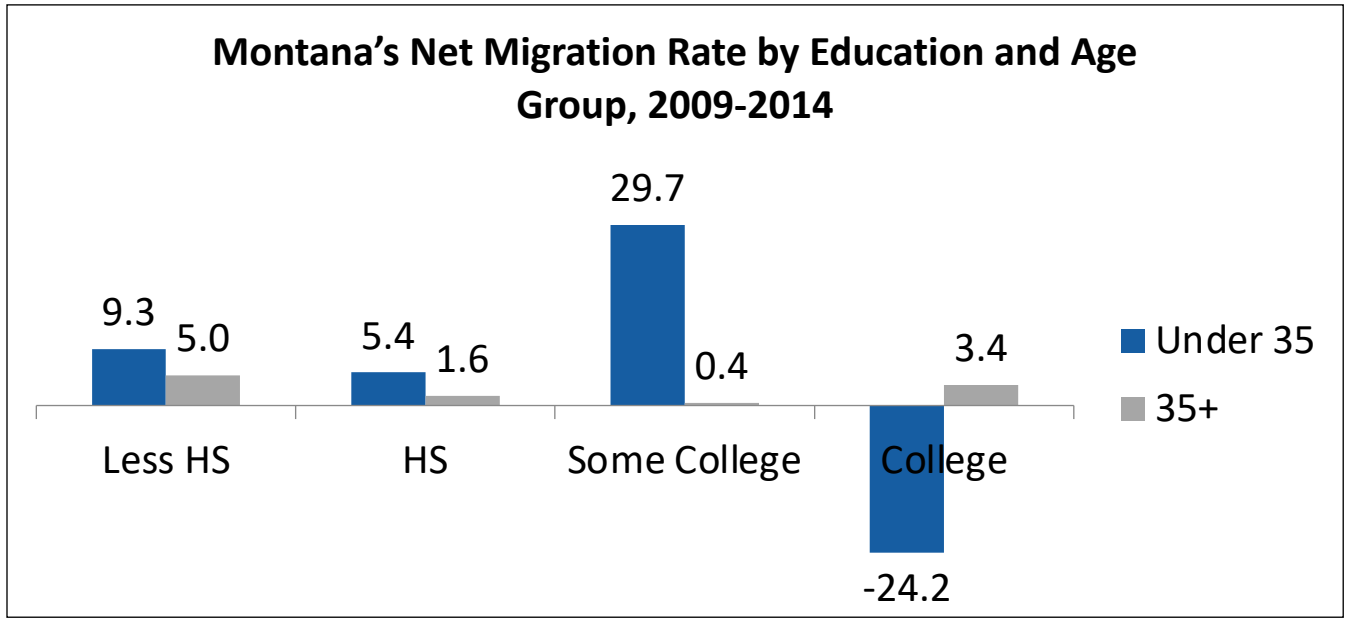

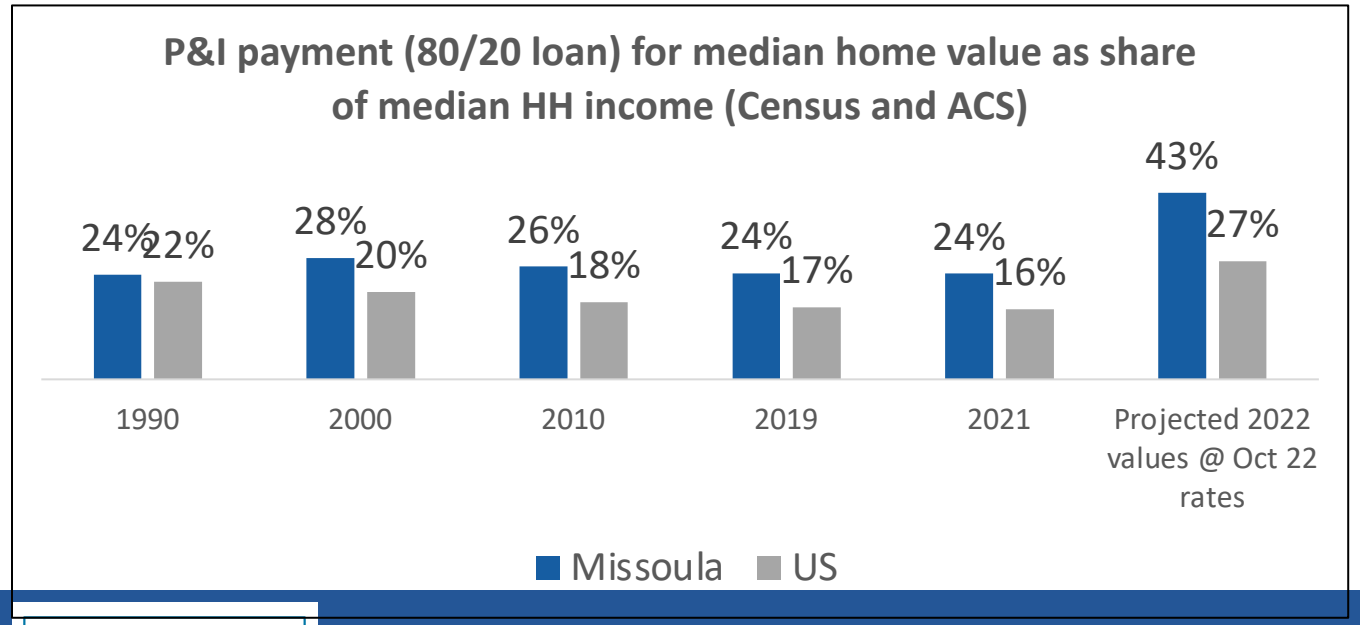

Missoula's Economic Challenges: Looking back and looking forward

Bryce Ward

October 19, 2022

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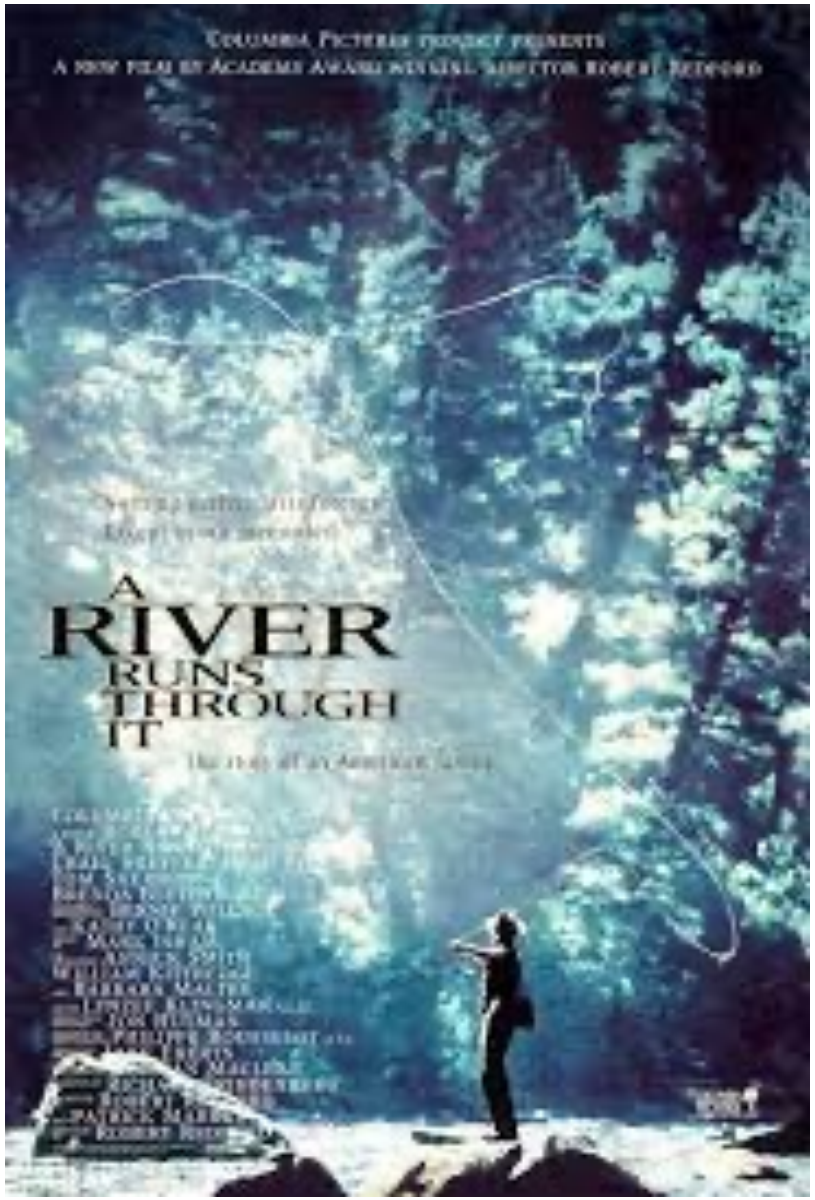

