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## The Grand Valley Economic Index

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# The Grand Valley Economic Index

The Grand Valley Economic Activity Index is a monthly series which measures economic activity in the tri-county area of Kent, Ottawa, and Muskegon. It reports comparative economic activity and can be used to make comparisons with other months' values or with other similar indexes. It is adjusted for seasonal variation and for price level changes. This means that a change in the value of the index can be interpreted as a change in the physical quantity of economic activity not associated with the features of the calendar or with the price increases which we identify as inflation of the dollar. It is a general measure of economic activity, which means that it has been designed to answer the question: Are we better off, economically, this month than last month? Our interpretation of what is good, economically speaking, is reflected in our choice of index components. The choice of index components is also influenced by the availability of regularly published facts about the community.

## Components of the Composite Grand Valley Economic Activity Index

The index of economic activity is made up of five component indexes, each of which has a base-year value of 100 in 1977.

*Bank Debits* represent community check-writing activity. We believe that a community is better off in an economic sense when there is relatively more check-writing activity. A higher index value means greater sales, greater payrolls, more borrowing, and/or more public services. Bank debit information is provided by Old Kent Bank, Union Bank, Michigan National Bank, First Michigan Bank, Lumberman's Bank, Muskegon Bank and Trust, Peoples Bank of Holland, Peoples Bank and Trust of Grand Haven, and Security First of Grand Haven.

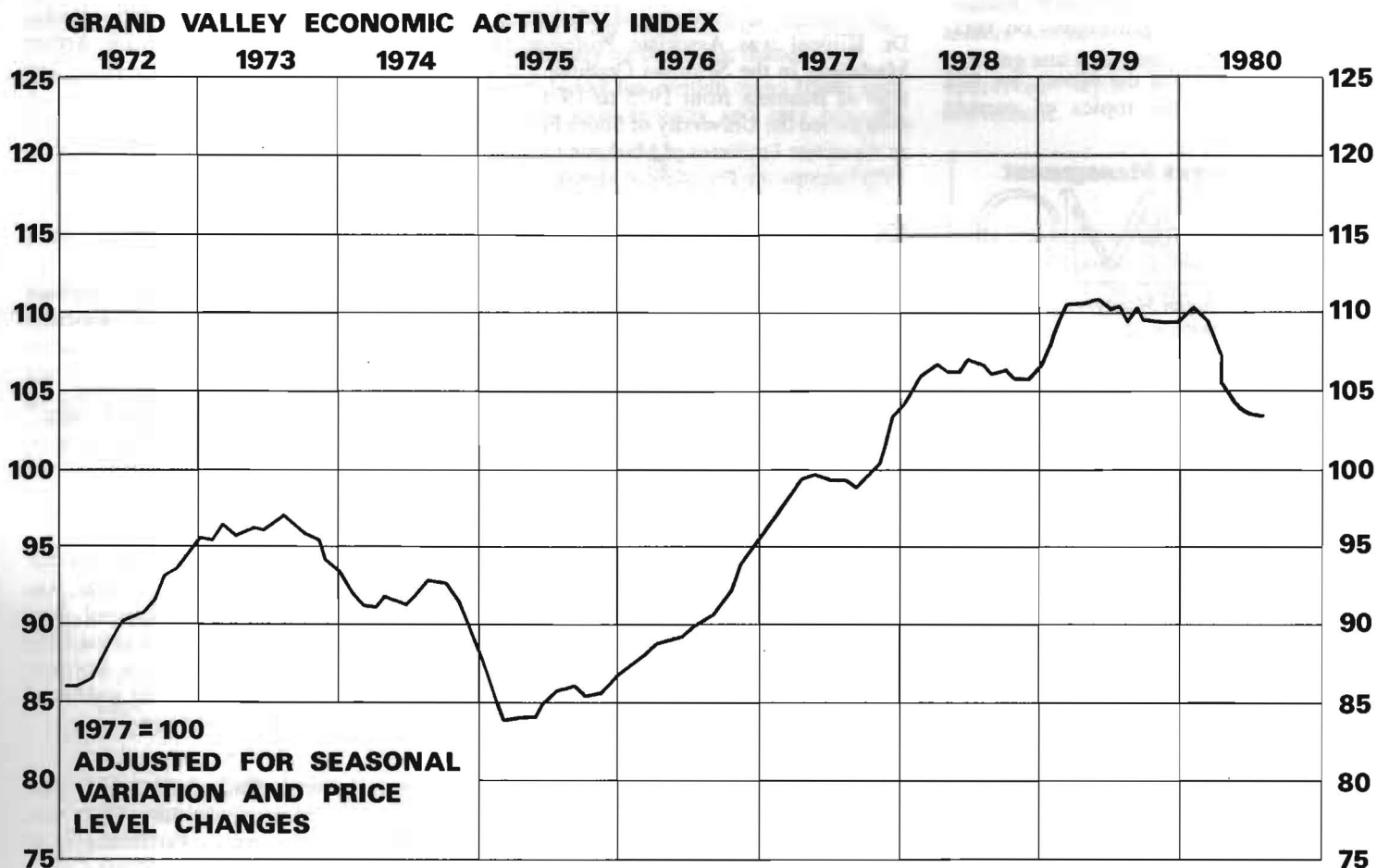
*Retail Sales* represent an economic good in the sense that people are getting the goods and services of their choice. The information for this index is derived from

department store sales information compiled and published by the U.S. Department of Commerce and from an Old Kent Bank retail sales survey compiled monthly by Mr. C. V. Lee.

