), p. 143.

⁸ Jeff Bennett, "Europe Car Makers Confront Gloom," *The Wall Street Journal*, September 28, 2012; Jack Ewing,
"European Automakers Face a Stunted Future," *The New York Times*, September 28, 2012; and Christopher Rauwald and Gilles Castonguay, "Fiat Will Shrink Spending in Europe," *The Wall Street Journal*, June 16, 2012.

ing Belt," comprising counties in eastern Arkansas, all of Tennessee, and large swaths of Kentucky, the Carolinas, Georgia, Alabama, Mississippi, and southwestern Virginia.

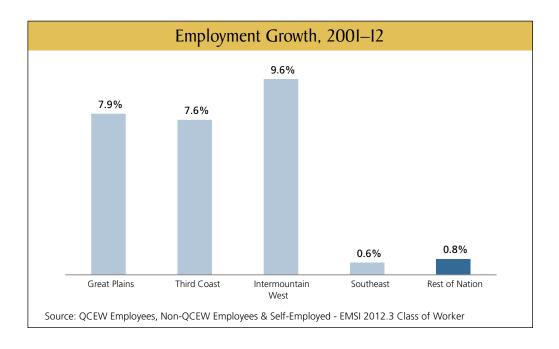
As reflected in the figure above, the growth-corridor story is not entirely a tale of differences among states or the traditionally recognized regions of the country. All four growth corridors possess certain characteristics (for example, all are friendly to business and have the political will to exploit their natural resources). But they have distinct histories and are now on different trajectories of growth. Overall, the corridors account for 45 percent of the nation's land mass² and 30 percent of its population.³ Their bright prospects reflect economic and geographic logic working itself out at the regional, state, and local levels.

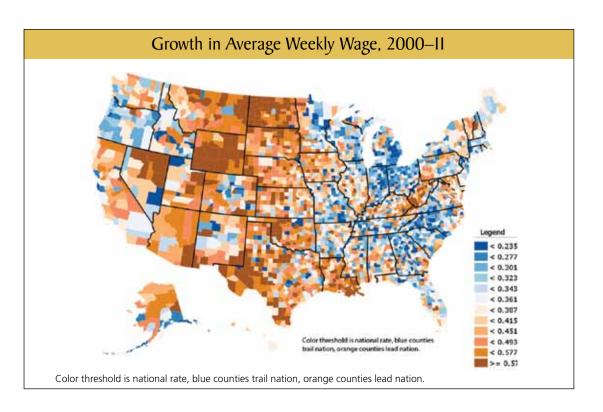
Our analysis explores these realities. It finds that over the past decade—and, in some cases, far longer—the growth corridors have created more jobs and gained more population than their counterparts along the Atlantic and Pacific coasts and the Great Lakes (the only exception to this pattern is Washington, D.C., whose economic expansion is due to political developments, not economic fundamentals). The growth corridors have also, for the most part, seen higher growth in wages and GDP. On measures of job and wealth creation, these four areas have generally outperformed the West and East Coasts and the industrial Midwest.

Since the financial meltdown of 2009, the majority of counties that have recovered all jobs that were lost in the recession have been in one of the four growth corridors.

Some critics have claimed that much of this growth has been driven by low wages. For example, columnist Harold Meyerson holds that these regions are partaking of a global "race to the bottom" in wages. He believes that foreign firms come to "slum" America, where Europeans, in particular, now go "to get the job done cheap."⁴

An analysis of wage rates belies this claim. For the most part, the corridors have enjoyed considerably higher income and higher overall state product growth than the rest of the country in the past decade. In fact, of areas now experiencing strong GDP growth, the vast majority lie within the corridors. Income growth has also been stronger in these regions than the national average.





PART 2: WHY THE GROWTH IS WHERE IT IS

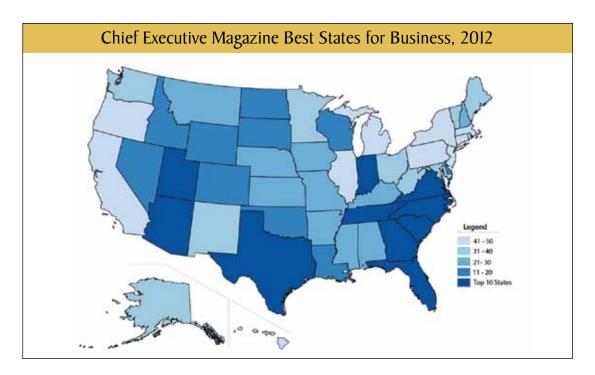
Business Climate

erhaps the biggest advantage that the corridors have today is their business climate. Often historically poor, many of these areas have stayed hungry: they continue to seek out ways to expand incomes and opportunities for their residents. In many ways, they resemble the hungry barbarians who, as the great fourteenth-century Arab historian Ibn Khaldun noted, usurp the more established regimes that develop in the comfort of luxurious cities. Over time, these regimes suffer "the chronic diseases of senility"—lack of ambition, vigor, discipline, and willingness to sacrifice for the next generation—that the poorer peoples often avoid.⁵

This contrast can be seen in comparisons of growth-corridor government policies with those of other regions, on such matters as housing and the development of manufacturing and natural resources. California, for example, is a vast state with enormous

fossil-fuel resources but chooses, in the name of environmental protection, to govern itself as if land and energy supplies were severely constrained.⁶ As a result, North Dakota recently passed California as the nation's third-largest energy producer, a development that would have been inconceivable a decade ago.⁷

Attitudes toward growth in the United States range from suspicion and constraint to an enthusiastic willingness to expand. The contrast between the two approaches is the starkest difference between the eagerto-grow corridors and the rest of the nation. A review of state business climates by Chief Executive magazine shows that 11 of the top 15 states ranked for the best business climate were located in the corridors. The list was led by Texas, which straddles the Great Plains and the Third Coast growth corridors, and also included two Third Coast states, Florida and Louisiana, as well as southeastern states North Carolina, Tennessee, South Carolina, and Georgia, plus Utah and Colorado from the Intermountain West and North Dakota in the Great Plains. In contrast, California, New York, Illinois, and Massachusetts sat at the bottom.8



Similar patterns occur in surveys of state tax burdens, where Wyoming topped the list as the least burdensome state, followed by South Dakota, while California, New York, and New Jersey occupied the bottom three places.⁹ Overall rankings from the National Federation of Independent Business found 13 of the 15 top-ranked states in the corridors, led by Utah and South Dakota. New York, Illinois, and California did poorly.¹⁰

Current trends suggest that no relief is in sight for these high-tax states. On the contrary, they are moving toward increasing their tax burdens. Over the past year, New York, California, and Illinois have instigated higher tax rates. According to a recent analysis, three jurisdictions—California, New York City, and Hawaii—will have top marginal effective income-tax rates of over 50 percent in 2013, assuming the expiration of the Bush tax cuts at the federal level. Even as this trend rolls forward on the East and West Coasts, most of the corridor states' rates have been heading lower.