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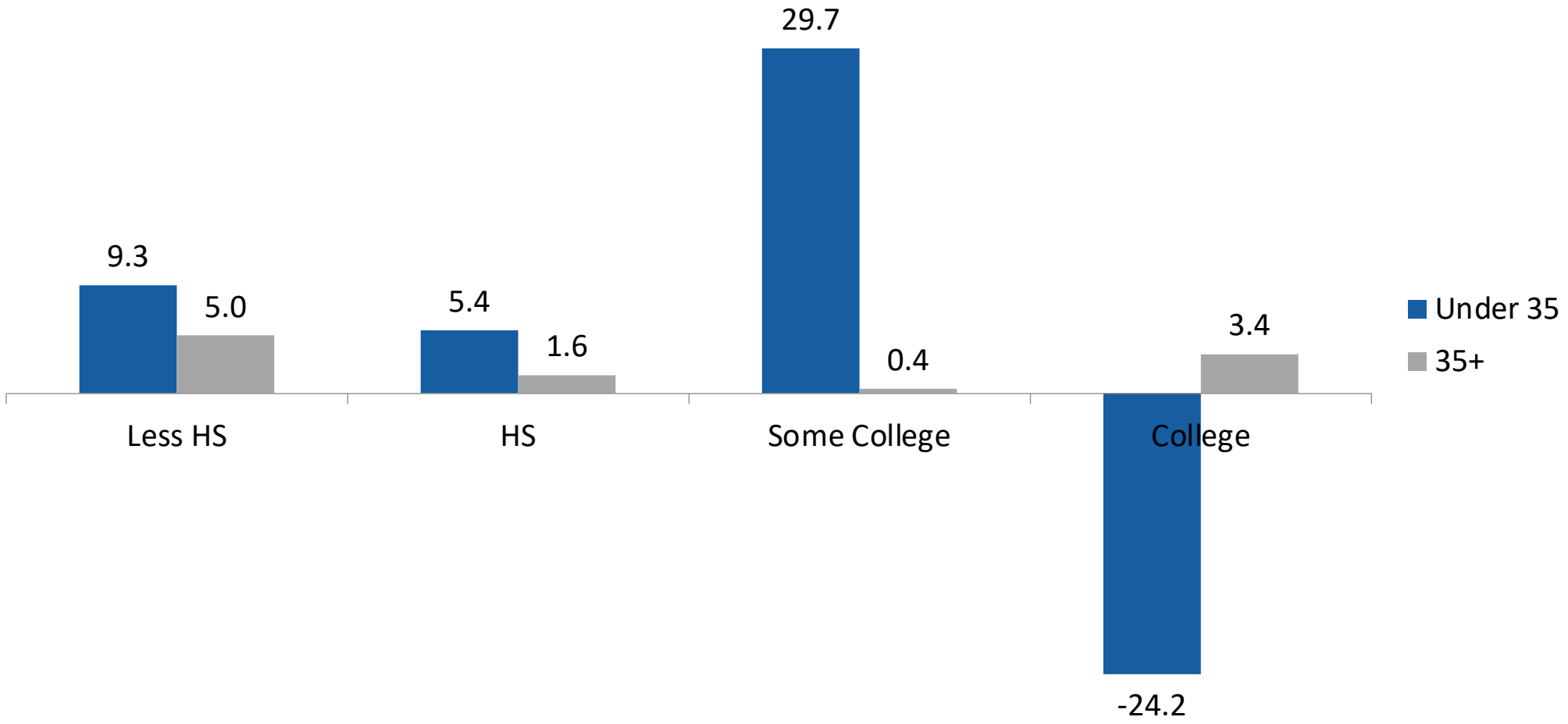
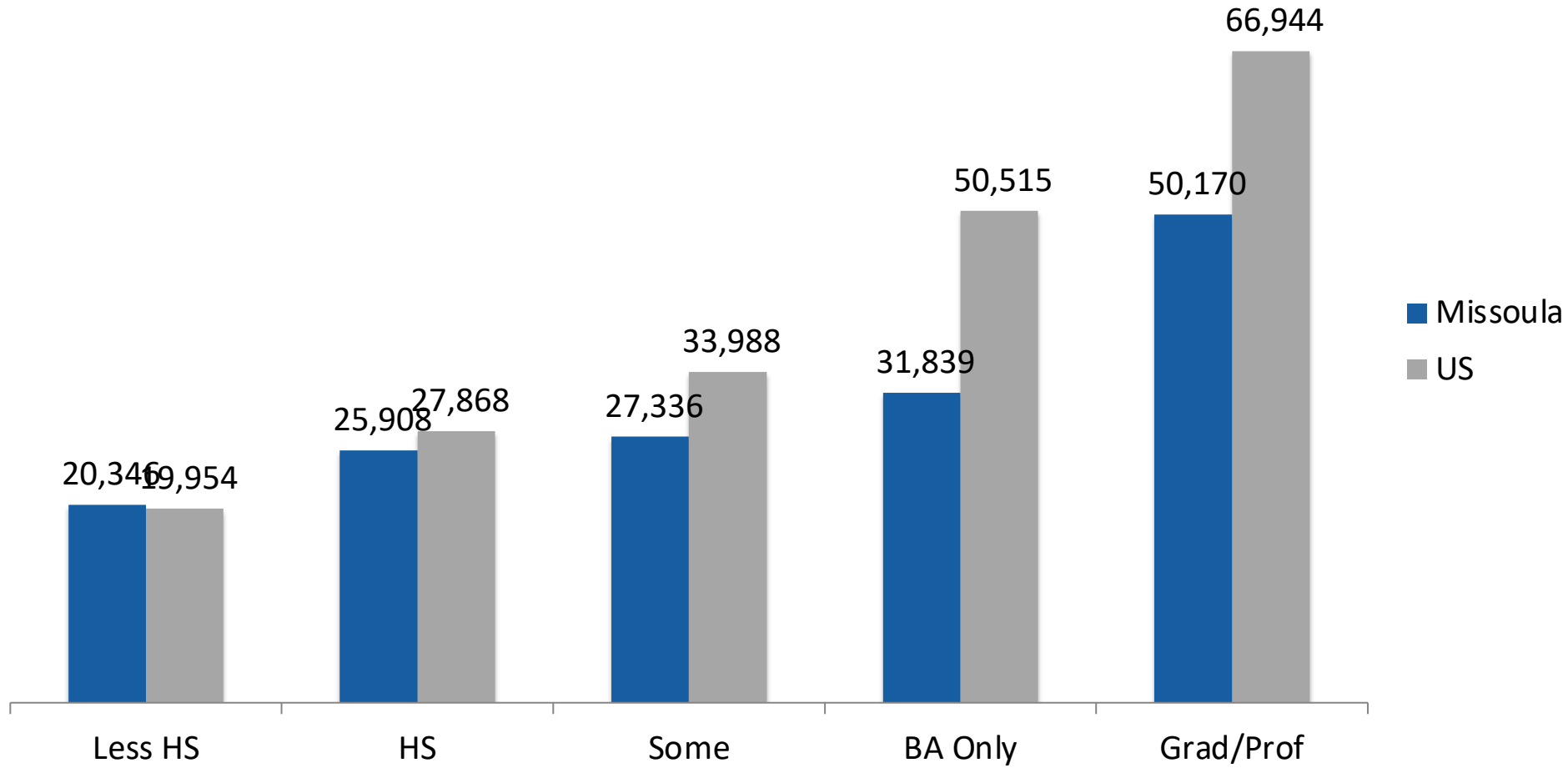
Montana's Net Migration Rate by Education and Age Group, 2009-2014



