



U.S. Chamber of Commerce

Private Companies

Strengthening Communities
and Expanding Opportunities



Large Private Companies Impact Report 2024

Produced by the U.S. Chamber of Commerce

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Executive Summary: The Economic Impact of Large Private Companies

Discussions about the American economy usually focus on small businesses and large publicly traded corporations. But this overlooks a vital part of the American economy: large privately owned companies that serve as anchors to their local economies and communities. These businesses not only drive growth and create jobs, but they are often among the largest local, social, and civic contributors.

The Large Private Companies Impact Report 2024 highlights the essential role these companies play in the day-to-day workings of the American economy by offering a comprehensive analysis of their total economic impact.

The report also assesses the role these companies play in job creation and overall economic well-being at the national, state, and local levels. The results reveal the substantial influence large private companies have in driving growth, creating jobs, and supporting communities across the nation.

Large private companies—defined as private entities employing over 500 people—are found in every major industry from health care to technology to energy, retail, agriculture, transportation, and beyond. Some of their often overlooked impacts follow:

- **Economic Growth:** Private companies make notable contributions to economic growth. The activities of these businesses add over \$3.1 trillion to the nation's gross domestic product (GDP), accounting for nearly 11% of the total. They also generate nearly \$1.7 trillion in personal income, representing almost 7% of the nation's total personal income.
- **Job Creation:** Large private companies are important sources of employment, providing jobs for millions. Over 17.3 million total jobs—or 13% of the nation's private workforce—are sustained through the broader economic effect of their operations.
- **State and Local Impact:** The success of large private businesses has a positive ripple effect on local communities, enhancing the vibrancy of Main Streets and downtowns across the country. On average, large private firms support—directly and indirectly—about 10% of each state's GDP. They also indirectly support about 10% of the GDP and jobs in most major metropolitan areas.

Large private companies are a linchpin of the American economy and a critical factor in fostering growth and creating jobs. Recognizing their importance is crucial to the development of informed economic policy, which can help this important part of the economic ecosystem continue to thrive.

Direct Economic Impacts of Large Private Companies

Overall Economic Impact

Large private companies significantly contribute to the U.S. economy by powering growth and sustaining millions of jobs. In addition, they complement the reach and work of their more well-known publicly owned counterparts.

In fact, large private businesses:

- Add over \$3.1 trillion to the nation’s GDP, accounting for nearly 11% of total GDP.
- Sustain over 17.3 million total jobs (directly and indirectly)—or 13% of the private American workforce—through the broader economic ripple effects of their operations.
- Generate nearly \$1.7 trillion in personal income, representing almost 7% of the nation’s total personal income.

National Impact

In 2021, the U.S. had 7.5 million private sector businesses, yet only 10,526 of them were large private firms (0.1% of all U.S. private businesses). These large private businesses employed approximately 6 million workers, representing 5.4% of the more than 111 million workers in the private sector, highlighting their considerable impact on the U.S. workforce.



Economic impact of large private companies

	Total amount	Share of total
GDP supported	\$3.1T	10.9%
Employment supported	17.3M	10.5%
Personal income supported	\$1.7T	6.9%

Source: U.S. Chamber of Commerce Analysis; U.S. Census Bureau, projected for 2025

Large private companies are large employers

Number of large private companies	10,526
Number of employees at large private companies	6M
Percentage of large private companies among all private sector entities	0.1%
Percentage of workforce employed by large private enterprises within total private sector employment	5.4%

Source: U.S. Census Bureau, 2021

Top states with large private companies

By number

California	630
Texas	499
New York	428
Florida	331
Illinois	284

By percentage

District of Columbia	0.30%
Alabama	0.10%
Illinois	0.10%
Hawaii	0.09%
New York	0.09%

Source: U.S. Census Bureau, 2021

Top states for employment at large private companies

By number

California	890,206
Florida	587,330
Illinois	326,188
New York	556,391
Ohio	233,506

By percentage

District of Columbia	30.8%
New York	8.8%
Utah	8.5%
Oklahoma	8.4%
New Hampshire	7.4%

Source: U.S. Census Bureau, 2021

State Impact

Despite their relatively low total number of businesses, large private companies are major employers in states across the country. For example, in New York these firms make up a mere 0.09% of total businesses yet employ nearly 9% of the state's workforce (556,000 people). In New Hampshire, large private companies constitute just 0.03% of businesses but employ 7.4% of workers (36,000 people) in the state, underlining their outsize role in state employment figures.

Large private companies play a particularly critical role in a number of states. Illinois ranks in the top five states for both the absolute number and percentage of large private companies (as a total of all private businesses), with 284 of these businesses making up 0.10% of the state's private businesses. Additionally, Illinois ranks within the top states for the employment levels these companies provide, with over 326,000 individuals employed, representing a substantial number of the state's workforce. The District of Columbia is also notable, with the percentage of the workforce employed by these firms at 30%.

Impact by Industry

Large private businesses sustain jobs across various essential industries. These businesses make up a notable share of the workforce, particularly in administrative and support and waste management and remediation services; agriculture, forestry, fishing and hunting; health care; professional and scientific services; and construction. Large private companies, despite being fewer in number within given industries, employ a significant portion of the workforce.

For example, in the administrative and support and waste management and remediation services sector, large private companies account for less than 0.4% of all businesses, yet they employ nearly 21% of the sector's workforce, equating to approximately 2,500,000 workers. Similarly, in the retail trade sector, large private companies constitute only 0.01% of the total number of the sector's businesses, but they employ roughly 75,000 people, representing 0.5% of the sector's total workforce.