Different views of growth stem largely from different attitudes toward wealth creation and employment.

In states such as New York and California, everincreasing taxes place a disincentive on entrepreneurs and upwardly mobile professionals. In both states, the consequence has been out-of-state migration by middle-income people and by businesses—often to the lower-tax, more business-friendly environments of the corridors.¹²

A business climate also affects investment patterns. A great deal of recent foreign and domestic investment, in petrochemicals, automobiles, steel, and transportation sectors, has gravitated to the southeastern U.S. states and Texas—places with above-average business climates. For example, the states of the old Confederacy, which comprise counties in three of the four corridors, boast all top five business climates and ten of the top 12 for locating new plants, according to a recent study by *Site Selection* magazine.¹³

The Resurgence of the "Real" Economy

It has been established for some time that in a postindustrial economy, dependence on raw materials is increasingly irrelevant—and even detrimental—to future growth. *The New York Times* columnist Thom-



as Friedman writes of the "curse" of raw-material wealth and warns about the dangers of using raw-material development to spur growth. Others, such as the hyperbolic analyst and author James Howard Kunstler, predict a terrible "final blow-off of late oil-based industrialism" that will prove lethal to living standards in the United States as a whole and to its sprawling Sunbelt regions in particular.¹⁴

In reality, much of the world's sustained economic growth since 2000 has occurred not in financial or information capitals but in regions that produce basic commodities such as energy and food. In the developed world, the consistently best-performing countries since 2008 have been resource-rich ones such as Norway, Australia, and Canada. Much of Brazil's recent rise has been driven by the growth of manufactured and food exports, as well as its recent achievement of energy self-sufficiency.¹⁵

This economic pattern is a factor in the success of the growth corridors. Over the past decade, the domestic-resource economy has enjoyed unexpected growth, which has helped insulate three of the corridor regions—the Great Plains, the Intermountain West, and the Third Coast—from the worst ravages of the Great

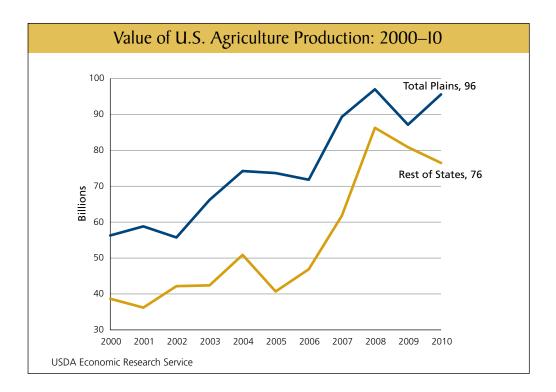
Recession. Their expansion has been led, particularly in the Great Plains, by a boom in agriculture exports: in 2011, the U.S. exported a record \$135 billion, with a net favorable balance of \$47 billion, the highest in nominal dollars since the 1980s.¹⁶

What accounts for this boom? One driver is growing markets in the developing world—notably, China, which consumes almost 60 percent of the world's soybean exports and 40 percent of its cotton. The Great Plains corridor, in particular, produces both these crops in abundance, which is one reason for its increased share of U.S. exports.¹⁷

The importance of agricultural resources and energy are well recognized by investors. The International Food Policy Research Institute reports that foreign investors sought or secured 37–49 million acres of farmland in the developing world between 2006 and mid-2009. Investors, including hedge funds and overseas companies, are also investing heavily in U.S. cropland.¹⁸

Progress on Education

Despite recent gains, arguably the greatest challenge facing the corridors lies in education. Most corridor



cities lag behind the national average in levels of education. In some, there remains a lack of first-class educational institutions. According to *U.S. News and World Report*, only 18 of the top 100 universities are in the corridors.¹⁹

This educational shortfall is most evident in the Southeast and Third Coast corridors. The Southeast's overall low level of educational attainment has long constituted the region's primary economic disadvantage. Every state in the Southeast falls below the national average of the percentage of residents aged 25 and older with a bachelor's degree. Mississippi has the third-lowest rate in the nation, with less than 20 percent of residents holding a B.A.²⁰ Alabama is the only state in the Southeast that exceeds the national average of 18–24-year-olds enrolled in college.²¹ Over 15 percent of adults in Alabama, South Carolina, Mississippi, and Georgia lack basic literacy skills—again, all figures that are well below national averages.²²

Similarly, all the Third Coast's major metropolitan areas remain below the national average in terms of

people who have bachelor's degrees, with the exception of Houston and Tallahassee, Florida's capital. This shortcoming is widely recognized in the region: there have been several strong reform efforts in the states hugging the Gulf of Mexico—notably, in the long-plagued New Orleans schools.²³ Meanwhile, migration trends in New Orleans offer hopeful signs: according to a recent analysis of educated migrants by demographer Wendell Cox, New Orleans had the largest increase in educated population of any U.S. metropolitan area between 2007 and 2009, increasing far more than any of the traditional East or West Coast "brain magnets."²⁴

Knowing that their lagging education rates must be addressed, leadership in both major parties in the southern corridors has focused heavily on economically meaningful improvements to education. For instance, the Clemson University International Automotive Research Center in South Carolina is one of the only schools in the nation to offer a Ph.D. in automotive engineering.²⁵ In order to lure a major auto manufacturer to northeastern Mississippi, a consortium of area leaders launched a comprehensive

effort through area community colleges to retrain laid-off furniture-industry workers in classes such as robotics used in auto assembly.²⁶ This type of workforce investment helped land a coveted investment from Toyota. In 2011, the company opened up a new facility in Blue Springs, Mississippi, devoted to manufacturing Corollas; it will soon start making the hybrid Prius as well. To an area ravaged by the contraction of the local furniture-assembly sector, this plant added 1,300 jobs at range of wages between \$15–\$28 an hour.²⁷