Analysis of American Community Survey 2009-2014 public-use microdata obtained from IPUMS-USA

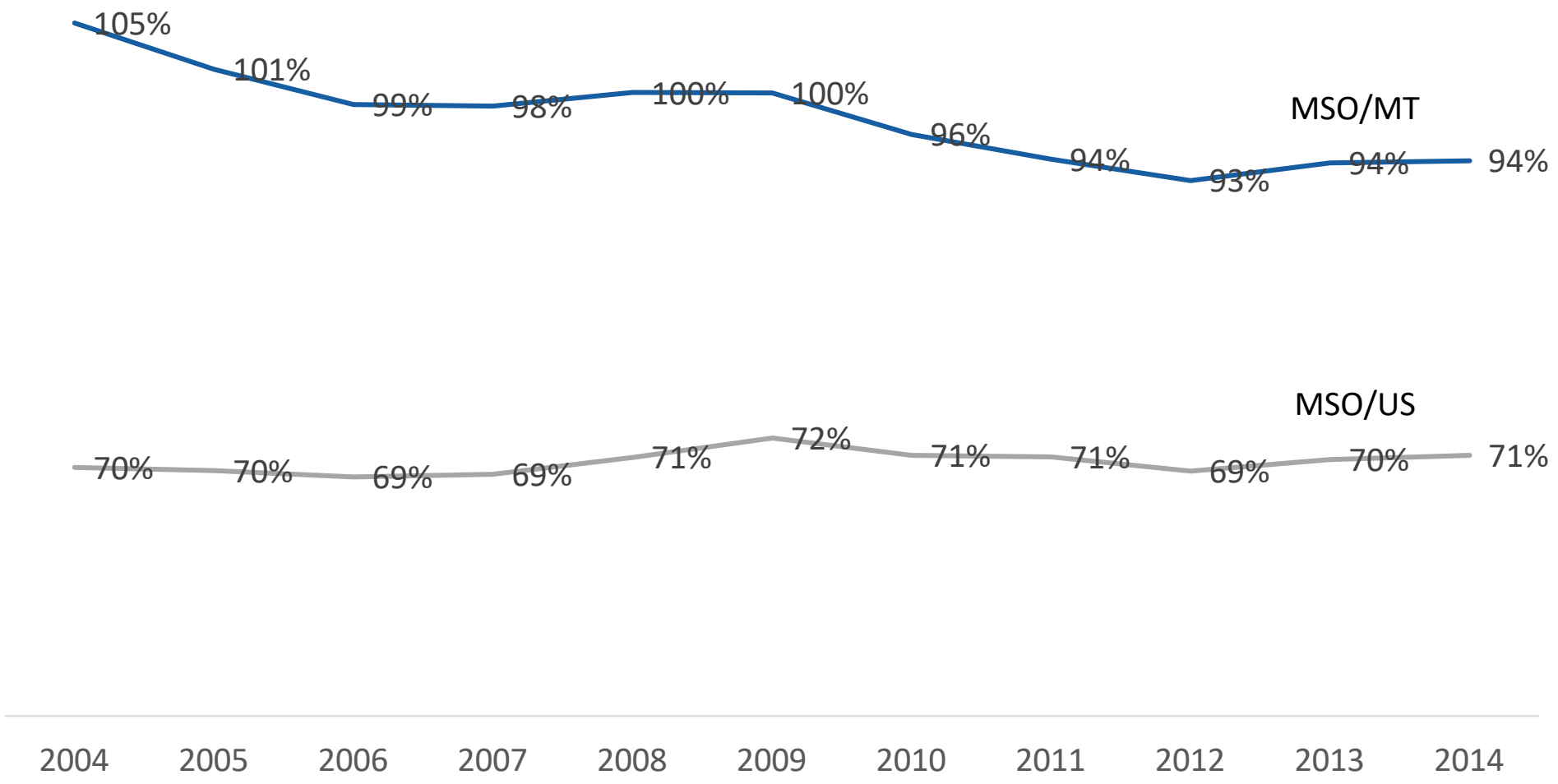
Median Earnings (ages 25+) by educational attainment, 2014



