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William Peterson  
*Grand Valley State University*

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# The Grand Rapids Economic Index

By William Peterson

Instability is a part of life. Most of us watch indicators of instability for signs of change so that we can plan for it. Some instability is of minor consequence and does not call for drastic action. We know, for instance, that more sales clerks will be hired in November and those clerks know that their jobs will be gone in January. Even some cyclical recessions are expected. We plan for those by saving up a little money to carry us over the hard times. In some countries, however, instability is a serious problem calling for drastic action. Recent news items tell of growing unemployment and poverty in the Philippines, a serious threat to the government of President Ferdinand Marcos and to peace in that country. Great Britain is concerned that 13 percent unemployment, of which 40 percent is persons under 25 years of age, may increase the chance of revolution in that country.

Indicators of instability in Great Britain are given by periodic facts about the unemployment rate. The number of families living in poverty in the Philippines (which is said to be as much as 70 percent) is an indicator of political instability there. A more immediate indicator of instability there is the number of persons actively involved in armed revolutionary activity. The rate of growth in the number of armed rebels in recent years has been quite rapid. Indicators of instability in the United States include periodically reported numbers that tell us about employment, income, material abundance, and the distribution of material goods among the population. Unemployment rates, disposable income,

gross national product, and the number of persons living below the poverty threshold are closely watched macro-indicators of instability in the United States as a whole. Indicators of instability for smaller communities of the United States are not readily available because it is very difficult to define conceptually and measure periodically an amount of material-goods production for a part of a large economic unit. The cost of producing such a measure would be greater than the benefits of such information to the community.

A substitute for the real thing is available in the form of an index of economic activity for the Grand Rapids area. It uses regularly published, easily obtained facts. These facts are adjusted in ways that make them report on movements in economic activity that might show up in a periodic report of Gross National Product for Grand Rapids. The Grand Valley Economic Activity Index and its components tell us something about stability conditions in Grand Rapids.

Home construction activity is quite unstable. People who work in construction know that there are good and bad years and that it helps to have an alternative skill which gives a source of income in low-construction years. Unfortunately, it is hard to predict which years those will be. The residential-construction component of the index indicates that 1978 was a good year and 1982 was a bad year. The index, which had a value of 100 in its base year, 1977, moved between 115 and 126 in 1978. Then it began to fall until it reached approximately 30 in 1982. Activity rose during the second half of 1982 until late in 1983. Since mid-1983 it has

remained at a relatively low level, between 60 and 70. A similar index prepared for the United States as a whole shows that 1978 was a good year, 1982 was a bad year, and that there was a temporary recovery early in 1981. The United States Index of residential construction shows a more substantial recovery in the United States during 1983. Early in 1984, the United States index went over 115.

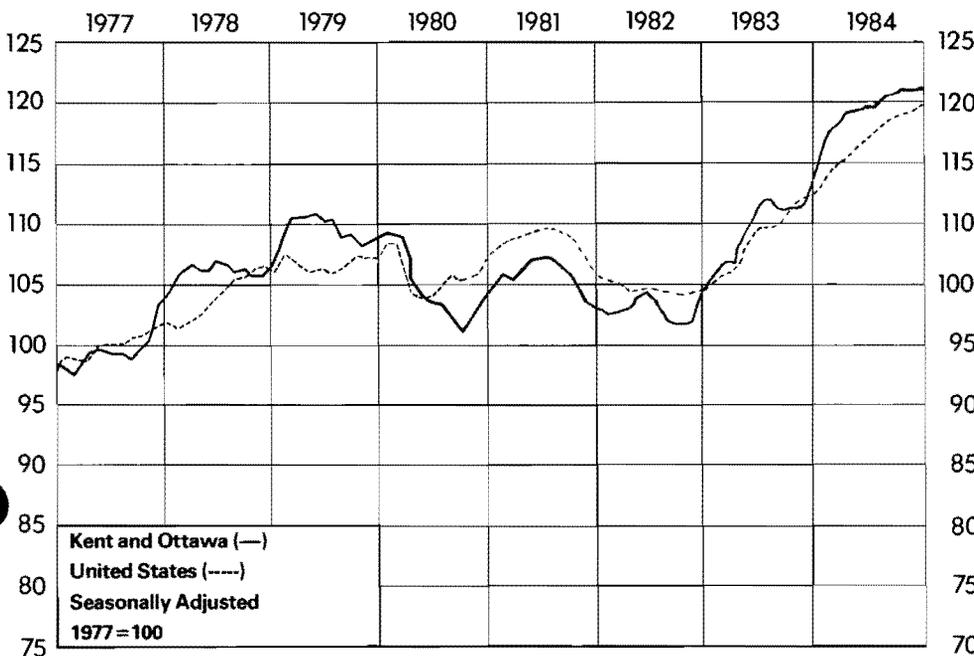
Non-residential construction activity shows even greater instability than residential construction in Grand Rapids. The good times for commercial and industrial building activity were from mid-1979 to mid-1980. The Index of Non-Residential Construction for Grand Rapids went over the 200 mark then. Since then it dropped and remained between 60 and 90 during 1981 and 1982. During 1983 and 1984 it grew rather rapidly, to the level of about 115.

Instability in manufacturing activity is measured by the use of electric power. The Index of Industrial Power for the Grand Rapids area shows that 1979 and 1981 were good years and that 1980 and 1982 were bad years. Activity during 1983 shows substantial growth. Early in 1984 the index reached its highest point of 116, which was higher than its high point in 1979. Comparing this with the national business cycle (as measured by real Gross National Product) we see some similarities. For the United States as a whole, 1979 and 1981 were good years while 1980 and 1982 were bad years.

