

Empirical Exercise 1 Agglomeration

The purpose of this assignment is to determine the agglomerative industries in a particular city.

Attached to this assignment sheet you will find your email address, and city (MSA). This will be your city for all of the empirical exercises for this semester. In this exercise you are to research the employment patterns in your city, to find what is agglomerated there and what the city's specialized industries are.

There are three kinds of information that you must weave together to discover the agglomerative industries in your area.

1. Do a bit of research on your city. What industries were important in the city's founding? Do those founding industries still exist, did they evolve into something else, or is the city's economic base something entirely different? What does the city say about itself? Check the chamber of commerce or similar official or semi-official websites for clues.

2. The website

<http://censtats.census.gov/cbpnaic/cbpnaic.shtml>

is the homepage for "County Business Patterns", which documents employment by industry and location. On this page you will see a link to "Metro Business Patterns" which documents this information for MSAs. Click that, and then find your MSA in the menu at the top. Click to get your data.

You will now see a list of industries, each with a two-digit code. These data are generally not detailed enough to get a sense of agglomeration. For that, you need to click on the "Details" button on the left. For each two-digit sector, the "Details" button provides employment data on three, four, or even more detailed industry counts. If the sector doesn't exist in that area, it won't be listed. The fact that a sector is listed means it might be a basic, agglomerative sector. But more importantly you should be looking for *detailed* sectors with a *relatively good number of firms* and *relatively large number of employees*. You should always check the manufacturing sector, but other kinds of service sectors might be important for your city. If it's a tourist city, then hotels and amusement parks might be important, for example.

3. You can use *location quotients* to aid you in determining the sector's importance. The location quotient for an industry is

$$\frac{\frac{\text{City employment in industry}}{\text{Total city employment}}}{\frac{\text{US Employment in industry}}{\text{Total US employment}}}$$

If the LQ is greater than one, it indicates ‘excess’ employment in the city-industry, and the excess is presumably meant for export. Total employment for your city is available on the city’s mother page. US data is available by going to the URL above and going to the top link (County Business Patterns) and on the “Select State” menu, clicking on United States.

Write up your results, detailing the information you have uncovered using all three methods, in a 2-3 page report. Provide a table with the basic sectors you have determined apply to your city, and the number of employees and firms in each sector. Indicate somehow which of these sectors are agglomerating because of scale and which are important because of localization economies. Indicate further whether and how the agglomeration is due to natural resources.