Analysis of American Community Survey

AβMJ CONSULTING

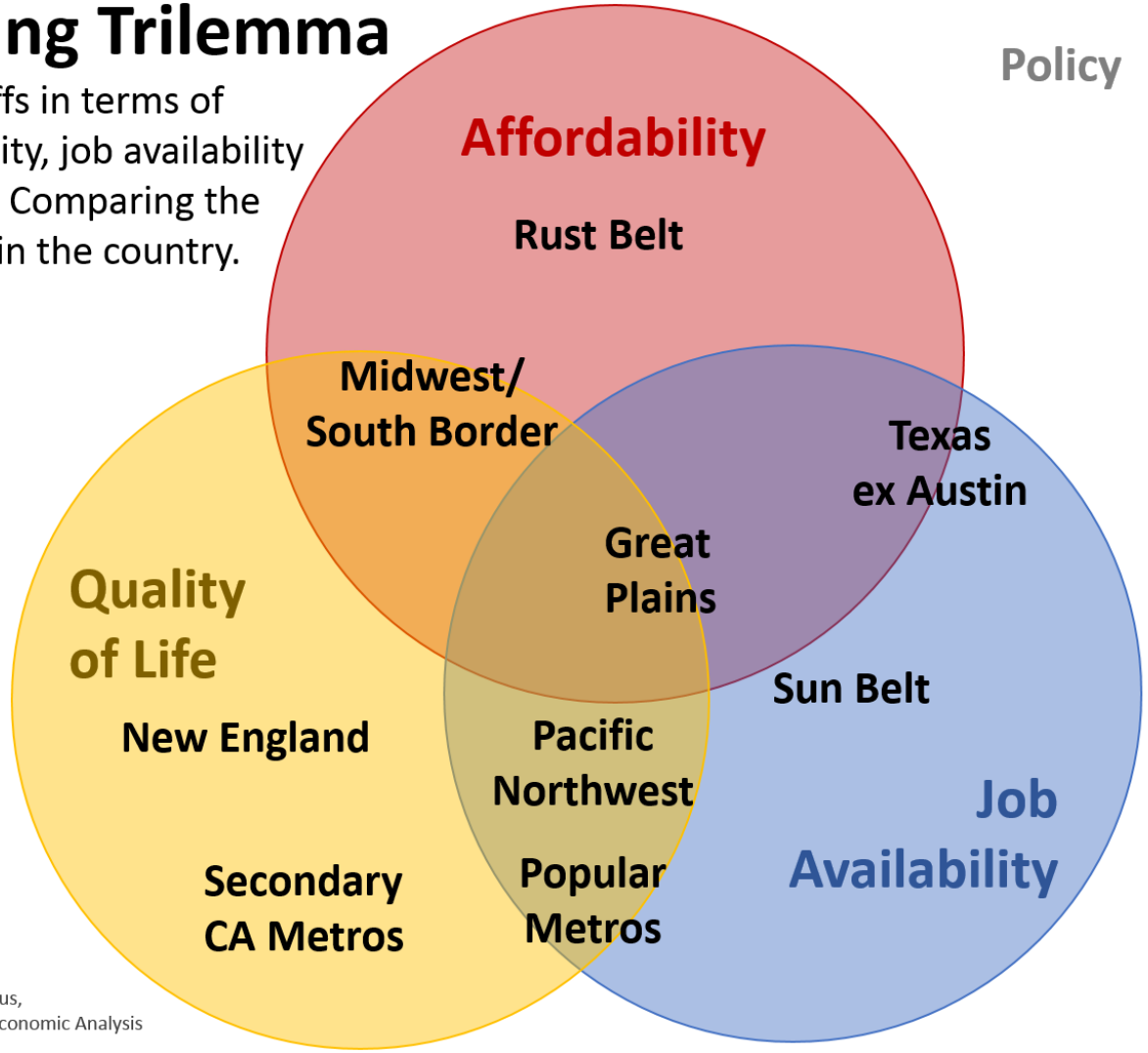
Missoula compensation per worker as % of MT and US, 2004-2014



Analysis of personal income data obtained from Bureau of Economic Analysis

The Housing Trilemma

Cities face tradeoffs in terms of housing affordability, job availability and quality of life. Comparing the 100 largest MSAs in the country.



Source: David Albouy, BEA, BLS, Census,
IHS Global Insight, Oregon Office of Economic Analysis

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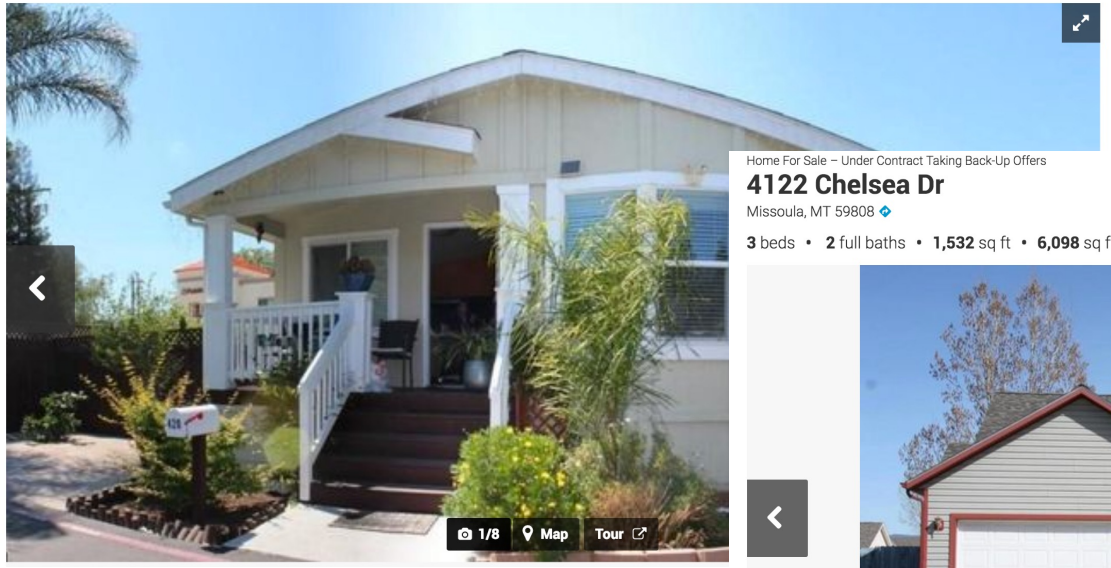
Missoula as of 2016

Quality of life good.

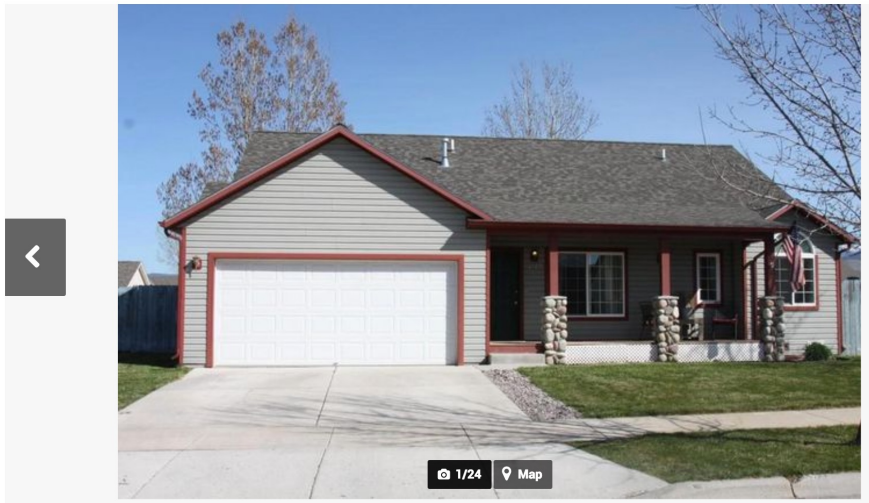
Cost of living, cheaper than many places (but rising over long run)

3637 Snell Ave Spc 420
San Jose, CA 95136
3 beds • **2** full baths • **1,344** sq ft

$259,900
Estimate Payment | View Rates



Home For Sale – Under Contract Taking Back-Up Offers
4122 Chelsea Dr
Missoula, MT 59808
3 beds • **2** full baths • **1,532** sq ft • **6,098** sq ft lot



Presented by **Curtis Team**
Brokered by **Caras Real Estate**

Home For Sale – Active
2304 S S 48th St
McAllen, TX 78503
4 beds • **2** full , **1** half baths • **3,060** sq ft • **9,104** sq ft lot