Large private sector industries

Industry	Number of large private companies (LPCs)	Percentage of LPCs among all private sector entities	Number of employees at LPCs	Percentage of workforce employed by LPCs within total private sector employment
Agriculture, forestry, fishing, and hunting	25	0.1%	16,468	10.1%
Mining, quarrying, and oil and gas extraction	37	0.2%	25,959	5.5%
Construction	369	0.05%	335,183	4.8%
Manufacturing	596	0.2%	509,172	4.4%
Retail trade	96	0.01%	75,194	0.5%
Professional, scientific, and technical services	937	0.1%	593,061	6.4%
Management of companies and enterprises	167	0.4%	180,820	6.1%
Administrative and support and waste management and remediation services	1,563	0.4%	2,546,412	20.6%
Health care and social assistance	710	0.09%	750,521	6.8%
Accommodation and food services	143	0.02%	142,332	1.2%

Source: U.S. Census Bureau, 2021

Indirect Economic Impacts

The direct impact of large private businesses is significant, but their indirect economic impact is even greater. The dollars these businesses spend stimulate job creation and growth among their suppliers and nearby local businesses. This generates a cascading economic effect, where the businesses that benefit from these interactions support further employment and activity, amplifying the overall economic footprint that large private firms have.

The following U.S. Chamber of Commerce analyses use the REMI PI+ Model to explore large private companies' extensive economic contributions at the national, industry, state, and local/metropolitan statistical area (MSA) levels. These forecasts are for 2025 based on the latest available data.



Indirect Impact: State GDP

Large private businesses serve as economic engines for their respective states, indirectly contributing to the state’s GDP in ways that often go unrecognized.

Consider the tech sector, where a company’s demand for advanced software and hardware can invigorate local startups and established firms alike, leading to innovative products and services that bolster the state’s economic output. In the education sector, research and development partnerships with universities can generate breakthroughs that enhance the state’s reputation as a knowledge hub and attract further investment. Tourism and entertainment may see an uptick as well, with company events and an increased workforce bolstering demand for local attractions, hotels, and cultural events.

These diverse and indirect contributions by large private businesses help build local and state economies, an effect that’s reflected in the overall GDP of the area.

Large private companies are instrumental in supporting substantial portions of state GDPs—\$478 billion in California and \$284 billion in Texas. Even the least populous states of Vermont and Wyoming see significant contributions, supporting outputs of almost \$4.9 billion and \$6.1 billion, respectively.

On average, large private firms support about 10% of each state’s GDP—a very large chunk of states’ economies. While the District of Columbia, Hawaii, and New Mexico fall just below this mark, other states like Utah, New Hampshire, New Jersey, Texas, and Nevada experience contributions that exceed 12% of their total GDP.

GDP supported by large private companies by state

By number

California	\$478B
Texas	\$284B
New York	\$260B
Florida	\$159B
Illinois	\$125B

By percentage

Utah	12.6%
New Hampshire	12.2%
New Jersey	12.1%
Texas	12.1%
Nevada	12.1%

Source: U.S. Chamber of Commerce Analysis;
U.S. Census Bureau, projected for 2025

Employment supported by large private companies by state

By number

California	2,163,937
Texas	1,761,762
Florida	1,076,930
New York	1,067,384
Illinois	689,777

By percentage

Utah	11.9%
Texas	11.9%
New Hampshire	11.9%
New Jersey	11.8%
Connecticut	11.7%

Source: U.S. Chamber of Commerce Analysis;
U.S. Census Bureau, projected for 2025

Indirect Impact: State Employment

Large private companies also indirectly support millions of jobs across the states, generating and supporting livelihoods by the demand they generate.

In California, these companies indirectly sustain nearly 2.2 million jobs. Even in states with smaller workforces like Alaska and Wyoming, the influence of these firms is significant. Over 31,000 jobs in each state are indirectly credited to the operations of large private companies located in those states. Utah, Texas, and New Hampshire have the highest percentage of jobs indirectly supported by large private companies, with 11.9% of their workforce supported by these companies.



Amount of income supported by large private companies by state

California	\$261.96B
Texas	\$162.4B
New York	\$121.16B
Florida	\$82.97B
Illinois	\$71.93B

Source: U.S. Chamber of Commerce Analysis;
U.S. Census Bureau, projected for 2025

Share of income supported by large private companies by state

New Hampshire	8.5%
New Jersey	8.4%
Texas	8.1%
Tennessee	7.7%
Nevada	6.8%

Source: U.S. Chamber of Commerce Analysis;
U.S. Census Bureau, projected for 2025

Indirect Impact: State Income

The spending of large private businesses and their employees significantly bolsters the income of the communities where they operate. Income includes salaries and wages, business income, rental income, and returns on investments like stocks and bonds. Higher incomes are vital because they represent spending power that states and local communities would not otherwise have, which are spent on goods, directed to savings, or devoted to local services.

In New York, the activities of large private companies result in \$121 billion of supported income; Texas sees \$162 billion of supported income. In California, the impact is even more pronounced: Large private businesses support \$262 billion in income. The economic influence extends to smaller states too, with Wyoming and Vermont each receiving a boost of \$2.5 billion in income due to the activities of large private companies.

Looking at the percentage of total state income that can be attributed to the indirect impact of large private companies, states like New Hampshire, New Jersey, Texas, Tennessee, and Nevada see over 8% of their total income being generated by these firms.

New Mexico, at the lower end of the spectrum, stills sees 4.5% of its total income attributable to the indirect impact of large private businesses.

Indirect Impact: By Industry

The presence of a major private corporation stimulates the surrounding economy significantly. Suppliers, from small businesses to large manufacturers, experience an increase in orders, leading to more jobs and increased production activity. Professional service firms—such as legal, accounting, marketing, and IT—expand their teams to meet the company's needs. The real estate sector also feels the ripple effect, with an increased demand for commercial and residential spaces spurring construction and related jobs. A single large private company can act as a catalyst for widespread indirect employment across the local area.

Several key sectors would see the biggest benefits of this indirect employment:

- **The construction industry** with over 2 million jobs supported (22% of the sector's jobs).
- **Retail** with 1.7 million jobs supported (11% of the sector's jobs).
- **Administrative and support services** with 1.4 million jobs supported (14% of the sector's jobs).
- **Wood product manufacturing** with 69,000 jobs supported (19% of the sector's jobs).
- **Mining, except oil and gas** with 27,000 jobs supported (15% of the sector's jobs).

