Amenities and Community Economic Development: Strategies for Sustainability
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1. Introduction

Most discussions of rural sustainability have focused on the ecological stance against economic growth and development (Audirac 1997). At its core, sustainability refers to the extent to which development is either self-undermining or self-renewing. It focuses on how previous and current practices might affect the options and choices of future generations. Sustainability is an especially important issue for rural areas that historically have been dependent on the extraction of natural resources (i.e., forestry, agriculture, mining, and fishing) as their economic base. The issue of the relationship between natural resources and economic development remains a critical issue for many rural areas, however, because of the importance of the consumer value of these natural resources to the local economy, especially in retirement and tourism areas. Debates over sustainability, both regarding the appropriate national or state policy and the economic development strategies of communities, should consider a third element—social equity. There are two distributional impacts that I want to consider: income inequality in the region and inequality between rural and urban areas.

In this paper, I examine the structural changes that have occurred in rural America over the past quarter of a century. I focus primarily on the effects of social and economic restructuring in rural areas. Economic restructuring appears to disproportionately benefit urban areas that have large concentrations of people and businesses. Although advances in

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communication and transportation have improved access to many rural communities, communities on the urban-rural fringe have benefited the most from these changes in recent years. The primary exceptions, however, are those localities that have experienced a substantial growth in their population due to in-migration of retirees and those regions that are dependent on recreation and tourism as a source of employment and income. These communities often adopt what has been referred to as an “amenity-led” development strategy.

I explore the characteristics and nature of amenities and their potential relationship to economic development and growth, and review the existing empirical literature on the effects of amenities on population and employment growth.

2. Socioeconomic Well-Being in Rural America

The level of socioeconomic well-being in nonmetropolitan areas has lagged historically behind metropolitan areas. Poverty rates have been proportionately higher and unemployment rates and family income lower in nonmetropolitan areas compared to metropolitan areas. During the 1970s, however, the gap between metropolitan and nonmetropolitan regions narrowed as the proportion of the nonmetropolitan population living in poverty declined, the median nonmetropolitan income increased, and unemployment rates remained below those for metropolitan areas (Lobao 1990; Peronsick 1985). These trends were accompanied by the “nonmetropolitan turnaround” as the population of nonmetropolitan counties grew at a faster rate than metropolitan counties (Fuguit and Beale 1978). During the 1980s, rural America experienced a reversal of these trends. The gap between nonmetropolitan and metropolitan poverty rates increased, the median nonmetropolitan income declined, and nonmetropolitan unemployment rates increased, exceeding those for metropolitan areas by 26% in 1986 (Lobao 1990; Personick 1985). One factor contributing to the growth of poverty and the decline in income was underemployment. For example, in 1987, approximately 13% more employed workers in nonmetropolitan counties earned wages below the poverty line compared to workers in metropolitan counties (Gorham 1992). Finally, the nonmetropolitan population turnaround ended as the population of metropolitan counties expanded at a faster rate than nonmetropolitan counties (Beale 1988).

The 1990s were much more mixed for rural areas than the previous two decades. Some rural areas of the U.S. (e.g., the Great Plains and much of the Midwest) continued to experience a net loss in population, income, and employment. Other areas, especially in the South and West, but also in the upper Great Lakes States, once again experienced a pattern of strong growth, although in most cases not as much as the 1970s. The rural areas that experienced growth in the 1990s tended to have one
of two important characteristics. First, rural areas in close proximity to metropolitan areas grew faster than more rural areas located farther from metropolitan areas. Much of the growth was due to the continued pattern of decentralization that begun after World War II and accelerated during the 1960s. Workers continued to move beyond the old suburban ring in many cities and into areas that had previously been farmland or forested. This population growth increased the demand for services, which led to new businesses (such as grocery stores, retail shops, and service establishments) locating in these areas. Other businesses followed into these areas to be closer to workers.