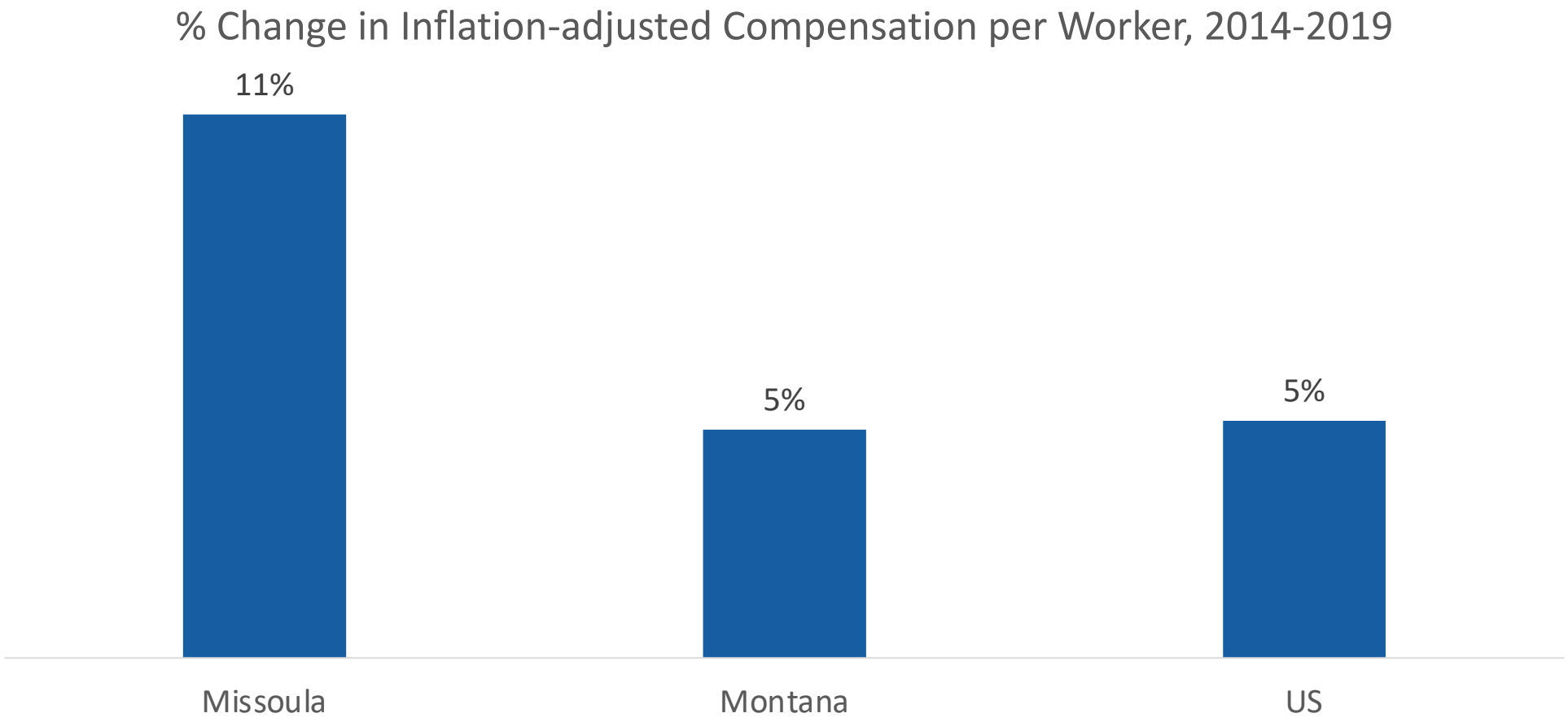
Veterans: Get Your Quote for a VA Home Loan
$255,000
Estimate Payment | View Rates

Prequalify for a Home Loan With Actual Lenders
$254,900
Estimate Payment | View Rates

Brokered by **RE/MAX elite**

=> Missoula needs to increase opportunity and wages, particularly by creating high wage jobs.

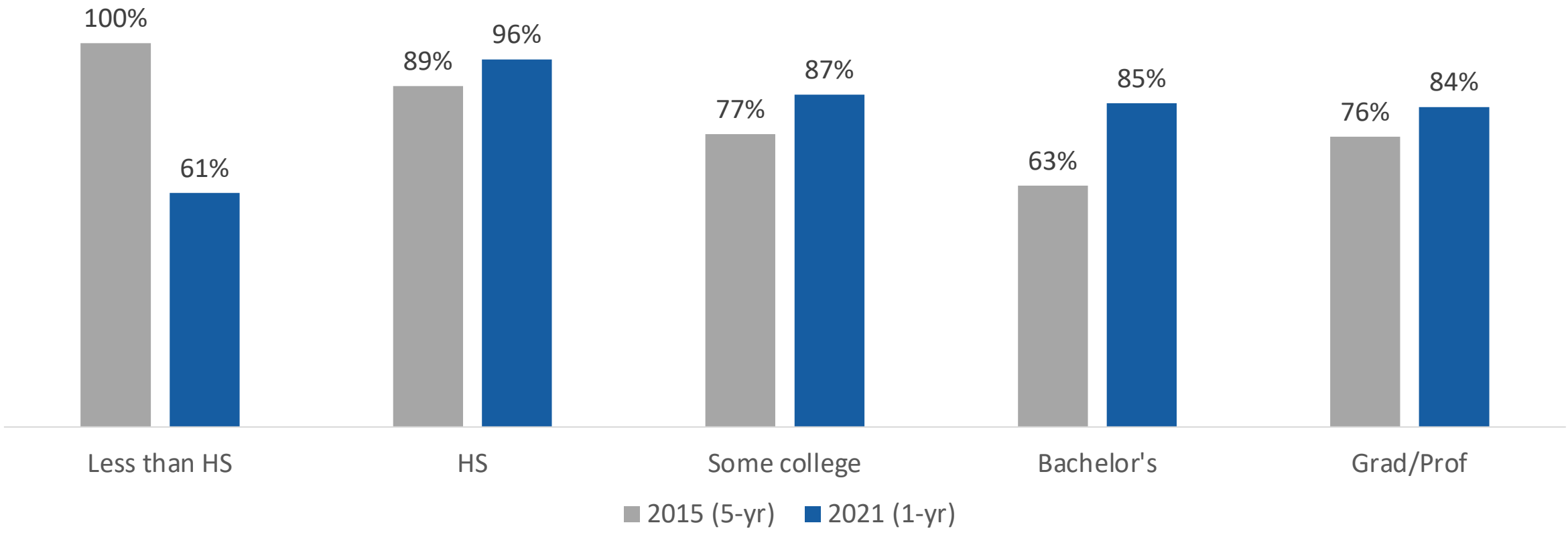
Missoula made progress boosting wages.