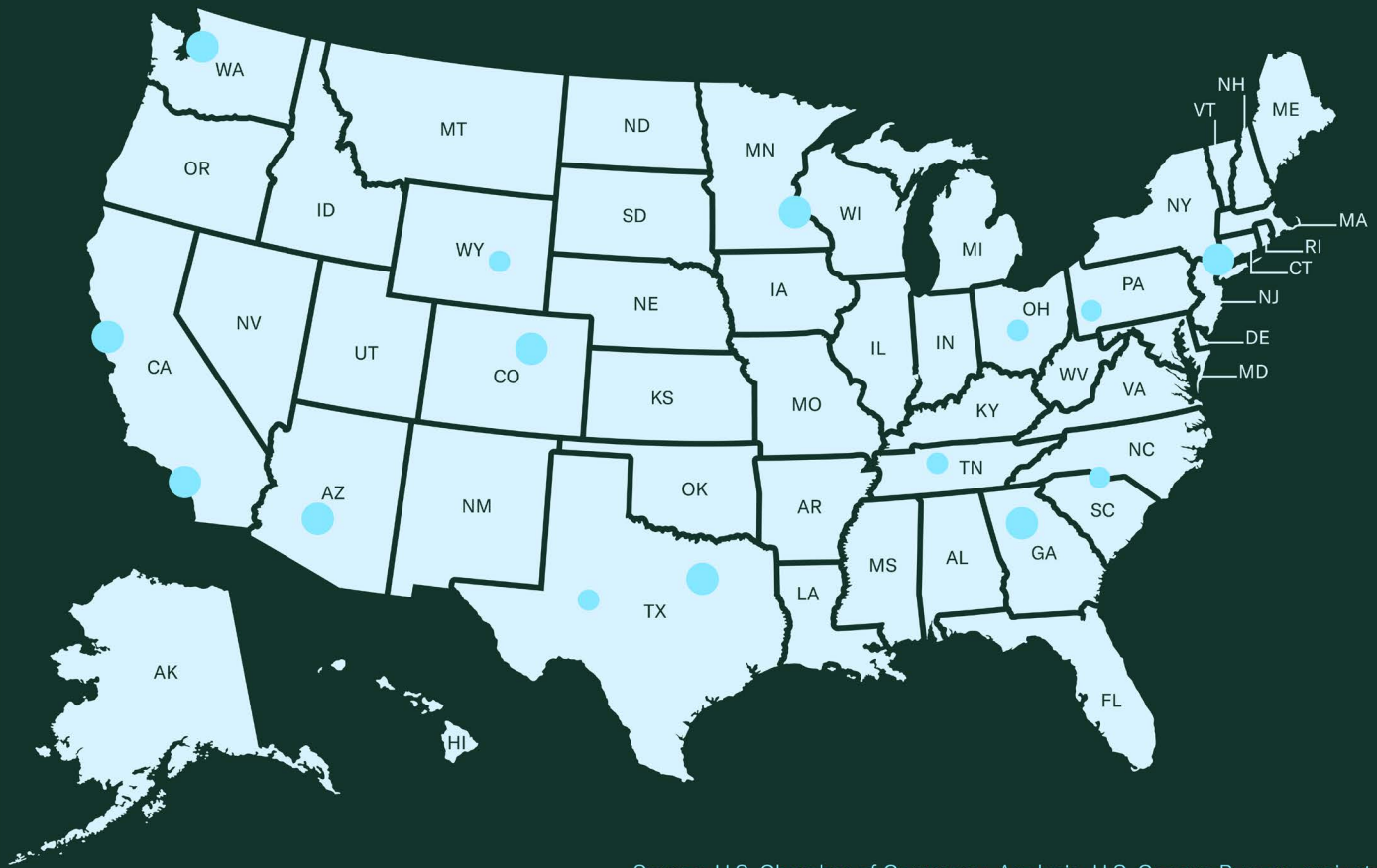
Jobs supported by large private companies

Industry	Total jobs	Share of jobs
Construction	2.1M	22.1%
Retail	1.7M	11.0%
Administrative and support services	1.4M	13.9%
Management of companies and enterprises	312K	13.9%
Performing arts, spectator sports, and related industries	257K	13.7%
Fabricated metal product manufacturing	169K	14.5%
Wood product manufacturing	69K	18.7%
Nonmetallic mineral product manufacturing	60K	17.4%
Support activities for mining	50K	21.8%
Primary metal manufacturing	39K	13.8%
Mining, except oil and gas	27K	15.3%

Source: U.S. Census Bureau, 2021



GDP supported by large private companies by MSA



Source: U.S. Chamber of Commerce Analysis; U.S. Census Bureau, projected for 2025

Regional Indirect Impacts

Indirect Impact: Regional GDP

Large private companies indirectly support the GDP (total economic output) of MSAs across the country. Variations in the MSA's size and the specific industries that dominate it affect the extent to which these companies contribute to the local economy.

The average output supported by large private companies in MSAs with populations over 3 million people is nearly \$84 billion, while the average output for MSAs with between 1 million and 3 million people is \$22 billion. For most major metropolitan areas, large private companies indirectly contribute to generating over 11% of local GDP.

The Odessa, Texas, and Nashville, Tennessee, areas have the largest shares of their GDP indirectly supported by large private businesses, at almost 14% each. The Dallas-Fort Worth MSA is not far behind with these companies indirectly providing 13.7% of local GDP, while the Atlanta area sees a 13.2% share.