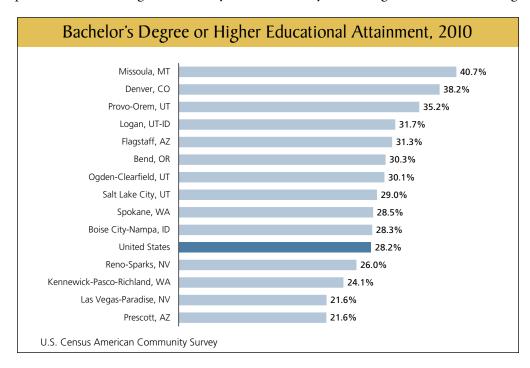
The Southeast's education levels are increasing more rapidly than those of traditional brain magnets (as are the education levels of the other three corridors). Raleigh, Charlotte, and Nashville experienced exceptionally high-percentage growth in their numbers of residents with bachelor's degrees, well above the national average. In gross numbers, Atlanta added more than 300,000 residents with bachelor's degrees over the past decade, more than Philadelphia and Miami and almost 70,000 more than Boston.²⁸

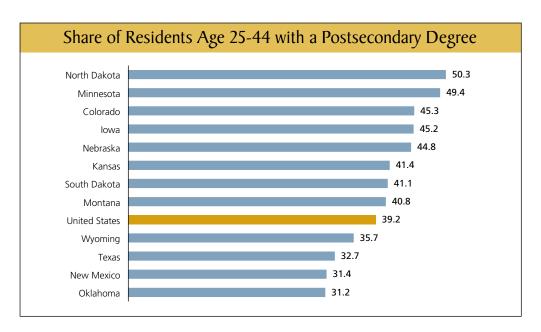
The Third Coast has had strong increases in the number of people with bachelor's degrees. Critically, some

of the largest increases in college-educated persons have occurred in areas such as south Texas (Brownsville, Corpus Christi), which have long struggled with low education levels. Houston, Dallas, Baton Rouge, and Tampa have seen stronger rates of growth in the numbers of educated people moving into their areas, more so than such cities as New York, Los Angeles, Chicago, and San Francisco.

In sharp contrast to the Third Coast, the Intermountain West and the Great Plains already benefit from above-average education levels. Most major cities in the Intermountain region—Provo, Salt Lake City, Denver, Spokane, and Boise—boast above-average percentages of adults with bachelor's degrees or higher. In Denver, the percentage of people with graduate or professional degrees, about 13 percent, is some 30 percent above the national average.²⁹ Over 20 percent of Salt Lake City's metropolitan-area adults have a bachelor's degree, compared with 18 percent nationwide.³⁰

More important, the Intermountain West is increasing its educated workforces far faster than the rest of country, including such traditional magnets as the





Northeast and California. This is particularly true of the region's top two cities, Denver and Salt Lake City.³¹

The Great Plains region, particularly in its northern sections, has an enormous, if underappreciated, edge in terms of educated people. Many of the states with the highest proportions of college-educated people in the age cohorts of 25–44 are located in the Great Plains, led by North Dakota and spreading south to Kansas, all of which greatly exceed the national average. Only Oklahoma, New Mexico, and Texas lag.

These are the kinds of educated workers who traditionally migrated to the coasts. But in the past decade, the percentage of growth of bachelor's degrees in the Great Plains metropolitan areas was among the highest in the nation and far more robust than that in the traditional bastions of educated people such as Washington, New York, Boston, and San Francisco. This is true not only of larger metropolitan regions, such as Dallas–Fort Worth and Oklahoma City, but of smaller cities such as Sioux Falls, whose population of college-educated people grew 60 percent over the last decade.

Migration Patterns

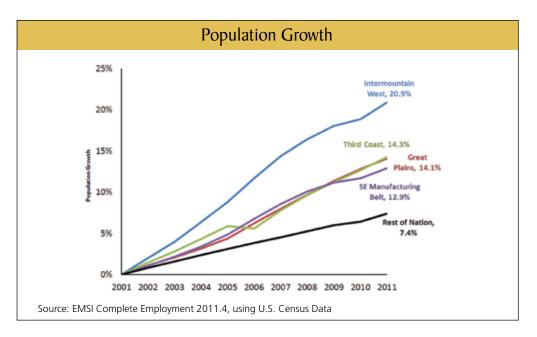
Improving economic prospects have had a profound impact on migration patterns in the corridors. Over

the past decade, all four, including the once-depopulating Great Plains, have grown considerably more quickly than the national average.

This shift is driven partly by a steady migration from the expensive ocean coasts toward the interior. For generations, the corridors lost population, particularly their young and better-educated, to the great cities of the East and West Coasts, as well as Chicago. Over the last decade, the pattern has been reversed for many of these regions, with many domestic migrants coming from the New York, Los Angeles, San Francisco, Chicago, and Boston areas.

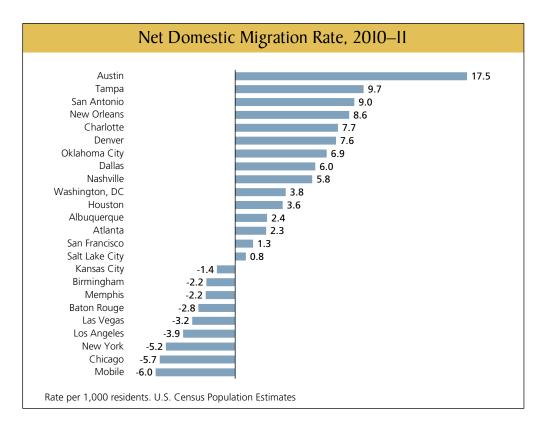
Even though net migration has slowed since the onset of the recession, the overall trend, from the coasts and Chicago to the corridors, has continued apace. Texas Plains cities such as Dallas have remained migration magnets, as have some southeastern cities—notably, Charlotte and Nashville. Third Coast cities such as Houston and Tampa continue to attract people; the Intermountain West major cities, including Denver and Salt Lake City, have also notched significant gains.

Most major cities in the corridors have positive net migration from the coasts (i.e., more people come *to* these cities from Boston and Los Angeles than go to those



places *from* the corridor cities). A review of migration patterns over the past decade shows Houston—the largest metropolitan region in the corridors—gaining residents from most other parts of the country, particularly from the Northeast and California.

New Orleans is the only Third Coast metropolitan area that has experienced significant outflows over the past decade. Once the most important Gulf metropolis, it suffered strong out-migration even before Hurricane Katrina in 2005; over the past decade,



since the storm, it suffered the most out-migration of all major Third Coast communities.

Yet in the past few years, this situation has turned around dramatically. With a recovering economy, paced by an expanding energy and entertainment sector, the New Orleans region has become a magnet for new migrants.

Equally striking have been the changes in the Great Plains. Once famous as a place to be fled by young, ambitious natives, its cities have increasingly drawn migrants from the coasts. Although some rural communities in the Great Plains, as elsewhere, have lost population, the overall region grew 14 percent in the past decade—far better than the national average of 9 percent.