The other characteristic of rural areas that grew in the 1990s is that many of these regions had high level of amenities. Rural areas located on the coast, near lakes or mountains, and in forested areas were more likely to experience growth during the past decade than other rural areas (McGranahan 1999). One of the key forces behind this growth in high amenity areas has been the growth of retirement and recreation areas in rural America. The aging of the population has increased the number of people of retirement age who are searching for places to live that have low crime rates, low costs of living, and moderate winters. The resulting growth in transfer payments to rural areas has helped to create new jobs (Hirschl and Summers 1982;1984).

Another factor contributing to the growth in high amenity areas, however, has been the economic expansion of the 1990s. Demand for amenities is strongly related to income. As the population becomes wealthier, they are more able to take advantage of the benefits offered in high amenity areas. One example of this income effect is the growth of seasonal homes in much of the upper-Midwest (Green, Marcouiller, Deller, Erkkila, and Sumathi 1996; Marcouiller, Green, Deller, Sumathi, and Erkkila 1996). As disposable income increased during the 1980s and 90s, second homes proliferated. Similarly, many people had more resources for outdoor recreation and for early retirement, which fueled the process of the growth of amenity areas.

In the following sections I discuss some of the major economic and social changes that have affected these trends in rural America. I focus especially on how these changes have placed rural amenities at the center of local economic development strategies in many regions of the U.S.

3. Economic and Social Restructuring in Rural America

Economic restructuring is a concept that is employed in the social sciences to refer to a broad set of economic changes that often has a vari-
The notion of economic restructuring contains a quantitative dimension, typified by the loss of manufacturing jobs and the growth of services; a spatial dimension, most commonly associated with the geographic redistribution of manufacturing jobs at the national and international scale; and a qualitative one, suggested by the greater incidence of both low-wage, low-skill jobs and high-level professional jobs in service industries, a decline in wages and unionization rates in manufacturing jobs, and feminization of the job supply.

Economic restructuring in rural areas represents an important transformation from production, with its emphasis on extractive and manufacturing industries, to consumption, with a focus on industries providing services. The loss of employment in extractive rural industries has accelerated over the past 30 years. Structural changes in agricultural production that have led to fewer and larger farmers are symbolic of the restructuring occurring in many rural areas. Although many rural areas saw the number of manufacturing jobs increase as firms moved out of urban areas in the 1960s and 1970s. Due to technological change and capital mobility, rural areas have been losing manufacturing jobs since the 1980s, albeit at a lower rate than urban areas. It has been argued that technological change and improved transportation systems would facilitate the growth of the service sector in rural America (Allen and Dillman 1994). Research suggests that this has not happened (Glasmeyer and Howland 1995). Although the service sector has grown in rural America, sectors that provide higher paying jobs, such as producer services have not grown as fast as they have in urban areas.

Parallel to the economic restructuring that has occurred in rural areas, social restructuring also has affected economic well-being in rural areas. One of the most important social changes has been the growing proportion of female-headed households in nonmetropolitan areas. Female-headed families are more likely to be poor and rely on financial assistance and childcare from friends, neighbors and kin (Duncan and Tickamyer 1988; Tickamyer et al. 1993). There also has been a growing ethnic diversity of rural household structures. Ten years ago, 14 of the 30 most ethnically diverse U.S. counties were nonmetropolitan (Allen and Turner 1990). Growth in the Hispanic population during the 1990s has added even more diversity to rural America. Both the increasing share of female- and minority-headed households may have contributed to declines in socioeconomic well-being in many rural areas.

Another element of social restructuring has been the growing number of elderly in rural America. Much of the growing number of elderly is “aging in place” rather than in-migration. The elderly who have
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stayed in place in rural areas tend to be poorer than those in metropolitan areas (Hoppe 1993).

What elements in the economic restructuring process are most related to changes in the level of growth (in terms of population, employment, and income) in rural areas over the past twenty years? Two factors stand out. Rural areas that experienced a greater percentage increase of medium and large establishments experienced higher levels of absolute growth. And the percentage change in small farms also directly affected change in growth, with those areas experiencing small increases and large increases growing the fastest during this period. Social restructuring affects absolute levels of growth indirectly, but has a much stronger affect on the relative well-being of residents in rural areas.