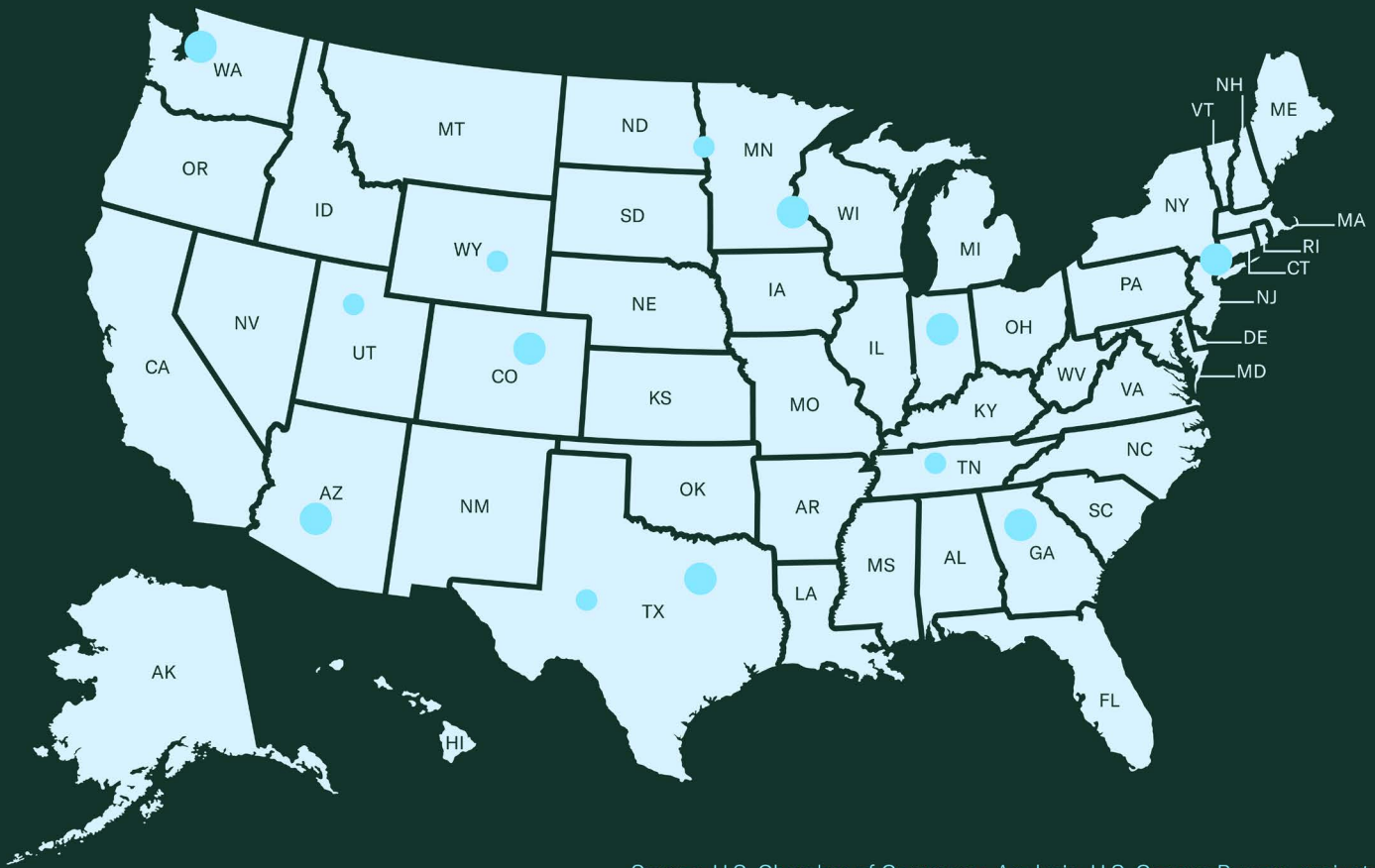
When it comes to the scale of economic output, the New York MSA leads with large private companies indirectly contributing nearly \$282 billion to its economy. The Los Angeles and San Francisco areas also see significant indirect contributions from large private companies, with \$144 billion and \$116 billion, respectively, contributed.

GDP supported by large private companies by MSA

Output supported by private companies	By amount	By percentage
Atlanta-Sandy Springs-Alpharetta, GA	\$74.55B	13.2%
Casper, WY	\$1.04B	12.4%
Charlotte-Concord-Gastonia, NC-SC	\$31.77B	13.0%
Columbus, OH	\$21.78B	11.8%
Dallas-Fort Worth-Arlington, TX	\$96.37B	13.7%
Denver-Aurora-Lakewood, CO	\$41.15B	13.1%
Los Angeles-Long Beach-Anaheim, CA	\$144.37B	11.7%
Minneapolis-St. Paul-Bloomington, MN-WI	\$45.36B	12.7%
Nashville-Davidson-Murfreesboro-Franklin, TN	\$28.55B	13.9%
New York-Newark-Jersey City, NY-NJ-PA	\$281.77B	12.2%
Odessa, TX	\$1.82B	13.9%
Phoenix-Mesa-Chandler, AZ	\$47.54B	12.2%
Pittsburgh, PA	\$23.73B	12.3%
San Francisco-Oakland-Berkeley, CA	\$116.28B	12.6%
Seattle-Tacoma-Bellevue, WA	\$76.17B	11.7%

Source: U.S. Chamber of Commerce Analysis; U.S. Census Bureau, projected for 2025

Employment supported by large private companies by MSA



Source: U.S. Chamber of Commerce Analysis; U.S. Census Bureau, projected for 2025

Indirect Impact: Regional Employment

Large private companies generally indirectly support over 11% of total jobs in America's major metropolitan areas. The extent to which these companies support local employment varies by MSA.

In Odessa, Texas, the impact is particularly notable, with large private businesses supporting close to 14% of the community's employment. This translates to approximately 11,000 jobs that exist because of the economic activities of these large private firms. The Nashville MSA also benefits greatly, with these companies contributing 13.5% of the region's employment, equating to over 166,000 jobs.

In Dallas, the same percentage of jobs, 13.5%, is supported, representing a substantial figure of over 600,000 positions.