The vast majority of this growth took place in the region's metropolitan areas. Over the past decade, even smaller metropolitan areas did well, growing by over 12 percent. The region's "micropolitan" places with a population of 10,000–50,000, grew by 5 percent, following years of stagnation.

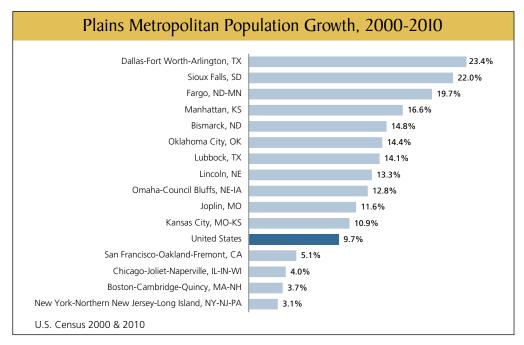
The biggest changes have occurred in the larger metropolitan areas. Over the past decade, Dallas–Fort

Worth, Oklahoma City, Omaha, Sioux Falls, and Fargo all grew two to three times more quickly than much-heralded comeback megacities such as New York, Boston, San Francisco, and Chicago. This growth in the Great Plains cities relative to the great coastal metropolitan areas was largely unanticipated and has been widely ignored by the national press.

There may well be a link between this growth history and the larger migration patterns that now favor corridor communities. "Okies" once flocked to California, for example; but more people now leave the Golden State for Oklahoma.³²

This migratory pattern holds in the two other corridors as well. The Southeast has, over the past decade, had steady in-migration, particularly from the Northeast. Over the last decade, the Southeast corridor had some of the strongest population growth—13 percent (compared with 9 percent for the nation as a whole). This was particularly true of the region's largest metropolitan areas, which grew far faster than their counterparts in the Northeast or California.

Virtually all major urban regions of the Southeast have had strong in-migration from the rest of the



country. Much of this growth has come at the expense of other states, especially in the Northeast. This is notable in slower-growing cities such as Atlanta, as well as in more economically buoyant places such as Charlotte, Raleigh-Durham, and Nashville.

In the Intermountain West, the Denver area has continued—even in tough times—to draw migrants from around the country—most notably, from Southern California and the Bay Area. This brain drain out of California has been at the core of the Denver region's emergence as a key tech area and potential rival of Silicon Valley.

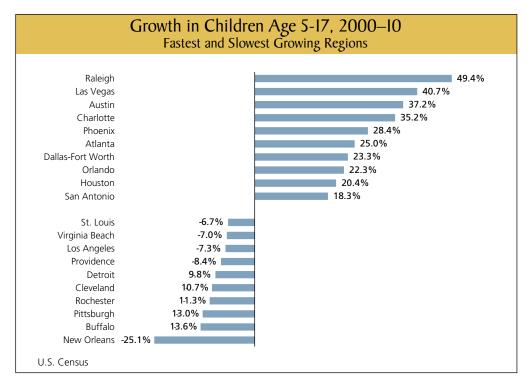
The same kind of shift has taken place in the Salt Lake City region. For generations, educated people from the area—many of them Mormons—migrated to the Atlantic and Pacific coasts for opportunities. But increasingly, the net migration flows have favored Salt Lake City. Workers who might have moved to California have instead stayed, while people elsewhere have moved to the area, attracted by its natural beauty and proximity to the mountains. Others from the East and West Coasts have moved for jobs in bur-

geoning industries such as finance and technology, both of which have established a major presence in Salt Lake City.³³

Even as they become net importers of talented people, the growth corridors are the areas with the fastest-growing population of children, a consequence of a migration of young families from the coasts and of a younger population (which means a larger surplus of births over deaths than the national average). The leading areas for young families in terms of growth have been in Utah and in the great Texas cities; in contrast, the population under 17 has declined in New York, Los Angeles, Chicago, and the Bay Area.

Immigrants Head to the Corridors

Migration from abroad has followed the same general pattern as migration within the U.S.: the growth corridors are attracting more new arrivals than ever. Although the largest numbers of foreign immigrants continue to move into the traditional gateway cities (such as New York, Los Angeles, San Francisco, and Miami), the greatest rate of growth in this popula-



tion is found inside the corridors. Between 2000 and 2011, the foreign-born population of Nashville and Charlotte doubled. Many other corridor cities, including Tampa, Oklahoma City, and Atlanta, expanded their immigrant population by 50 percent or more. In contrast, New York's foreign-born population expanded only by 12 percent and Los Angeles's by less than 3 percent.

Houston and Dallas already have a higher rate of international immigration than such traditional magnets as Chicago, Washington, and Philadelphia. A recent Rice University study found that Houston now surpassed New York as the country's most racially and ethnically diverse area.³⁴

Today, Third Coast ports Brownsville, Tampa, and Houston have some of the highest rates of foreign immigration in the nation. Traditionally, this migration has come largely from Mexico and Latin America, but newcomers are increasingly arriving from Asia as well. Over the past decade, Houston's Asian population has expanded by 160,000, or 70 percent, and the city is now home to the eighth-largest Asian population in the nation. Houston's Asian migration is grow-

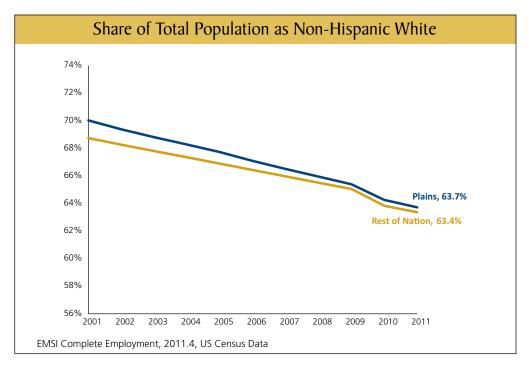
ing 50 percent faster than migration flows to such established Asian hubs as New York, San Francisco, Los Angeles, and Seattle.³⁵

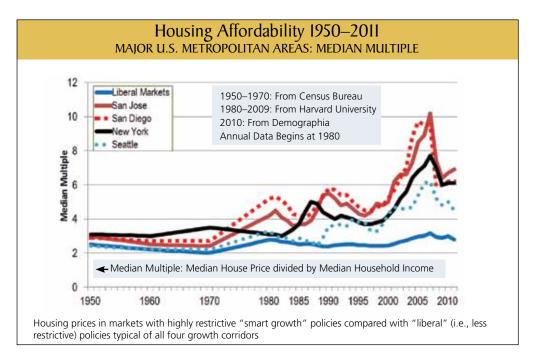
Similar patterns can be seen in international migration to the Southeast and the Great Plains. The latter—once seen as lily-white, with pockets of Native Americans—is becoming less and less homogeneous, largely because of Hispanic migration. The Great Plains region now is as ethnically diverse as the rest of the country.