Analysis of personal income data obtained from Bureau of Economic Analysis

AβMJ CONSULTING

Median earnings by educational attainment, Missoula as % of US, 2015 vs. 2021

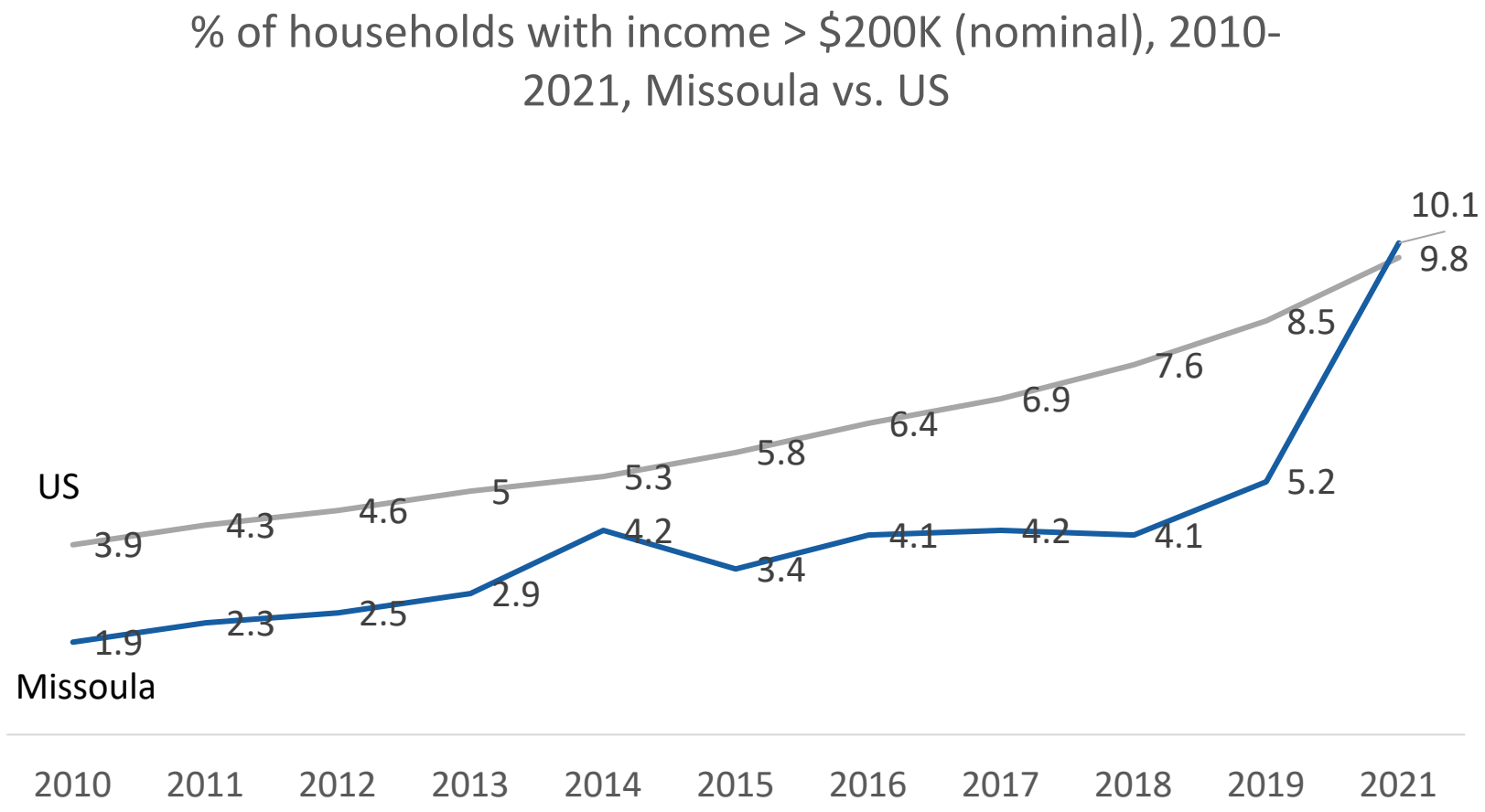


Analysis of American Community Survey

Success + Pandemic => New problems

Creating high wage jobs creates real benefits, but has some side effects (i.e., it creates different problems).

Post-pandemic WFH weakens the importance of job opportunities and changed migration patterns.



Analysis of American Community Survey

Anyone want to guess what our $250K house from six years ago is worth now?