There are, however, a growing number of in-migrants in many rural areas of the U.S. These areas tend to be characterized by a high level of amenities. In the following, I briefly define amenities, discuss their role in the growth of the service sector, and review some of the evidence on the effects of amenity strategies for rural development and economic well-being.

4. Defining Amenities

Amenities provide benefits (or in economic terms, utility) to people through the direct consumption of specific aspects of land, natural resources and human activity (OECD 1994). These benefits are linked to a particular region and are immobile. Amenities can be defined as non-marketed qualities of a locality that make it an attractive place to live and work (Power 1988: 142). Examples of amenities are wildlife and flora, recreational areas, cultivated landscapes, unique settlement patterns, historic sites, and social and cultural traditions.

The reasons why amenities are valued, however, may vary considerably. The most basic reason is user value—individuals derive some benefit from direct physical use of the area, such as the case in recreation and tourism. Individuals do not have to use an amenity to derive some value from it. There are three alternative reasons for why individuals may value an amenity they are not using. They may not intend to use the amenity now, but want to keep the option available to use it. Some people may value the simple existence of an amenity. For example, many people may value the preservation of natural areas in Alaska, although few will actually visit the area. Finally, some people may not derive any current satisfaction from the amenity, but are interested in insuring that the amenity can be passed on to future generations referred to as bequest value.

Amenities have several important characteristics. First, amenities are restricted in an absolute sense and are characterized by nonpro-
ductibility. In other words, the use of the amenity is restricted to a specific territory which helps distinguish the territory from other territories. Irreversibility is the second characteristic of amenities. The consumer value of the amenity is sensitive to change over time and it is impossible to restore the value once it has been destroyed. An example would be the benefits derived from a wilderness area. It would be very difficult to reverse damage once it occurs. Third, amenities are positively and strongly correlated with income, what economists refer to as high income elasticity. Because of the growing demand for living in high amenity areas, the cost of living in these places may be very high. At the same time, people may choose to live in high amenity areas, even though the wages may not be as high as other areas or the opportunities for employment are not as great. In fact, some economists have suggested that wages should be lower and unemployment higher in these areas because of the other benefits associated with living in these areas (Power 1996). Finally, amenities are generally nonsubstitutable; they are unique in a sense. A wildlife area is unique and cannot be substituted with another type of amenity or even another wildlife area.

What is the relationship between amenities and development? The answer to this question obviously depends on the type of amenity and development we are considering. There are four potential relationships between amenities and development. The first possible relationship is that development will lead to the destruction of amenities. This relationship is most likely to occur where there is rapid population or employment growth in a region that contains a natural area threatened by growth. In most cases, the lack of development prevented the amenity from being destroyed. In such an instance, development and amenities are incompatible.

The opposite relationship, however, is possible; that non-development can lead to the destruction of amenities. One example of this type of relationship is the effects of depopulation on the maintenance of old buildings and the landscape. Some types of amenities may require a minimal level of support for their maintenance. We normally think of preservation of historic sites and cultural amenities as requiring a minimal level of development. Maintenance of recreation areas and even wildlife areas, however, may require some development for financial support.

A third possibility is that preservation of amenities may lead to non-development. In this scenario, activities supporting the preservation of amenities leads to a slowdown or decline in the economy. One example of this might be curtailing economic development through setting aside land for a natural area or park. This issue, for example, was the basis for much of the conflict in the Northwest United States over the spotted owl (Freudenburg, Wilson, and O'Leary 1998).
The final possible relationship between amenities and development is that preservation or promotion of amenities leads to development. An example of this type of relationship might be eco-tourism projects that preserve the natural environment, but also helps maintain the local population and economy.

As we shall see, the research suggests that amenity-led economic development strategies are likely to have an initial effect on residential location decisions and tourists rather than the location decisions of firms. Thomas Michael Power (1996) suggests that the logic of amenity-led development turns traditional export base theory on its head. He compares what he refers to as the extraction and environmental views of the economy. The extraction view of the local economy assumes that to spur development it is necessary to extract resources from the natural environment for export to external markets. The income generated from this export activity is multiplied throughout the economy and puts additional people to work. The environmental view of the local economy argues that environmental quality is at the root of economic development. Improvements in environmental quality attract workers and businesses to move to the area and increases the amount of retirement income. The new economic activity leads to diversification of the economy and additional jobs and income.