Foreign immigration to the Great Plains, which was slow for generations, has become a major force and a prime contributor to the region's demographic recovery. For many immigrants, the prospect of regular pay at food-processing plants or in the energy industry is far more attractive than the generally lower-paid service work in traditional, more expensive, large urban centers.

Cost and Quality: A New Perspective

Economic opportunity is only one component of this shift in migration patterns. Another key driver is the





cost of living, particularly housing. Cost differentials among regions in terms of housing prices have always existed, but those differences have expanded over the past two decades. Research by Wendell Cox, based on the 2010 census, shows that lower-cost regions have been attracting larger numbers of domestic migrants than those with higher housing costs. It is

also in the coastal metropolitan areas of California and the Northeast, Cox argues, that "smart growth" policies have driven housing costs up even higher.³⁶

Even setting housing aside, corridors tend to have lower prices for the basket of costs that make up a family budget. Therefore, corridor regions offer not only



higher incomes but also more bang for the buck than most large coastal metropolitan areas. When adjusted for cost of living, wage earners in Houston, Dallas, and Austin, as well as most corridor cities, earn much more than residents of New York or Los Angeles.

Faced with these indicators that favor the corridors, boosters of America's dense coastal cities suggest that what these traditional cities lose by the numbers are made up with "quality" migration of educated people: "The Feet are moving south and west while the Brains are moving toward coastal cities," states Derek Thompson of *The Atlantic*.³⁷

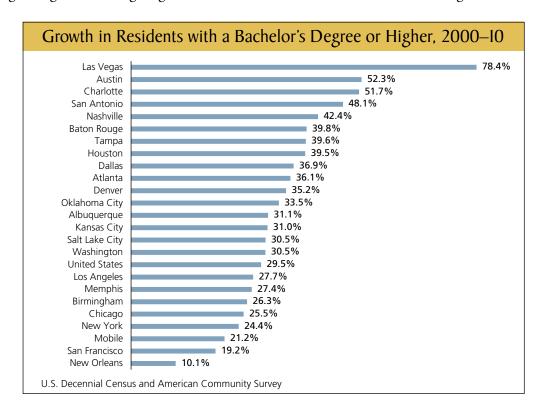
Coastal mega-regions such as New York, Los Angeles, and San Francisco have long enjoyed the largest overall increase in population with bachelor's degrees over the past decade. Yet the percentage growth of educated people has now become much higher in major growth-corridor cities. Indeed, the fastest increase in educated people—measured by increases in numbers of B.A. and B.S. degrees—can be seen across the fast-growing corridor mega-regions in Texas, the

Salt Lake area, and Denver, as well as smaller, thriving "micropolitan" areas in the Great Plains, such as Omaha, Sioux Falls, and Fargo.

Over time, we expect that overall migration patterns driven by housing costs will shape educated migration, too. This trend could become even more pronounced when the housing market recovers further and homeowners in the Northeast are again able to sell their houses. The regional price differentials could make many of those people "equity refugees": by simply trading their old northeastern house for one in a corridor, they will gain considerable wealth.³⁸

PART 3: HOW GROWTH IS HAPPENING

ridors are and why these regions are thriving. We now turn to the particular economic landscape of the regions to map which sectors are growing—in other words, precisely how their economies are succeeding.



The Energy Boom

As we've mentioned, the tangible economy of commodities is an important driver of growth in three corridors: the Great Plains, Third Coast, and Intermountain West. Five of the eight largest energy-producing companies in the U.S. are located in these corridors.

Over the past decade, the national share of domestic oil and gas production that takes place in the corridors has steadily increased, just as the nation has had a resurgence in domestic oil and gas production. In 2011, the U.S. became a net exporter of petroleum products for the first time in 62 years. American imports of raw petroleum have fallen from a high of 60 percent of total to less than 46 percent.³⁹

With the exception of growth in the Pennsylvania-Ohio region, the American energy boom of the past decade has been a corridor phenomenon. Of the top five states with gains in energy-related employment, four are in the corridors, including leader Texas and second-ranked Oklahoma.

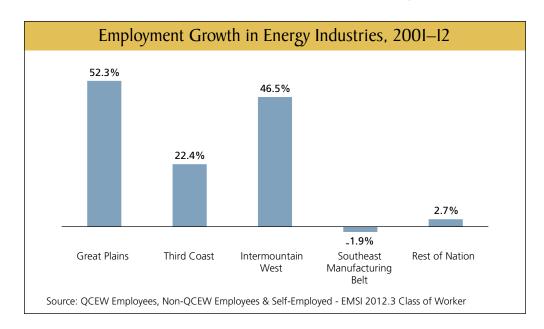
In the growth corridors, Texas, Oklahoma, and Colorado have created the most new energy-related jobs. Texas alone has added more than 200,000 jobs in its

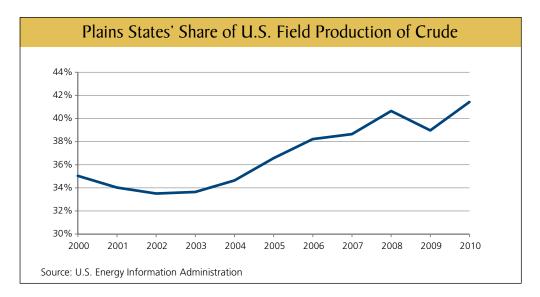
oil and gas sector over the past decade; Oklahoma has gained some 45,000. These jobs have been an outstanding driver of high-wage employment, with an average salary of over \$75,000 a year. 40 Reckoned as a percentage of new jobs, energy development had the greatest impact in North Dakota, which has seen a fourfold increase in such positions since 2000.