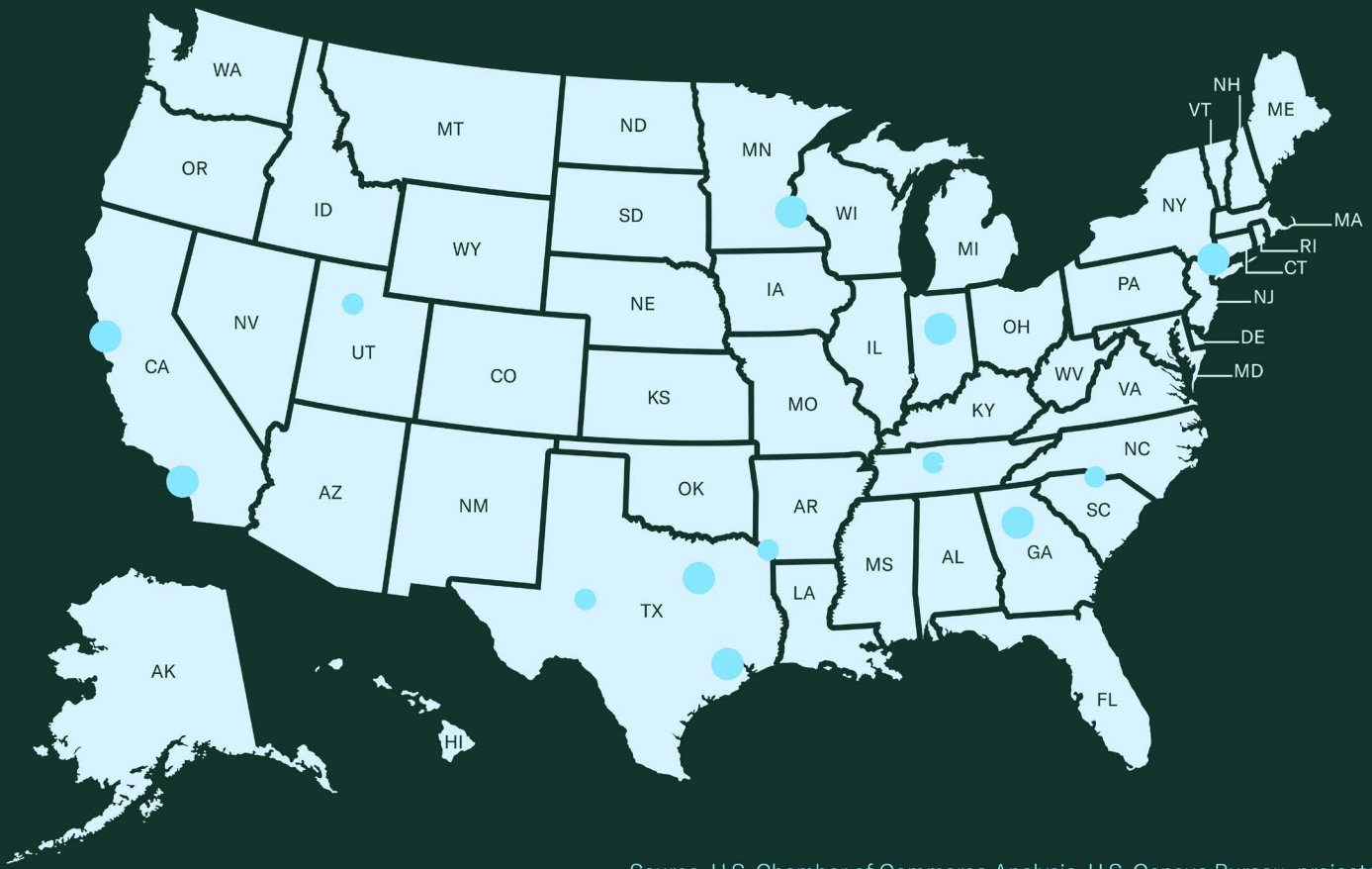
When it comes to sheer numbers, the New York MSA stands out with large private businesses indirectly supporting nearly 1.2 million jobs, 11.7% of local jobs, to the area's economy.

Employment supported by large private companies by MSA

Jobs supported by private companies	By amount	By percentage
Atlanta-Sandy Springs-Alpharetta, GA	428,097	12.9%
Casper, WY	5,151	12.2%
Dallas-Fort Worth-Arlington, TX	600,751	13.5%
Denver-Aurora-Lakewood, CO	231,012	12.8%
Fargo, ND-MN	16,806	10.9%
Indianapolis-Carmel-Anderson, IN	137,231	12.2%
Minneapolis-St. Paul-Bloomington, MN-WI	244,805	12.0%
Nashville-Davidson-Murfreesboro-Franklin, TN	166,137	13.5%
New York-Newark-Jersey City, NY-NJ-PA	1,183,760	11.7%
Odessa, TX	10,664	13.9%
Phoenix-Mesa-Chandler, AZ	298,178	11.9%
Salt Lake City, UT	101,962	12.3%
Seattle-Tacoma-Bellevue, WA	269,172	11.7%

Source: U.S. Chamber of Commerce Analysis; U.S. Census Bureau, projected for 2025

Income supported by large private companies by MSA



Source: U.S. Chamber of Commerce Analysis; U.S. Census Bureau, projected for 2025

Indirect Impact: Regional Income

Large private companies support an average of \$47 billion in metropolitan areas with populations over 3 million people and nearly \$13 billion in MSAs with populations between 1 million and 3 million, providing a huge boost to the local buying power of individuals and communities nationwide.

The scale of income supported by MSAs varies significantly, with the New York area benefiting from a considerable \$151 billion of income. The smaller Texarkana MSA, straddling Texas and Arkansas, sees a noteworthy indirect contribution of \$341 million in

income. These variations reflect the diverse sizes and industry compositions of the MSAs, each uniquely shaped by the economic activities of large private companies within their boundaries.

The Odessa, Texas, and Nashville MSAs stand out for the substantial share of income indirectly supported by large private businesses, with each region seeing more than 10% of its income stemming from the presence of these firms.