5. Amenities and Development

There are three streams of literature that focus on the role of amenities and community economic development. The first body of literature examines the effects of amenities as an economic development tool and is principally concerned with the extent that business location is affected by the quality of life. The second body of literature focuses on the affects of amenities on the redistribution of population from urban to rural areas, especially among retirees. Finally, research has examined the effects of amenities on several attributes of the local economy, such as income inequality, fiscal health, and consumer spending.

Gottlieb (1994) reviews much of the literature on amenity-oriented firm location and employment growth. His conclusion is that amenity factors do not have a strong influence on firm location decisions. There is a general assumption that amenities should have a much stronger influence on the location decisions of high technology firms than employers in other industries, but Gottlieb suggests there is very little empirical evidence to support this argument. Gottlieb argues that an amenity strategy for economic development makes the most sense at a regional scale, primarily because of the commuting behavior of workers.

In a review of factors associated with the growth of local and regional economies, Kusmin (1994) concludes that most studies have
found that climate influences business activity. Warmer temperatures are generally more attractive to business. She warns, however, that some of the effects of climate may be better captured by regional control variables.

Several recent empirical studies tend to support this general conclusion that amenities tend to be weakly related to business location or employment growth. McGranahan (1999) found that a natural amenity index was related to employment change over the past 25 years. High amenity counties had an average of three times as many jobs during this period than those that scored low on the amenity index. However, employment change was much more variable during this period than population change, especially for high amenity counties. English, Marcouiller, and Cordell (2000) identified 338 tourism-dependent counties in the nonmetropolitan United States. They found that tourism-dependent counties had higher per capital income levels in 1990, and higher growth rates from 1980 to 1990, than did non-dependent counties. They did not find any differences in the poverty rate or level of income inequality between tourism-dependent and other counties. Tourism-dependent counties had a higher population growth rate during the 1980s than did counties not dependent on tourism. Deller et al. (2001) found five different dimensions of amenity attributes to be related to economic growth. Although climate had a strong influence on population change, it had a relatively minor affect on employment and per capita income growth. Similarly, water amenities were significantly related to population change, but not to employment and per capita income growth.

There is a consensus that many rural areas grew rapidly in the 1970s, (referred to as the rural turnaround), but that the pattern changed dramatically in the 1980s. The evidence regarding the 1990s, however, suggests that the migration of people to rural areas is much more selective. Those areas adjacent to metropolitan areas or possessing amenity characteristics have continued to grow while other rural areas have declined (Johnson and Beale 1994). Beale and Johnson (1998) identified 285 recreation-dependent counties in the nometropolitan U.S. based on employment, income, and housing data. During the 1970s when rural areas were growing rapidly, these recreation-dependent counties had immigration rates twice the average of other nonmetropolitan counties. During the 1980s, when many nonmetropolitan areas experienced declines in in-migration, 80% of the recreation-dependent communities continued to experience gains. In the 1990s, there has been widespread population increases in these recreation-dependent counties.

Several studies have considered the effects of amenities on both employment and population change. McGranahan (1999) found that a natural amenities index (comprised of measures of climate, topography, and surface water) is strongly related to population change across the U.S., but less so for particular regions, such as the Midwest and North-
east. Within these areas, however, lake areas are especially important for attracting migrants within the region for recreation and retirement.

Finally, a variety of studies have examined the effects of amenities on the local labor market and economy. Many of these studies have focused on tourism and recreation. Tourism is a difficult industry to define, but definitions usually include service (hotels, amusement and recreation) and retail (restaurants, miscellaneous retail) categories (Johnson and Thomas 1990; Leatherman and Marcouiller 1996a). Broader definitions might include construction and real estate sectors, as well as transportation and public utilities.