This exceptional growth is concentrated, at least in part, in the corridors because other regions have chosen not to exploit their resources. Neither California, with its vast oil and gas resources, nor New York, with its sizable shale reserves, has moved to develop these assets—despite the fact that in New York State, Manhattan Institute studies show that such development would bring in \$1.7 billion for the state economy by 2015.⁴¹

In contrast, the energy boom has created an enormous surge in high-wage jobs across the three affected corridors, which has helped them stave off the worst effects of the recession.⁴²

This energy boom has had perhaps its most disproportionate impact in the economies of the Great Plains. Over the past decade, that region has added nearly 150,000 energy jobs, which pay well above

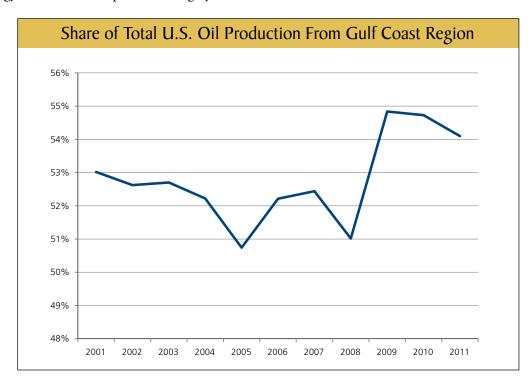


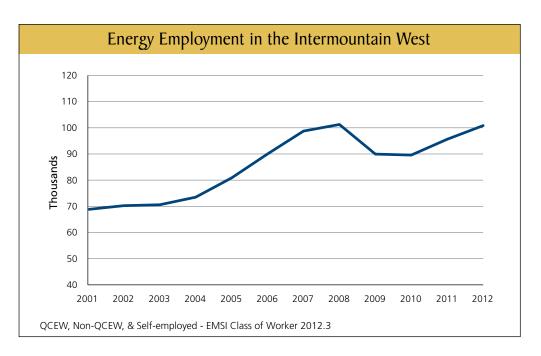


the national average. Most major metropolitan areas in the Great Plains gained energy jobs over the past decade. Dallas–Fort Worth gained more than 17,000; Oklahoma City, 16,000; and Midland, Texas, more than 10,000.⁴³ This growth continued through much of the recession.

Like the Great Plains, the Third Coast has ridden the energy wave. The area produces roughly half the country's oil and—after the setback of the Deepwater Horizon blowout in 2010, which caused considerable dislocation—now seems set to increase its output in the coming decades. Among America's major cities, none has benefited more from the surge in energy jobs than Houston, home to more than 230,000 energy workers.⁴⁴

The Intermountain West's ascendancy, like that of the Third Coast and the Great Plains, stems largely





from commodity development, particularly energy. Over the last decade, the area has added more than 14,000 energy-related jobs, contributing to the growth of ancillary services in cities such as Denver and Salt Lake City.

Unless it is stopped by regulatory constraints, this energy boom could be just in its infancy. New finds in the Wattenberg Field north of Denver alone could contain more than a billion barrels of recoverable oil and natural gas, placing it on the same level as the huge Eagle Ford find in south Texas and the Bakken Field in western North Dakota. Another find, the Green River formation in Wyoming, could contain an astounding 1.4 trillion barrels of oil shale.⁴⁵

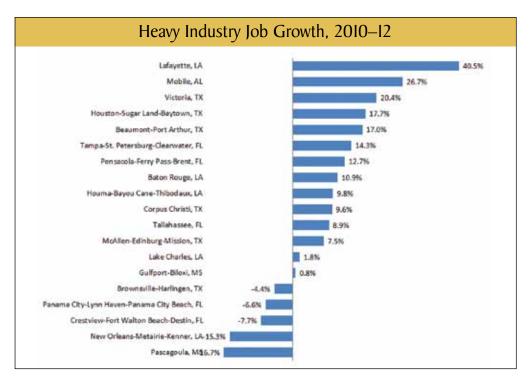
The Manufacturing Boom

There are a number of reasons to expect widespread industrial expansion in the growth corridors. One is the energy boom that we've mentioned. Energy-sector expansion will boost manufacturing along the Gulf Coast, with its burgeoning petrochemical complex. The boom could also create, according to a recent PricewaterhouseCoopers study, more than a million industrial jobs nationwide to supply the industry and

will result in lower energy costs. 46 Investment in large manufacturing plants is now conducted carefully, weighing a host of factors such as incentives, taxes, real-estate conditions, and workforce. Strong probusiness regimes place the corridors in an excellent position for future growth.

Other drivers will spur increased manufacturing production in all four growth corridors, particularly the Southeast. According to a recent Boston Consulting Group report, rising wage rates in China, the advantage of nearness to the huge North American market, and technological advances are all making domestic manufacturing increasingly attractive. This "reallocation of global manufacturing," the report maintains, "is in its very early phases." This, it concludes, will make some U.S. states—such as South Carolina, Alabama, and Tennessee—"among the least expensive production sites in the industrialized world."

Given the huge productivity gains associated with modern manufacturing, the overall job impacts of this trend will not be huge. But industrial growth tends to spark expansion in service sectors⁴⁸ and attracts considerable investment into communities where new plants open.

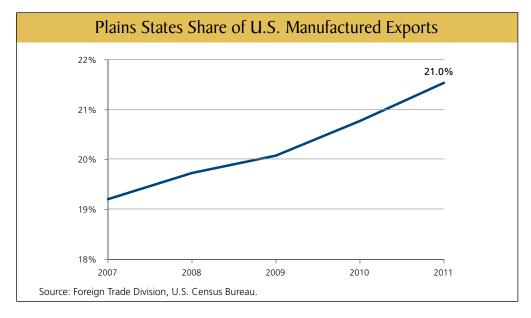


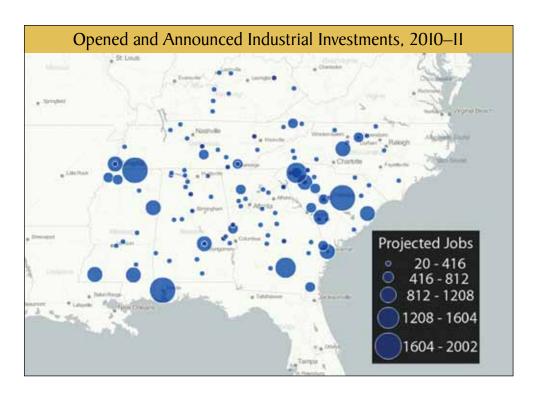
Industrial growth has shifted from other parts of the nation to all the corridors. Partly because of favorable business conditions, manufacturers in the Great Plains region survived the Great Recession with fewer layoffs than the rest of the country. Since 2010, industrial employment has expanded at twice the national rate across the Great Plains region, with the greatest gains in the region's smaller cities. Since 2007, the

region's share of manufactured exports has grown from 19 percent to 21 percent of the nation's total.⁴⁹

A New Industrial Heartland

The corridors' strong pro-business culture is particularly critical for tangible industries. Over the past decade, many states along the Third Coast have been





primary beneficiaries of new petrochemical plants, establishments rarely sought after in the Northeast or California. This is particularly notable in Houston, which has had one of the strongest increases in manufacturing over the past decade of any major city.