The employment index for Grand Rapids gives evidence of job instability that is quite similar to that for the United States as a whole. There was a good, vigorous rate of growth in the number of employed wage and salary workers from 1976 to 1979. The index grew from 100 in 1977 to approximately 113 in 1979. Its level moved about between 109 and 112 during the years 1980 through 1982. There were ups and downs during that period but the general movement was, if anything, downward. Early in 1983, the index values began moving upward, from 108 to 113 in mid-1984. During 1983, Grand Rapids increased its employment of workers. The result is that there are more paychecks, which usually lead to more spending for goods and services of many kinds. There is evidence of that increased spending in the index of retail sales. That grew from a low point of 91 early in 1982 to a level of 111 in mid-1984. This buying activity has secondary repercussions on the level of employment. More people must be hired for retail selling when more selling is occurring.

The composite index is a weighted average of several components that give a general overall measure of stability conditions. This

GRAND RAPIDS ECONOMIC ACTIVITY INDEX



Continued on page 7

## Conclusion and Implications

Our findings suggest that educators and marketing executives are in solid agreement on the relative desirability of the stated marketing curriculum objectives. In addition, both appear to be in reasonable accord on the "core" marketing courses needed in the curriculum to achieve these objectives. However, with the exception of case analysis, the groups differ on the educational techniques that should be used in presenting these materials to the students. Clearly, the practitioner groups would like to see more "hands-on" techniques used, e.g., internships, computer simulation, and field trips.

The implications of this study for educators suggest that a core marketing curriculum should include: (1) marketing research, (2) marketing management, (3) marketing problems, and (4) advertising/communications. Further, to reflect practitioner concerns, marketing electives should be offered that emphasize quantitative analysis, e.g., quantitative

marketing methods and models, forecasting, etc. This study also suggests that the consumer behavior course be an elective rather than a requirement.

Finally, our study suggests the need for marketing educators to integrate additional educational techniques in teaching their courses. Clearly, practitioners want more experienced students, and educators are challenged to meet this need. Not only may this integration of teaching techniques be pedagogically superior to less integrated formats, but such experience may also provide students with a decided advantage in the entry-level employment marketplace.

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Dr. Klippel is Professor of Marketing, Dr. Densmore is Professor and Chairman of the Marketing Department, and Ms. Kleinke is a graduate student in marketing in the Seidman School.

# The Grand Rapids Economics Index

Continued from page 3

index, compiled for the Grand Rapids area, shows that Grand Rapids is continuing to move toward good times. Not all of us feel that. Prosperity is not shared uniformly by all. But it can be said that more people are working and more paychecks are being received and spent on goods distributed by Grand Rapids retailers. The worst of the recent years were 1980 and 1982. It looks as though 1984 will be another good year.

The composite index is made up of a weighted average of five economic indicators: bank debits, retail sales, residential and non-residential construction, industrial power consumption and employment, all of which are adjusted for seasonal variations and for the effects of inflation.

An index has been prepared for the United States which makes use of approximately the same components that make up the index for Kent and Ottawa Counties. The movements of this index are shown on an accompanying chart, which gives some evidence of how local economic activity compares with national economic activity. The composite U.S. index is correlated with real U.S. Gross National Product movements. These movements reflect changes in the general economic health of the U.S.

The index and its components are prepared by Dr. William Peterson, Professor of Economics at GVSC. Inquiries and detailed facts about the index can be obtained by writing to Dr. Marvin G. DeVries, F.E. Seidman College.

# The Expansion Begins to Slow

Continued from page 4

but there aren't any. Taxing the "rich" (translation: upper income) and business corporations will close only part of the deficit and will have only minimal impact on interest rates because it will cut private saving more than would even-handed tax increases and expenditure cuts.

The major clouds on the horizon are the effects that still higher interest rates would have on Third World borrowers, some of whom might declare a moratorium on their debt service payments to big American banks if rates rise further. This is a potentially explosive problem with possible disastrous implications for all of us if it is mishandled.

The other problem stemming from our high level of interest rates is that they could cut the expansion short. Although this does not ap-

pear to be the case for the near future, the slowdown appears to be beginning. The other major cloud—the auto strike and its effects on the economy—appears to have been cleared up. At this writing, the strike has been settled and there is optimism over worker ratification. Its effects should be made up shortly and the economy's progress hardly impeded. It is unclear, though, what the effect of the settlement will be. That could be worse for the economy than the strike itself.

The outlook for the rest of 1984 and the first part of 1985 is still pretty good. Although the expansion appears to be slowing, there should be no imminent danger of recession. But a perusal of economic indicators—leading, coincident, and lagging—does show that, at minimum, a slowdown in growth is occurring. Thus, real GNP is expected to in-

crease around 3-4 percent over the next six months. Incomes and employment should continue to rise but more slowly than in the recent past, and unemployment could fall to near 7 percent in early 1985.

Inflation, which has been remarkably subdued, could start accelerating slowly in early 1985, but double digits are not imminent. Interest rates, then, will depend on what happens at the Federal level to reduce the deficit. Without meaningful moves in the direction of lower deficits, it is difficult to find credible reasons why rates will decline.

Dr. John O. Bornhofen is a Professor of Economics and Finance and Chairman of the Finance Department at the Seidman School of Business.