Home For Sale – Under Contract Taking Back-Up Offers

4122 Chelsea Dr

Missoula, MT 59808

3 beds • **2** full baths • **1,532** sq ft • **6,098** sq ft lot

Prequalify for a Home Loan With Actual Lenders

$254,900

Estimate Payment | View Rates

Presented by **Curtis Team**

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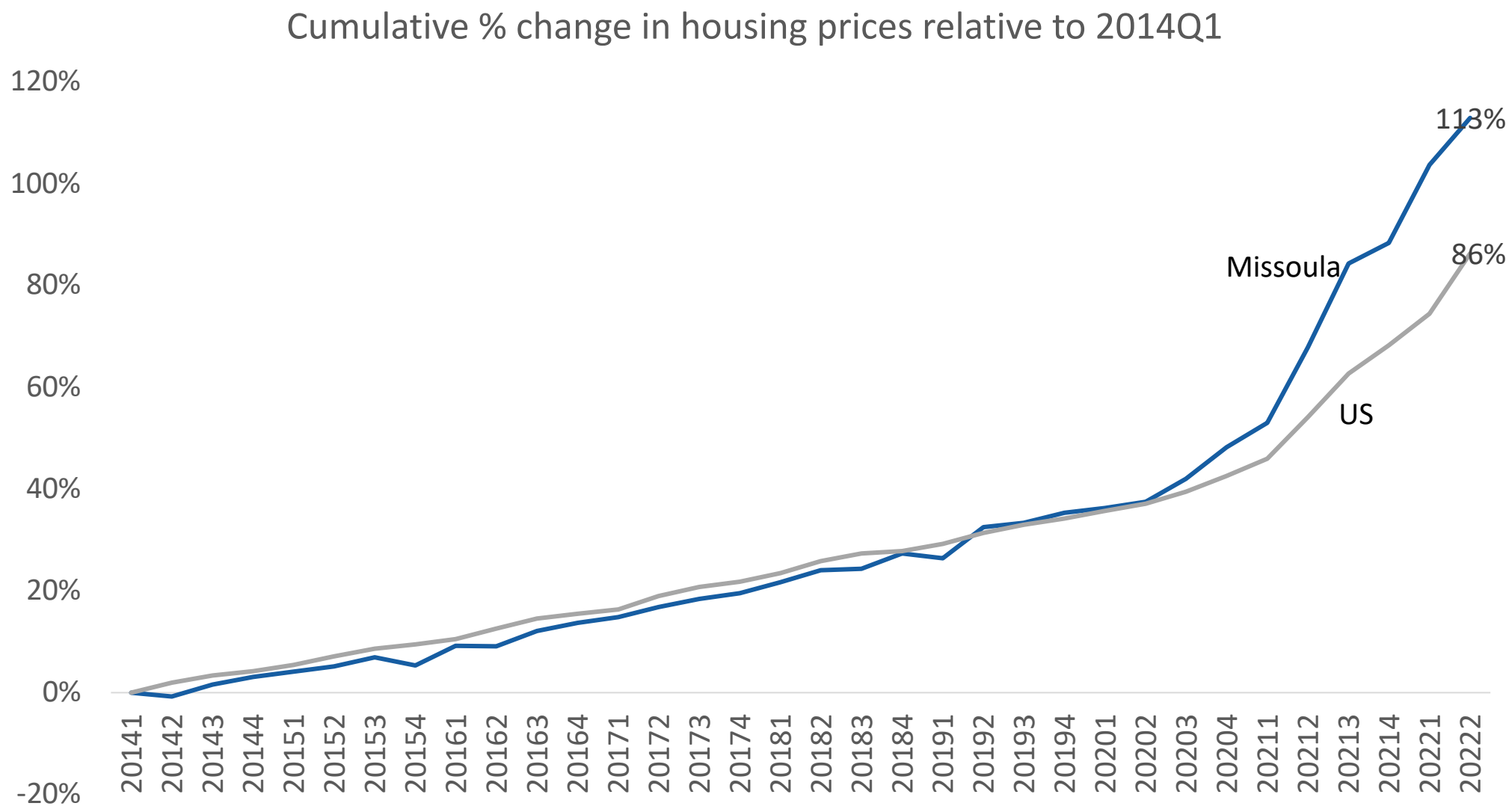
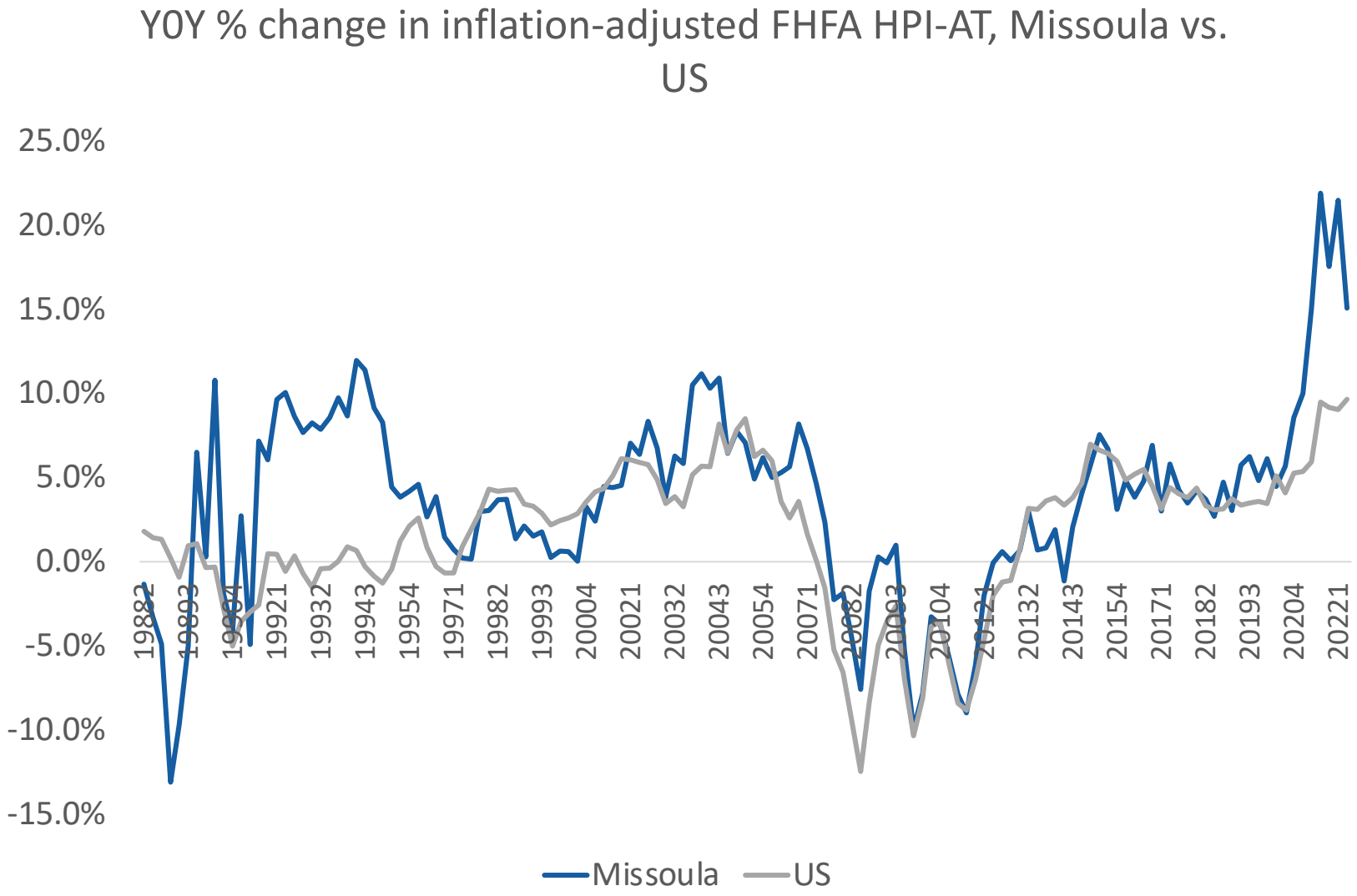


Analysis of FHFA All Transactions House Price Index.

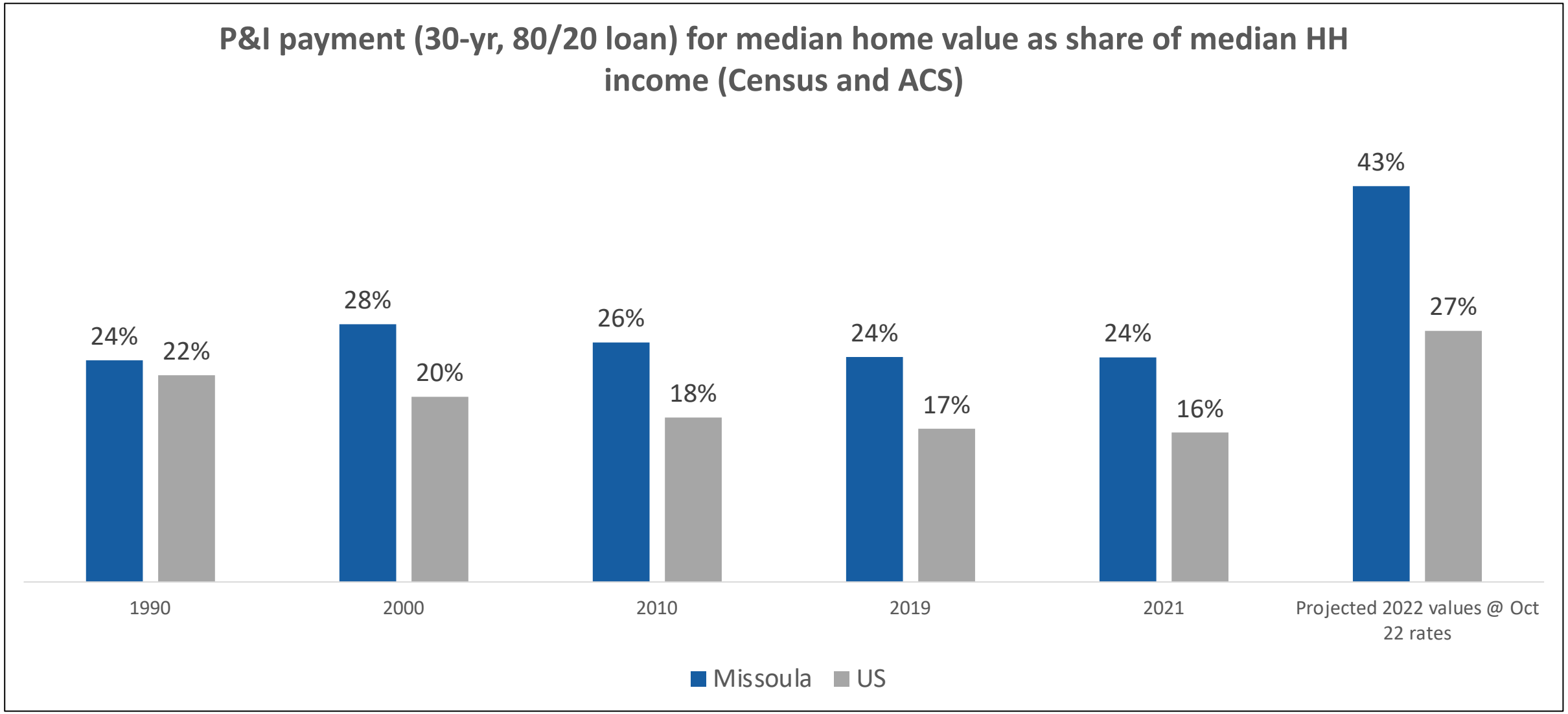
This isn't the first time Missoula experienced a housing boom larger than US

Booms do not last forever (Booms are followed by busts or at least slow downs).