Income supported by large private companies by MSA

Income supported by private companies	By amount	By percentage
Atlanta-Sandy Springs-Alpharetta, GA	\$41.07B	9.2%
Charlotte-Concord-Gastonia, NC-SC	\$17.30B	9.1%
Dallas-Fort Worth-Arlington, TX	\$59.83B	9.9%
Houston-The Woodlands-Sugar Land, TX	\$48.09B	9.1%
Indianapolis-Carmel-Anderson, IN	\$14.09B	8.8%
Los Angeles-Long Beach-Anaheim, CA	\$84.44B	7.7%
Nashville-Davidson-Murfreesboro-Franklin, TN	\$18.46B	10.8%
New York-Newark-Jersey City, NY-NJ-PA	\$150.53B	8.1%
Odessa, TX	\$969.4M	10.2%
Salt Lake City, UT	\$7.99B	8.9%
San Francisco-Oakland-Berkeley, CA	\$62.85B	9.2%
Texarkana, TX-AR	\$340.6M	4.9%

Source: U.S. Chamber of Commerce Analysis; U.S. Census Bureau, projected for 2025



Conclusion: Private Companies Play a Crucial Role in the American Economy

Large private companies play a critical role in the American economy—a role that is often undervalued compared to both large public companies and privately owned small businesses. These unique companies are more than economic powerhouses—they provide stable employment for families, boost local economies, and foster innovation, ultimately improving everyday life for all Americans.

Large private companies support over 17 million jobs, contribute nearly \$3 trillion in economic activity, and generate almost \$1.7 trillion in income for Americans, representing almost 7% of the nation's total personal income. In the nation's major metropolitan areas, large private companies indirectly contribute to generating over 11% of local GDP, 1 out of 10 local jobs, and an average of 11% of total income.

Large private companies also contribute benefits beyond the scope of this report. They are often more resilient and nimbler than their publicly owned counterparts, making them more able to adapt to sudden economic downturns by maintaining operations and protecting jobs. They also have more flexibility to prioritize long-term, strategic investments so that they can focus on projects that drive innovation and support sustainable growth. Further, large private companies often partner with local organizations to improve education, support health care, and invest in infrastructure. Their size, local community connections, and unique governance model enable them to focus on building a strong and lasting foundation for the future, instead of quick wins to satisfy regulators on the one hand and shareholders on the other.

These companies' strong economic impact and deep involvement in their local communities highlight the importance for policymakers when crafting economic policies that could impact them. Ensuring that large private companies can continue to utilize the strategies that made them so successful doesn't just help these companies—it boosts the American economy, American workers, and the thousands of communities that depend on them.



Methodology

To measure the direct impact, the U.S. Chamber of Commerce utilized U.S. Census Bureau data. The Chamber identified businesses classified as private companies, including S-corporations, sole proprietorships, partnerships, LLCs, and other noncorporate entities. Excluded from this classification were C-corporations, nonprofit organizations, and government establishments. The focus of the analysis was on large private enterprises, those with more than 500 employees.

The Chamber used this data to compare the number of these businesses and their workers to all private businesses at the national, industry, and state levels. Private businesses are defined as all businesses except nonprofits and government entities.

To evaluate the indirect economic impact of large private businesses, the Chamber applied the REMI PI+ Model. This model was used to analyze the effects on GDP, employment, and income across various levels, including state, industry, and regional. The regional analysis encompassed 50 metropolitan statistical areas (MSAs). The analysis projects the impact of large private businesses of varying sizes and geographic locations that represent the country as a whole on the economy in 2025. REMI describes the model as follows:

PI+ is a structural economic, demographic, and fiscal forecasting and policy analysis model. The model integrates input-output, computable general equilibrium, econometric, and economic geography methodologies. The model is dynamic, with forecasts and simulations generated on an annual basis and behavioral responses to compensation, price, and other economic factors.

