



A Tale of Two Cities: Lessons for the State

By Laura P. Keith

Growing up in rural northwest Iowa between two large cities, I never knew which one my mother would take the family to for our occasional marathon shopping trips. The conversation among my friends sometimes centered around which city our families went to: Sioux City, IA, only a 45 minute drive or Sioux Falls, SD, almost twice as far but known as a better shopping area?

As my siblings and friends received our college diplomas, instead of desiring the best shopping, we desired the best places to live, and mom was not making the decision for us any longer. Though parts of my family, including myself, ended up in different parts of the state, many of my classmates from high school and college who were seeking job opportunities and looking to stay in the area migrated to Sioux Falls. The determining factor was not the availability of retail, which continues to grow and improve in Sioux City, but job opportunity.

An article published at the end of 2004 by the South Dakota Business Review from the University of South Dakota's School of Business reports that the disparity between the two cities is not just anecdotal, but a trend. Author Ralph Brown sought to look at the facts and tell the story of how two very comparative cities took very different economic development tracks with drastically different results, including why recent college graduates might seek to join South Dakota over Iowa.¹

His findings are clear: In population growth, employment rates, and per capita income, Sioux Falls leads the way. Brown credits this improvement to the diversification of the Sioux Falls economy beginning in the late 1970s from one dependent on manufacturing to one based on services. If anything, Sioux City has become more dependent on manufacturing. This has led to lower population growth, lower employment rates, and less per capita income as the national and global economy force manufacturing to use more technology and less human capital.² The overall economic growth of Sioux City lags behind Sioux Falls, due to these factors.

What can Brown's "story" tell us about shaping Iowa policy? It gives further clues to those Iowans looking for ways to help the state stay vital in today's economy. A research group named "The Committee of 82," headed by former gubernatorial candidate Doug Gross, sought to find out just that — how Iowa needs to change in order to stay vital in today's economy with today's challenges, and even take a competitive edge among the surrounding states to actually grow, both in prosperity and population. The Committee's findings backed what Brown found in his review of the economies of Sioux Falls and Sioux City. The single leading factor that determines prosperity in a county or region is

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the per capita income of its citizens. Those regions making strides towards economic growth showed efforts to curb taxation and foster entrepreneurship through small business and livestock.³ Areas unable to attract major manufacturers, the traditional focus for bringing jobs and prosperity into a region, can focus instead on creating small businesses and utilizing new technology involving both crops and livestock in non-traditional ways. The Committee focused on rural Iowa, which covers the majority of the state, but its recommendations apply to urban areas as well.

The tax burden of each city was one factor not mentioned in Brown's report. However, according to the Committee, South Dakota's low income-tax rate and lack of corporate income-tax is one factor responsible for its per capita income, and thus economic growth. Iowa counties with lower property taxes compared with other counties in Iowa also experienced higher per capita income growth.⁴ Cities and counties along Iowa's borders constantly fight a tax war with competing border states. Iowa's state policy should be shaped to assist these cities in their battle for economic growth, and winning those battles will help win the war for a prosperous and growing Iowa overall.

The Iowa Legislature needs to vigorously encourage economic diversity, foster economic growth for small business, and relieve the tax burden on businesses and citizens alike in order to take the competitive advantage and increase the growth rate of Iowa's economy. Hopefully, cities like Sioux City can become leaders in economic growth and even surpass Sioux Falls, not just representing its citizens but Iowa as a whole. Raising a family back home in Iowa will become more than a dream for our expatriates and more realistic for our recent graduates.

ENDNOTES:

¹ Brown, Ralph J., "A Tale of Two Cities: Sioux Falls and Sioux City," *South Dakota Business Review*, Vol. 63, No. 2, December 2004, pp. 1-24.

² Ibid., 19-20.

³ Committee of 82, "Improving Economic Vitality in Rural Iowa: A Data-Based Approach," <<http://committeeof82.org>>, (March 7, 2005).

⁴ Ibid.

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