The Southeast corridor's increasing focus on heavier industry—notably, automobiles and related suppliers—provides generally better-paying employment than its traditional manufacturing, which was concentrated in lower-wage industries such as textiles and furniture. Several factors have contributed to the Southeast's ascendancy in heavy manufacturing. Land is cheap and plentiful, and the area is serviced by a good transportation system, including access to ports. ⁵⁰ In fact, South Carolina exports more automobiles than any other state through its port of Charleston—many produced by the mammoth BMW facility in Spartanburg. In 2011, the state boasted a 21 percent increase in exports, largely from manufactured goods. ⁵¹

The low rate of union membership in the region could also be a factor attracting industry. The percentage of workers in every southeastern state who belong to a union falls well below the national 2011 average of 11.8 percent.⁵² In the Carolinas, as well as Georgia and Tennessee, the rate is below 5 percent.⁵³ Even Alabama, with the highest union percentage in the region, stands at 10 percent, still below the national average.⁵⁴

In traditional heavy industries in the Southeast, much of the decade's growth has come from overseas firms, which generally lack legacy relationships with established unions. Ever since Toyota opened up a plant in Georgetown, Kentucky, in 1985, attracting foreign automakers has figured greatly in regional economic development. The Southeast witnessed a flurry of new automotive assembly efforts in 2011—perhaps most notably, Toyota's Blue Springs plant. And Mercedes-Benz announced that it will invest \$350 million to add capacity to its plant outside Tuscaloosa, joining Navistar, the nation's top manufacturer of school buses and medium-duty trucks, which also announced plans to expand in Alabama.

The vast majority of new U.S. investments made by auto companies have come into this corridor,

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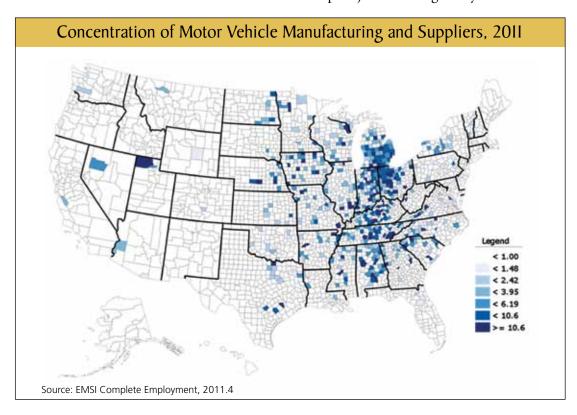
catapulting Alabama and Kentucky into the nation's fourth- and fifth-largest producers of cars and trucks. ⁵⁵ Almost a quarter of all project announcements made in Alabama during 2011 were related to the automotive sector. ⁵⁶ The automobile-manufacturing sector in Alabama grew an astonishing 466 percent between 2001 and 2011. ⁵⁷

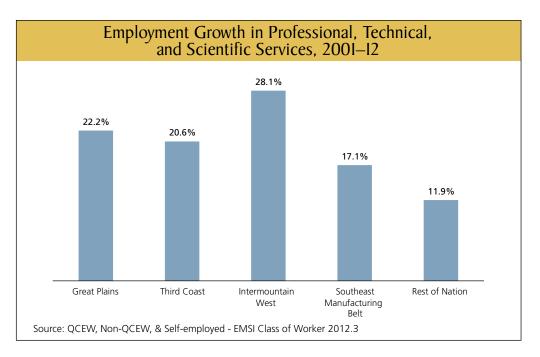
In neighboring Tennessee, 11 automotive-related projects totaling \$300 million have been announced since summer 2011. ⁵⁸ Although most new developments are tied to foreign auto manufacturers, GM announced in September 2011 that it would make an initial investment of \$61 million in its previously shuttered assembly plant in Spring Hill, Tennessee, to manufacture the Chevrolet Equinox. ⁵⁹ Volkswagen recently announced plans to hire 800 more workers at its Chattanooga plant to meet demand for its popular Passat model, boosting total employment at that plant to 3,700. ⁶⁰ A commissioner from the state's economic development office recently said that a third of all manufacturing jobs in Tennessee now relate to the automotive sector. ⁶¹

As a result of all this automobile-related expansion, the Southeast is rapidly emerging as a serious rival to the traditional Great Lakes—based industrial belt. Companies such as Mercedes, Honda, and Hyundai have established complex supplier chains, linked largely to the industrial Third Coast port of Mobile. The Southeast is rapidly becoming a prime competitor not only of the industrial Midwest but of firms in Europe, Asia, and Latin America.

Booming Aerospace and High-Tech

The Southeast has also moved aggressively into aerospace and other high-tech industries. Airbus recently opened a \$600 million plant in Mobile, and Boeing has announced plans to assemble its new Dreamliner in Charleston. Mississippi, too, has seen marked growth in aerospace,⁶² while Georgia's burgeoning aerospace industry is ranked sixth in the nation.⁶³ The Third Coast corridor stretching from Florida to Louisiana trails only California, Toulouse (France), and the Seattle-Tacoma region in the number of aerospace jobs created globally.⁶⁴



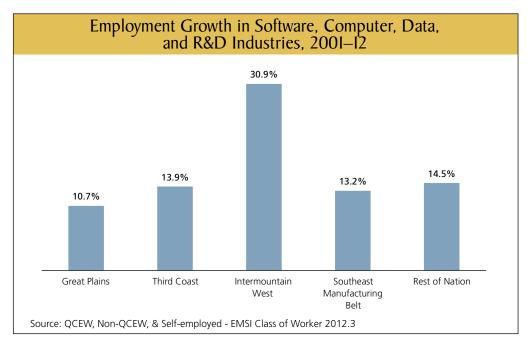


Technology-based growth has become more commonplace throughout the four corridors. All the corridors have greatly outperformed the rest of the country in creating new science, technical, and professional jobs.

and the Salt Lake—Provo metropolis, has had the highest growth in professional, technical, and scientific services—an astounding 30 percent, more than twice the national average and the highest of any of the corridors.

The shift to high tech has been most dramatic in the Intermountain West. The area, particularly Denver

Nowhere is the shift toward the Intermountain West clearer than in Utah. There is now a plethora of high-



tech firms, including Intel, Adobe, Twitter, and eBay, with large operations along Utah's Wasatch Front from Salt Lake City to Provo.⁶⁵

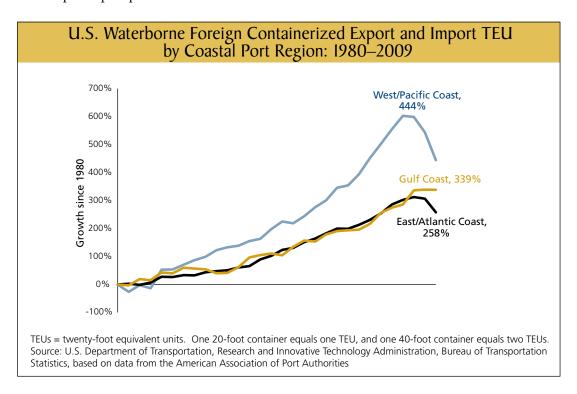
This development is not hard to understand. Energy costs in Utah are almost 50 percent below those in California, and Colorado's costs are lower by a similar margin. The cost of real estate for manufacturing in Utah and Colorado is 60 percent lower than in California. 66 Given the corridor's generally more favorable business climate and lower housing prices, high-tech shifts from California to the Intermountain West are likely to continue, particularly as California continues to pursue a high-cost, high-tax approach to its economic future.