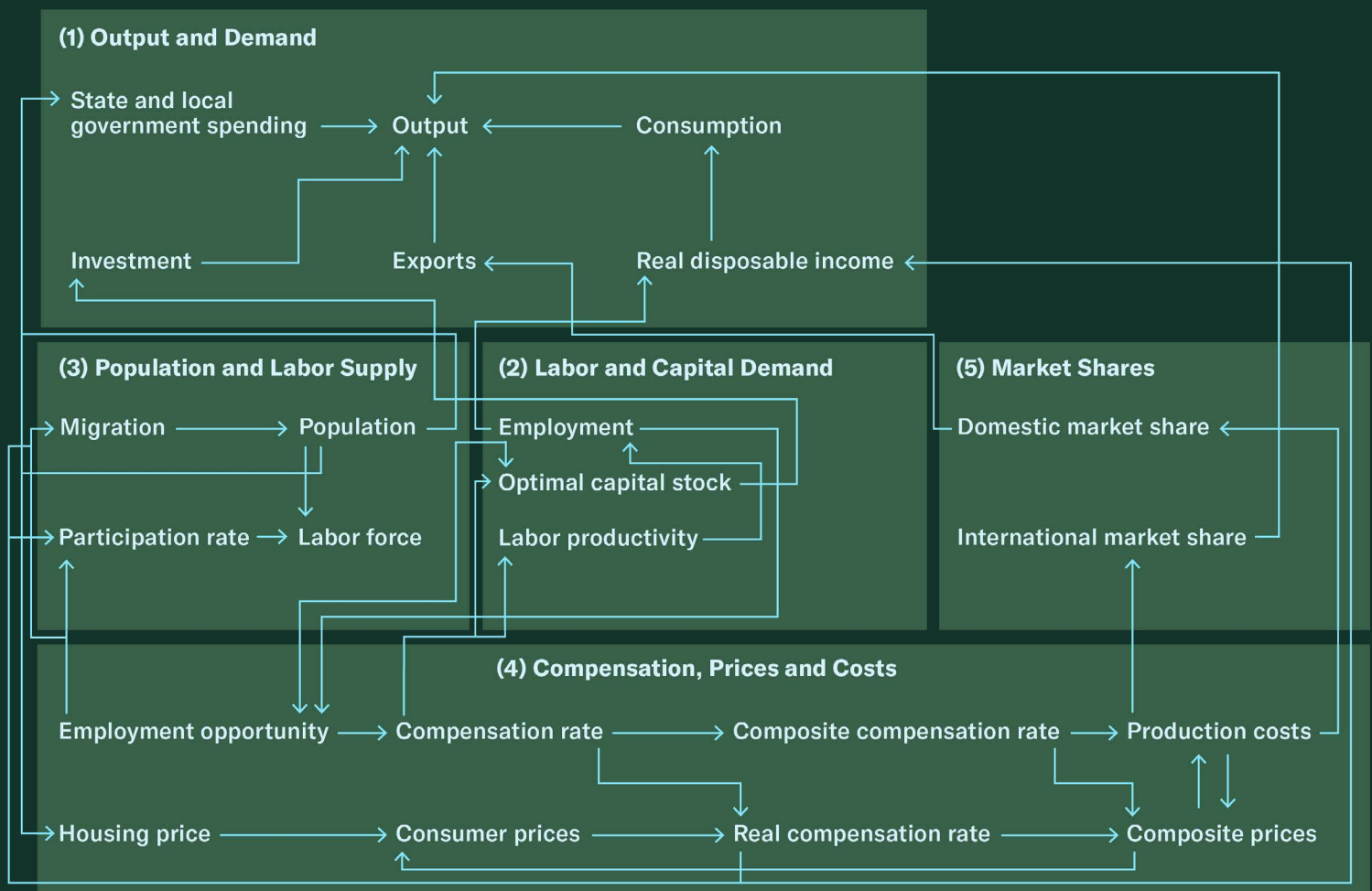
The model consists of thousands of simultaneous equations with a structure that is relatively straightforward. The exact number of equations used varies depending on the extent of industry, demographic, demand, and other detail in the specific model being used. The overall structure of the model can be summarized in five major blocks: (1) Output and Demand, (2) Labor and Capital Demand, (3) Population and Labor Supply, (4) Compensation, Prices, and Costs, and (5) Market Shares.

The research encapsulates private companies with more than 500 employees' direct and indirect impact on the economy. The direct impact is clear-cut, reflecting the employment of approximately 6 million workers by these large private companies. The indirect impact, however, extends further, as these 6 million workers support additional jobs through their interactions with suppliers and local businesses in proximity to their workplaces. This creates a ripple effect, where the businesses benefiting from these interactions, in turn, support further employment both directly and indirectly, amplifying the overall economic influence of large private companies.

REMI PI+ is a structural economic, demographic, and fiscal forecasting and policy analysis model. The following core framework applies to all REMI model builds. The model integrates input-output, computable general equilibrium, econometric, and economic geography methodologies. The model is dynamic, with forecasts and simulations generated on an annual basis and behavioral responses to compensation, price, and other economic factors.