*Construction Activity* is an economic good because construction is a major segment of the community's capital investment activity. Investment activity is society's provision for the future, an act of saving. It represents the manufacturing of goods that have lasting usefulness, such as homes, commercial and industrial buildings, and highways. Construction information is provided by the Dodge-McGraw Co. from news releases given monthly to the *Grand Rapids Press* and the *Muskegon Chronicle*.

*Industrial Electrical Power Consumption* gives us some idea of the extent to which capital goods are being used from month to month in the production of goods and services. The facts are provided by Consumers Power Company.

*Employment* is introduced as a separate component because it reflects our view that



economic society is better off when more of its citizens are engaged in productive work. This information is provided by the Michigan Employment Security Commission.

### The Composite Index

Each of the five components in the Grand Valley Index is equally important in measuring composite economic activity for Kent, Ottawa, and Muskegon counties. Since some components fluctuate much more widely than others, it is necessary to make some adjustments to them and to the weights so that a "normal" fluctuation in one series has just as much impact as a "normal" fluctuation in any other.

Employment, for example, fluctuates very little. But a small fluctuation in the level of employment is a very serious matter. To get its proper impact in the composite index, it is necessary to weight the raw index value a little more heavily than the other indexes. Conversely, residential construction normally fluctuates rather widely. A large change in the value of this index is more common and less alarming. Consequently, the weight given to this index is smaller than for the other indexes.

The graph shows the movements of the Grand Valley Economic Activity Index for 1972 through September 1980. The 1973-75 recessionary period is clearly indicated, followed by a steady rise in economic activity in the Kent, Ottawa, and Muskegon regional area from 1975 into 1979. Policies adopted at the national level to slow overall economic growth in 1980 in order to slow the inflationary rate have had an impact on west Michigan. Retail sales, residential construction, bank debits, industrial power consumption, and employment were down during the first six months of this year. Non-residential construction continued throughout this period at a reasonably brisk pace. Recently, we have seen some increase in housing starts, retail sales and employment. While the economic slowdown period is not over, the economy nationally seems to be reaching the low point of the current recession.

The dramatic effect of national policies on the automotive industry has also been felt in west Michigan, but not to the extent it has in Michigan generally. The west Michigan area (particularly metropolitan Grand Rapids) has a more diversified industrial base and is not as dependent on the automotive industry as are the other major labor markets in the state. The west Michigan area also has several industries such as office systems furniture and tool and die that have good prospects for the future.

In subsequent issues of the *West Michigan Management Memo*, economic activity indexes for the United States and Grand

Rapids will be presented. These indexes will be based on the same components as those used in the Grand Valley Economic Activity Index and will permit a comparison of economic activity in Grand Rapids with that of the west Michigan region and the United States. A more extended analysis of these comparisons will be provided.

The Grand Valley Economic Activity Index is prepared by Dr. William Peterson, of the Economics Department of the Col-

lege of Arts and Sciences at Grand Valley State. Economic commentary will be provided by Dr. John Bornhofen and Dr. Marvin DeVries, of the Seidman College of Business and Administration.

The historical values of the composite Grand Valley Index as well as of the components of the index for January 1972 through September 1980 can be obtained by contacting the Dean's Office, Seidman College of Business.

## Personnel and Labor Relations Degrees for the 1980's and 1990's

By Earl Harper and David B. Stephens

During the 1950's and 1960's, graduate business schools throughout the United States experienced very large enrollment increases, and graduate degree programs proliferated. Increasingly, traditional specialized master of arts or master of sciences programs in the various business disciplines (finance, marketing, etc.) were discarded in favor of the more general M.B.A. degree. The M.B.A. was designed to prepare generalists for roles as strategic decision-makers in complex organizations, where they could comfortably and competently cross disciplinary boundaries. However, many M.B.A. programs allow for some functional specialization, while maintaining the essence of the degree.

Currently the pool of candidates for entry-level staff positions that require graduate degrees might include persons with a very general M.B.A., an M.B.A. with 18 to 24 hours of functional specialization, or an M.A. or M.S. degree concentrated almost entirely within a well-defined discipline. In our role as educators and academic administrators, we are frequently called upon to participate in program and curriculum design decisions in the areas of personnel and labor relations, and to make judgments as to which of the options expressed above is most useful and desirable in the personnel area. In thinking about the

"proper" paradigm for graduate education for this field for the future, we felt it imperative to get ideas from personnel and labor practitioners who are in a position to evaluate the needs of employing organizations and to assess the strengths and weaknesses of recent graduates. For these reasons, a national survey was conducted among accredited American Society for Personnel Administration (ASPA) members. The survey asked members for opinions on whether a graduate degree is important and, if so, what degree is most appropriate for personnel and labor work (general M.B.A., M.B.A. with specialization, or M.A. or M.S. degree in personnel or labor).

We selected a random sample of 600 ASPA members for the survey. A total of 306 usable questionnaires, or 51% of the sample, were returned. There appeared to be no significant demographic differences between respondents and non-respondents.

*How important is a master's degree in personnel and labor?*

Table 1 summarizes the opinion of the respondents on this issue.

There is obviously a great deal of support among this group for specialized degree plans in personnel and labor and a feeling that in the future such programs will be more important. If the category "slightly agree" is eliminated on the as-

*(Continued on next page)*

Table 1

Statement: A master's degree in personnel and/or labor will be increasingly important in the 1980's and 1990's.

Responses	Number	Percent	Cumulative Percent
Strongly Agree	122	40.1%	40.1%
Agree	135	44.4	84.5
Slightly Agree	29	9.5	94.1
Slightly Disagree	17	5.6	99.7
Disagree	1	.3	100.0