There have been several recent studies that have demonstrated the economic contribution of recreation spending in rural areas (Bergstrom, Cordell, Ashley and Watson 1990a; 1990b). There is a growing demand for outdoor recreation and nature-based tourism in many rural areas today. Much of the demand for recreation is a result of infrastructure improvements, job creation potential and the relatively low capital requirements for many of the businesses in this industry. Recreation has the added advantage of being perceived as “environmentally-friendly” compared to most extractive industries and manufacturing. There is, however, some criticism of promoting outdoor recreation and nature-based tourism. Most of the criticism focuses on the types of jobs that are created (seasonal, temporary and low-wage) and the effects of recreation development on economic diversification (Becker and Bradbury 1994; Britton 1977; Fritz 1982).

Beale and Johnson (1998) note that local governments in recreation-dependent counties face especially difficult challenges. Local governments in recreational counties tend to collect more revenue and spend more relative to their local income base than do other counties. Most of these local governments are faced with higher than normal costs for infrastructure (especially highways and sewage and water systems) and personnel (such as police and fire protection). Because they are so dependent on recreational spending, economic recessions may seriously affect the ability of local governments to meet these demands. Keith, Fason and Chang (1996) also point out that the seasonal nature of these economies present some problems for local governments due to the fiscal stress that results from short-run employment variability.

Compared with other industries, tourism is highly labor intensive (Bull 1991). There are exceptions, such as large-scale amusement sites that are capital intensive. There are other aspects of tourism that tend to affect job quality. Tourism is largely a seasonal phenomenon (Stynes and Pigozzi 1983; Sutcliffe and Sinclair 1980). The seasonality of labor use has important effects on income, housing and other employers in the region.
Tourism is frequently criticized for creating low-income jobs, especially for women, and contributing to greater income inequality (Smith 1989). Recent research tends to support some of these claims (see Marcouiller and Green [2000] for a review of this literature). Leatherman and Marcouiller (1996b), for example, found that in a rural region of southwestern Wisconsin, tourism was found to have a "hollowing out" effect on the income accruing to middle-class households. Part of the reason for this effect may be the fact that tourism businesses provide relatively low-paying jobs that are dominated by seasonal and part-time work. Other types of industries rely more on permanent, full-time jobs.

Ohman (1999) focuses on the nonmetropolitan Pacific Northwest and also considers the affects of amenities on income inequality. She found that in the 1970s, non-amenity counties tended to grow faster than other counties and had lower levels of income inequality. But in the 1980s, amenity counties had higher levels of population and income growth, but there were few differences in income inequality.

6. Implications of Amenity-Led Development for Sustainability

Most research on amenity-led development strategies has focused on identifying communities that are heavily dependent on amenities or it has examined the relationship between the level of amenities in a community and several outcomes, such as population, employment, and income growth, as well as income inequality, and fiscal and economic health of the region. Although the research on these topics is not extensive, there appear to be some patterns in the findings.

To review, the literature suggests that amenities have a minimal role on firm location, the exception being educational level, but a much stronger role on population change. Recreation-dependent counties, for example, have experienced higher rates of in-migration than other rural areas for the past three decades. Ironically, there is some evidence suggesting that recreation-dependent counties are more likely to experience fiscal stress than are other rural communities. There is some regional variation in the relationship between amenities and population change, with the relationship much stronger in the South and the West.

The evidence regarding the effects of amenity-led development on other various measures of social and economic well-being are mixed as well. While amenity-led counties had higher levels of inequality in the 1970s, there are essentially no differences between these areas and other rural areas in the 1980s or 1990s. The relationship between amenities and poverty rates or income inequality is very weak, but the relationship is much stronger, and positive, for income growth.
7. Research Issues

Several important research questions remain. Clearly, most of the research has focused on one possible relationship between amenities and development—the benefits of preserving amenities on development. To further understand this relationship we need additional research on other possible relationships, such as how non-development can also lead to the destruction of amenities. This type of research would probably require assessment of different types of amenities that are dependent on a minimal level of development. Similarly, we need a better understanding of how and under what circumstances growth and development can negatively affect amenities.