Falling interest rates + rising income => the share of income required to make mortgage payments was fairly constant in Missoula until very recently.



Analysis of FHFA All Transactions House Price Index.



Analysis of Decennial Census and ACS data, mortgage rates obtained from FRED.

So, our issues are constantly changing due to exogenous shocks (e.g., pandemic, recession, global economic changes) but also endogenous shocks (e.g., as we succeed addressing an issue, we may create new ones).

Evaluating economic changes/policies is more complicated than often assumed.

How much does “shock” boost income (e.g., by boosting employment rates, hours worked, or wages) throughout the distribution?

Cost of living varies across people in the same place, so how much does shock change cost of living throughout the distribution?

Are income gains large enough to offset cost of living increases?

Potential effects of job gains vary by the type of job

Direct effects -- an increase in demand for a group => more employment and earnings for that group.

Price effects – increase in demand for any group raises cost of living

Indirect effects – increase in demand for a group may affect other groups:

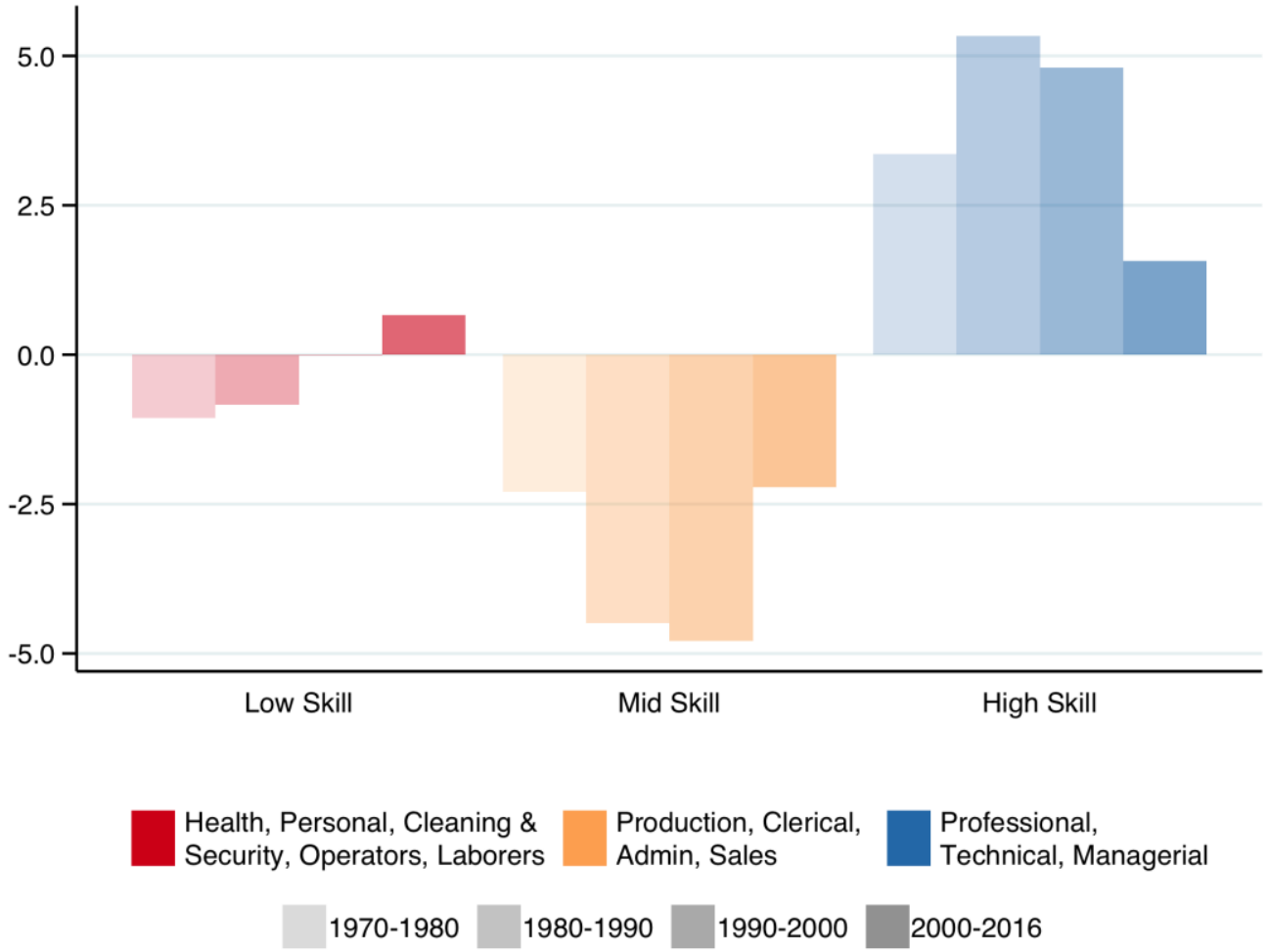
- Multiplier – increase for one group boosts others
- Adverse spillovers – higher local costs make some local industries unviable reducing demand for affected groups (e.g., higher costs make some manufacturing unviable reducing manufacturing jobs).

Historically, most local economic policy discussions focused on direct and multiplier effects. Learning more about price and adverse effects.

Rising inequality/labor market polarization has made price impacts/adverse spillovers more salient.

It's gotten harder for people without higher education to find solid middle class jobs whose wages keep up with rising cost of living, particularly in areas with lots of high wage, knowledge jobs.

Figure 4: Changes in Occupational Employment Shares among Working Age Adults, 1970 - 2016



Autor, D. (2019). *Work of the Past, Work of the Future* (No. w25588). National Bureau of Economic Research.

While our understanding of these issues has improved, we've been dealing with them for awhile.

Lots of ideas for how to increase opportunity for people throughout the economy (all of which make sense):

- Manage cost of living (e.g., boost housing supply to limit potential price effects)
- Create more opportunities in high sectors (e.g., develop knowledge, creative, frontier jobs) to generate direct and multiplier effects
- Build bridges from low work to high work (e.g., increase education/training)

Boost traded-sector middle jobs (if possible)

According to Bartik (2022), adding middle jobs has the biggest effect on cost-of-living adjusted earnings for workers without a college degree.

For the Missoula commuting zone, he estimates that a one percent increase in:

- high jobs *reduced* real earnings for workers without a college degree by 0.88 percent,
- in middle jobs *increases* real earnings for people without a college degree by 2 percent
- In low jobs has effectively no effect on real earnings for people without a college degree.

Bartik, T. J. (2022). Mismatch in Local Labor Markets: How Demand Shocks to Different Occupations Affect Less-or More-Educated Workers in Diverse Local Labor Markets.

While many of the same problems exist as existed in 2016, success dealing with our old problems + exogenous shocks has changed(and will keep changing) the relative importance of different problems.

So the MEP sheepdog has to keep the herd from moving toward old problem areas but also needs to steer it away from the new problem areas.

That means doing lots of the same things (increase utilization of all types, make sure housing is affordable throughout distribution, improve education and training), but also some new things (more explicit focus on boosting opportunities for people where wages struggle to keep up with rising cost of living).