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Figure 1A.1



Economic geography linkages

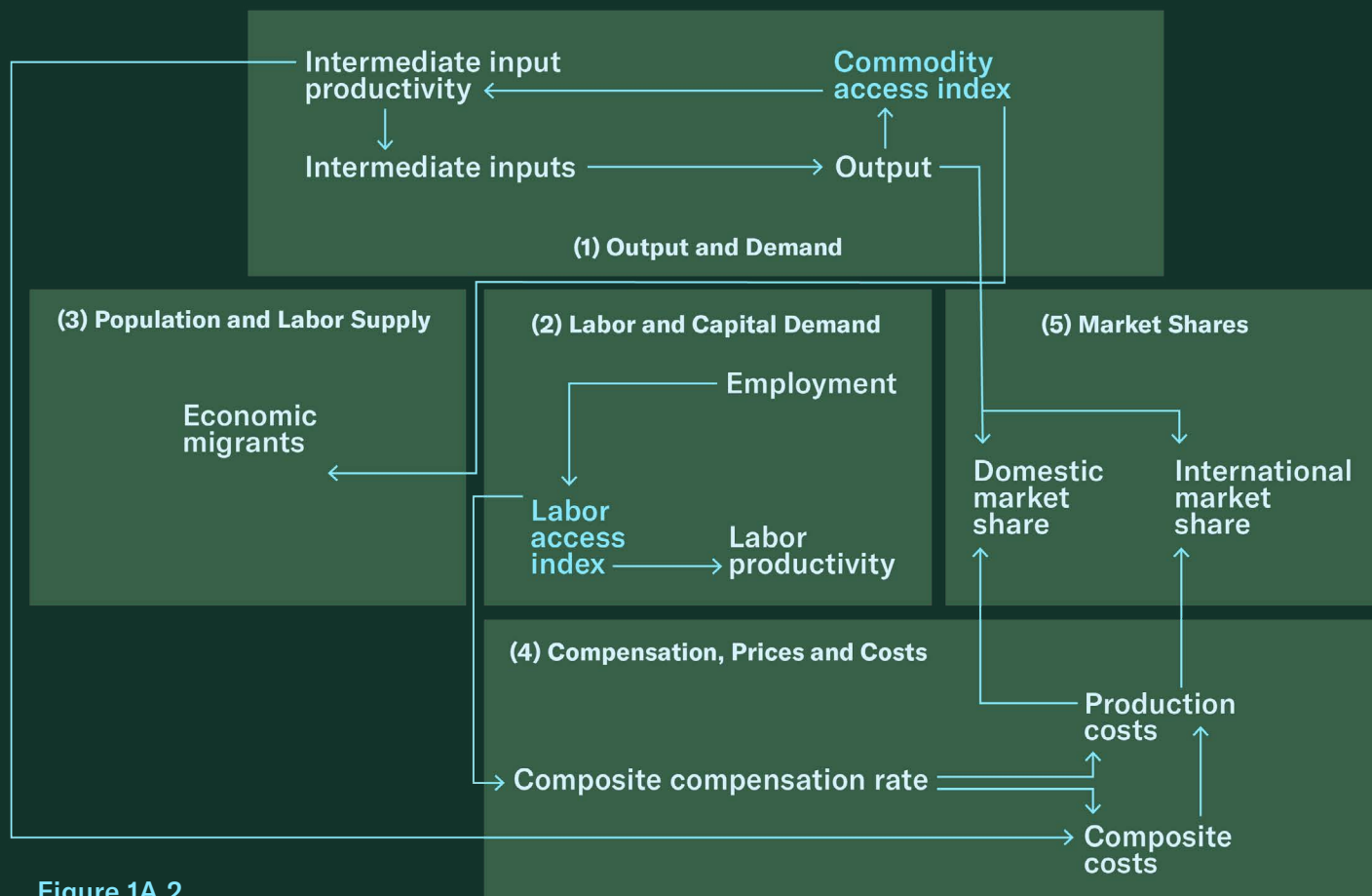


Figure 1A.2

The Output and Demand block consists of output, demand, consumption, investment, government spending, exports, and imports as well as feedback from output change due to the change in the productivity of intermediate inputs. The Labor and Capital Demand block includes labor intensity and productivity along with demand for labor and capital. Labor force participation rate and migration equations are in the Population and Labor Supply block. The Compensation, Prices, and Costs block includes composite prices, determinants of production costs, the consumption price deflator, housing prices, and the compensation equations. The proportion of local, inter-regional, and export markets captured by each region is included in the Market Shares block.

Models can be built as single region, multi-region, or multi-region national models. A region is defined broadly as a sub-national area and could consist of a state, province, county, city, or any combination of sub-national areas.

Single-region models consist of an individual region, called the home region. The rest of the nation is also represented in the model. However, since the home region is only a small part of the total nation, the changes in the region do not have an endogenous effect on the variables in the rest of the nation.

Multi-regional models have interactions among regions, such as trade and commuting flows. These interactions include trade flows from each region to each of the other regions. These flows are illustrated for a three-region model in Figure 3.

Trade and commuter flow linkages

- Commuter linkages based on historic commuting data
- Flows based on estimated trade flows



Figure 1A.3

Multiregional national models also include a central bank monetary response that constrains labor markets. Models that only encompass a relatively small portion of a nation are not endogenously constrained by changes in exchange rates or monetary responses.

Block 1. Output and Demand

This block includes output, demand, consumption, investment, government spending, import, commodity access, and export concepts. Output for each industry in the home region is determined by industry demand in all regions in the nation, the home region's share of each market, and international exports from the region.

For each industry, demand is determined by the amount of output, consumption, investment, and capital demand on that industry. Consumption depends on real disposable income per capita, relative prices, differential income elasticities, and population. Input productivity depends on access to inputs because a larger choice set of inputs means

it is more likely that the input with the specific characteristics required for the job will be found. In the capital stock adjustment process, investment occurs to fill the difference between optimal and actual capital stock for residential, nonresidential, and equipment investment. Government spending changes are determined by changes in the population.

Block 2. Labor and Capital Demand

The Labor and Capital Demand block includes the determination of labor productivity, labor intensity, and the optimal capital stocks. Industry-specific labor productivity depends on the availability of workers with differentiated skills for the occupations used in each industry. The occupational labor supply and commuting costs determine the firms' access to a specialized labor force.

Labor intensity is determined by the cost of labor relative to the other factor inputs, capital and fuel. Demand for capital is driven by the optimal capital stock equation for both nonresidential capital and

equipment. Optimal capital stock for each industry depends on the relative cost of labor and capital and the employment weighted by capital use for each industry. Employment in private industries is determined by the value added and employment per unit of value added in each industry.

Block 3. Population and Labor Supply

The Population and Labor Supply block includes detailed demographic information about the region. Population data is given for age, gender, and race, with birth and survival rates for each group. The size and labor force participation rate of each group determines the labor supply. These participation rates respond to changes in employment relative to the potential labor force and to changes in the real after-tax compensation rate. Migration includes retirement, military, international, and economic migration. Economic migration is determined by the relative real after-tax compensation rate, relative employment opportunity, and consumer access to variety.

Block 4. Compensation, Prices, and Costs

This block includes delivered prices, production costs, equipment costs, the consumption deflator, consumer prices, the price of housing, and the compensation equation. Economic geography concepts account for the productivity and price effects of access to specialized labor, goods, and services.

These prices measure the price of the industry output, taking into account the access to production locations. This access is important due to the specialization of production that takes place within each industry and because transportation and transaction costs of distance are significant. Composite prices for each industry are then calculated based on the production costs of supplying regions, the effective distance to these regions, and the index of access to the variety of outputs in the industry relative to the access by other uses of the product.

The cost of production for each industry is determined by the cost of labor, capital, fuel, and intermediate inputs. Labor costs reflect a productivity adjustment to account for access to specialized labor, as well as underlying compensation rates. Capital costs include costs of nonresidential structures and equipment, while fuel costs incorporate electricity, natural gas, and residual fuels.

The consumption deflator converts industry prices to prices for consumption commodities. For potential migrants, the consumer price is additionally calculated to include housing prices. Housing prices change from their initial level depending on changes in income and population density.

Compensation changes are due to changes in labor demand and supply conditions and changes in the national compensation rate. Changes in employment opportunities relative to the labor force and occupational demand change determine compensation rates by industry.

Block 5. Market Shares

The market shares equations measure the proportion of local and export markets that are captured by each industry. These depend on relative production costs, the estimated price elasticity of demand, and the effective distance between the home region and each of the other regions. The change in share of a specific area in any region depends on changes in its delivered price and the quantity it produces compared with the same factors for competitors in that market. The share of local and external markets then drives the exports from and imports to the home economy.



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