The existing evidence suggests that amenity-led development strategies are more effective in affecting population growth rates than they are the level of inequality, fiscal health, etc. There are exceptions and we need to better understand how amenity-led strategies can address issues of poverty, underemployment, and high levels of income inequality. Based on case study comparisons, Bloomquist, Goe and Green (2002) suggest that rural communities are most likely to promote growth with equity when there is greater emphasis on creating local wealth by establishing more control over land, labor and capital in the community. By placing ownership and control at the local level, communities have greater potential of developing strategies that acknowledge the relationships between development, the environment, and the social needs of citizens. To put it more concretely, these strategies focus not only on increasing profits, but also on producing jobs at a livable wage and on practices that do not degrade the environment.

Finally, we need a better understanding of how developers react to amenity-led development strategies? Several studies in urban areas suggest that the growth machine is actively engaged in supporting museums, sports teams, convention centers, etc. as a means of promoting growth (Logan and Molotch 1987). The problem of rural areas building their economies around amenities is that there is a potential of too much growth promotion, which ultimately destroys the very amenities that support the economy and the environment. Are communities dependent on amenities as the basis of their economy? If so, how do communities balance growth and the preservation of amenities?

8. Policy Issues

Large pockets of rural America continue to lose population and jobs but are becoming more equal in terms of income; other rural areas are growing, but so is the level of income inequality. Some of these areas are
experiencing rapid population growth due to their proximity to urban areas. On average, in-migrants have higher income than the long-term residents in these communities. Similarly, communities with a high level of amenities also may be attracting high income residents.

Amenity-led development poses several challenges to practitioners interested in promoting sustainable community development. As Ron Shaffer (1995) has suggested, “sustainable development is less an issue of technical feasibility, and more an issue of what policies, behaviors, and institutions are required to achieve it in practice.” The initial challenge for many practitioners is to convince local residents to consider their natural and environmental resource as an amenity, rather than as a resource to extract for external market. This issue has been at the source of much of the conflict in the Northwest, where loggers and the timber industry have fought environmentalists over the appropriate level of timber production necessary to sustain the region’s economy. One of the tough issues in this debate is that the jobs replacing those lost due to environmental regulation may not be as good (in terms of wages and benefits) as the manufacturing jobs lost in these communities. Local leaders and policy makers need to consider the impact of their decisions not only on the number of jobs but on the quality of jobs created and a variety of equity issues within these communities.

A more difficult policy issue, however, may be in communities where the value of amenities is recognized by local residents and leaders and strategies for promoting those resources are adopted. Promotion of these amenities can lead to rapid population growth, which is frequently greeted with attempts to restrict residential development. Again, equity issues come to the fore when considering options for sustainability. Efforts to limit the number of new residents tend to increase housing prices and to reduce the availability of low- and moderate-priced housing (Lil-lydahl and Singell 1987; Schwartz, Hansen and Green 1984).

How can communities manage the contractions of growth, amenities, and equity? Several strategies may be considered. First, communities need to develop strategies for improving the quality of jobs associated with amenities, especially tourism and recreation. Many of these jobs are seasonal. It may be possible to offset some of these problems by encouraging development that has a heavier demand for labor during the off-season. For example, it may be possible in some northern states to promote cross-country or downhill skiing as a means of providing employment in the winter months rather than just the summer. Another strategy is to promote job sharing across regions. If there is a heavy demand for workers in the summer, it may be possible to find employers in another region or a nearby city that have heavy demand for workers in the winter.

Second, it appears that the rural communities most successful at promoting growth with equity are able to help generate jobs in support-
ing services, especially health care and education. These industries tend to, while capturing resources that may be leaking out of the community.

Third, communities can find ways of supporting low-wage workers through affordable housing, transportation, and child care programs. Rural communities, however, are generally less likely to promote these programs.

Finally, we need to consider policies that address the urban-rural inequalities that result from amenity-led development. Many of the beneficiaries of the promotion of amenities live in urban areas, while most of the costs associated with this development are borne by residents in rural areas. Examples of these costs would be for infrastructure, such as roads and utilities, needed to access these amenities. Federal and state programs need to recognize these externalities and develop policies that address these inequalities.

References


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