At some point, the Intermountain West could well become a true rival of Silicon Valley, as more trained workers and entrepreneurs flock to the area. Its already buoyant level of tech-based activity recently led the U.S. patent and trademark office to open its first branch in one of the corridors, based in Denver. Colorado already ranks tenth in the nation in per-capita patents.⁶⁷

The Rise of Latin America

The emergence of the corridors comes amid major changes in the nation's global focus. Increasingly, U.S. trade has been shifting toward Latin America, a fast-growing and nearby market. Rather than following the old east-west orientation, the country's future growth may be moving along a north-south axis, accelerated not only by Latin American growth but by the expansion of the corridor economies. There are several proposals to accelerate this process by developing new transport linkages from the Great Plains to the nation's southern rim.

This activity is most fevered on the Third Coast. Historically, the region, particularly its once-dominant city, New Orleans, was tied primarily to the planter economy of the Caribbean basin, as well as to markets in Europe and the Northeast. But in the late nineteenth century and into the twentieth, the focus of trade first favored East Coast ports, with easy connections to Europe, and then the West Coast, particularly the Los Angeles—Long Beach area, with its extensive direct links to Asia.



In the twenty-first century, this pattern has begun to change. Since 2003, the Third Coast's share of U.S. exports has grown from 10 percent to 16 percent and from \$76 billion to \$234 billion. The region is now home to several of the country's leading ports, led by Houston and New Orleans, which also boast the first- and second-fastest growth in custom district traffic among the top five districts, outpacing New York, Los Angeles, and Detroit.⁶⁸

This reflects a major shift in trade patterns. In the 1980s, California's Pacific ports overtook those of the East Coast to become the top import-export sites in the United States. But now, U.S. trade with Mexico, South America, and the Caribbean basin has expanded rapidly. Over the last decade, for example, Third Coast trade with South America and Caribbean countries increased by 167 percent, far outpacing increases in the region's trade with Europe and Asia.

The historical emergence of Latin America is critical to the Third Coast's development. With 600 million people, including a middle class of some 400 million, Latin America represents one of the world's great growth markets. Poverty, although still a reality for some 200 million residents, has dropped 17 percent since 1990. Latin America's total GDP is already larger than Russia's and India's combined—larger, in fact, than any region's besides the U.S., the E.U., and China.⁶⁹

In the future, many Third Coast ports will likely increase trade with Asia. The scheduled 2014 opening of an expanded Panama Canal, with double its current capacity, will likely shift some Asian trade from America's West Coast ports to its Third Coast. Houston will likely benefit most; the city expects a 15 percent jump in Asian trade after the canal expansion project is complete. In contrast to ports in the Northeast and California, virtually all the Third Coast ports—and many on the southeast littoral as well—are in the process of large-scale expansions.⁷⁰

PART 4: AMERICA'S FUTURE AND THE GROWTH CORRIDORS

he rise of the four growth corridors presents a great opportunity for the United States in the coming decades. Throughout history, as the historian Fernand Braudel notes, core economies "took advantage of the backwardness and inferiority" of the periphery.⁷¹ In the corridors, though, we see the periphery catching up to—indeed, outpacing—the twentieth-century core of the American economy. This development will do more than keep the U.S. economy growing: it will also spur new relationships between old urban centers and emerging ones—relationships that will be crucial to the new globalized economy of the twenty-first century.

To successfully navigate these changes, the United States will have to return to the kind of expansive agenda that characterized the country until recent times. Early in U.S. history, leaders such as Henry Clay and John C. Calhoun supported an elaborate infrastructure to link cities with less developed regions and generate greater economic growth. "Let us then bind the Republic together with a perfect system of roads and canals. Let us conquer space," Calhoun suggested.

These "internal improvements," to use the nine-teenth-century phrase, were long a fundamental American strategy for economic growth. The development of canals, followed by the rail, freeway, and air-transport system, bound this vast country together, creating the greatest economic power in world history. The New Deal and its political successors, including the Eisenhower administration's emphasis on water development, power, and transportation, set the stage for the country's great postwar boom.⁷²

Policymakers in the corridors as well as outside need to remember the critical role that our continental expanse has played in our past and could play in our future. For better or worse, America will never be orderly and dense like Japan or Korea, nor will it be a capital-city-dominated economy such as the United

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Kingdom or France. Instead, the United States is a constantly changing mosaic of boom regions, mature regions, and declining regions. Opportunities for migrants, companies, and investors arise from accepting this pattern and recognizing where it is playing out. This was true in the previous two centuries of American history, and it remains true today.

We expect that over time, the emerging four corridors will act as a counterweight to the more steady-state, slower-growth alternatives espoused along the Pacific and in the Northeast. In California, the "Texas model" has already become a political issue, with even the state's Democratic lieutenant governor pointing out that some aspects of the Lone Star State's job-generating policies might merit greater attention in Sacramento.⁷³

The biggest challenge that corridor success poses to conventional wisdom is in the realm of energy. The relatively weak economic performance of alternative energy—notably, solar and wind—may finally dawn on our policymakers. Regions committed to a rapid transition to "green" energy, such as California, have

seen energy prices skyrocket and have experienced only a small number of new, largely subsidized "green" jobs.⁷⁴

Unless there is an unexpected shift in the political economy of the great coastal metropolises, the corridors and especially their ascendant cities—Houston, Dallas—Fort Worth, Nashville, Charlotte, Raleigh, New Orleans—will pace our future growth. These regions will continue to compete, often successfully, with more established areas in everything from tech and manufacture to finance and culture. Adding their vitality to what already exists can only further strengthen the long-term prospects for this country.

The American story is not near its end, and its economic geography will continue to drive its trajectory. "He would be a rash prophet," Frederick Jackson Turner suggested around the turn of the last century, "who should assert that the expansive character of American life has now ceased. Movement has been its dominant fact, and, unless this training has no effect on a people, the American energy will continually demand a wider field for its exercise."⁷⁵

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