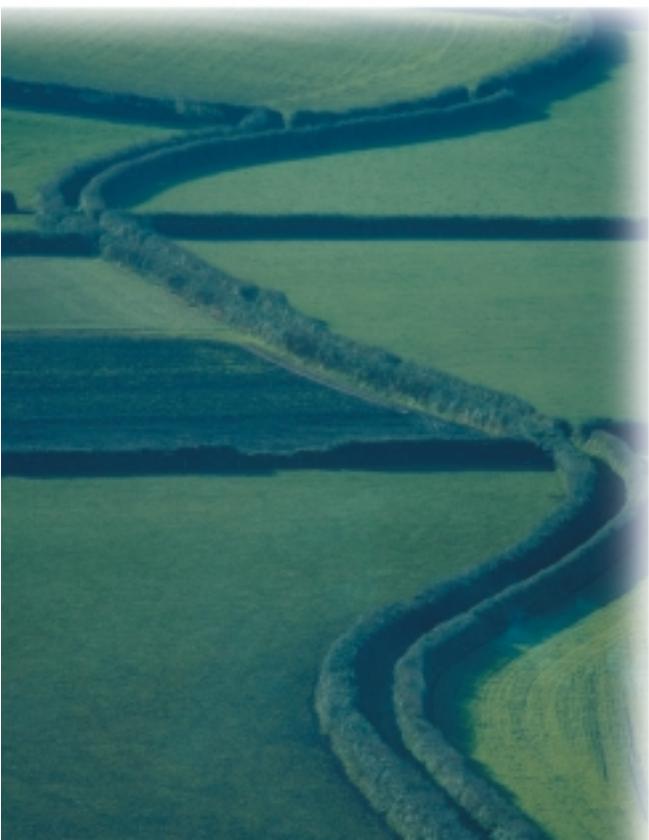




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Commentary on the rural economy



Can Scenic Amenities Offer Rural Gain Without Pain?

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Many rural areas shared in the nation's unprecedented run of economic prosperity in the 1990s. Growth in rural America, however, was extraordinarily uneven, concentrated in roughly a third of the nation's rural counties. Most of the rural growth occurred in counties near urban areas, along transportation corridors, and especially around scenic amenities. In many scenic rural areas, mild climates and varied topography attracted tourists, retirees, workers, and businesses, boosting populations and increasing job growth.

But rapid growth in scenic areas can pose serious challenges to rural leaders. Many of the jobs created in scenic areas pay less and require fewer skills than other rural jobs. The rugged terrain of many scenic places can hinder the growth of jobs in higher skilled and higher paying industries. And rapid growth can cause congestion and strain public services and infrastructure. Rural policies are often needed to help ensure a well-balanced growth that enhances job skills and enables rural communities to provide adequate services.

What are scenic amenities?

An amenity can mean different things to different people. Many people regard the natural beauty of mountains, lakes, forests, or beaches as amenities. Others enjoy man-made amenities, such as historical buildings, casinos, gardens, or wildlife preserves. Some rural residents prefer wide-open spaces that are free of congestion, while others long for the entertainment and cultural activities of life in the city. Amenities may also mean quality healthcare, top-notch schools, high-speed Internet access, clean water, and even paved roads. In short, a scenic amenity can be viewed as any attribute that enhances a location as a place to live.

To measure the impact of scenic amenities on the rural economy, however, some objective criteria that characterize amenities must be chosen. Perhaps the most comprehensive measure available today comes from the U.S. Department of Agriculture. The USDA ranks counties based on their level of natural amenities—that is, on topography, climate, and water area. The USDA uses six specific measures in its amenity index: warm winter, winter sun, temperate summer, low summer humidity, topographic variation, and water area. Although the USDA index excludes man-made amenities and the social or economic environment, this index gives us a useful tool for identifying and comparing scenic amenities in rural counties.

According to the USDA index, the highest levels of scenic amenities appear in the rugged terrain of the intermountain West, along sunny coastal areas such as Florida, among the rolling hills, lakes, and streams of the Ozarks, and in the Appalachia region of the Southeast (Figure 1). Average levels of scenic amenities exist in numerous counties of the

South and Northeast. The lowest levels of scenic amenities appear in the nation's agricultural midsection, extending from the prairies of Kansas, north to the Canadian border, and east to the Great Lakes.

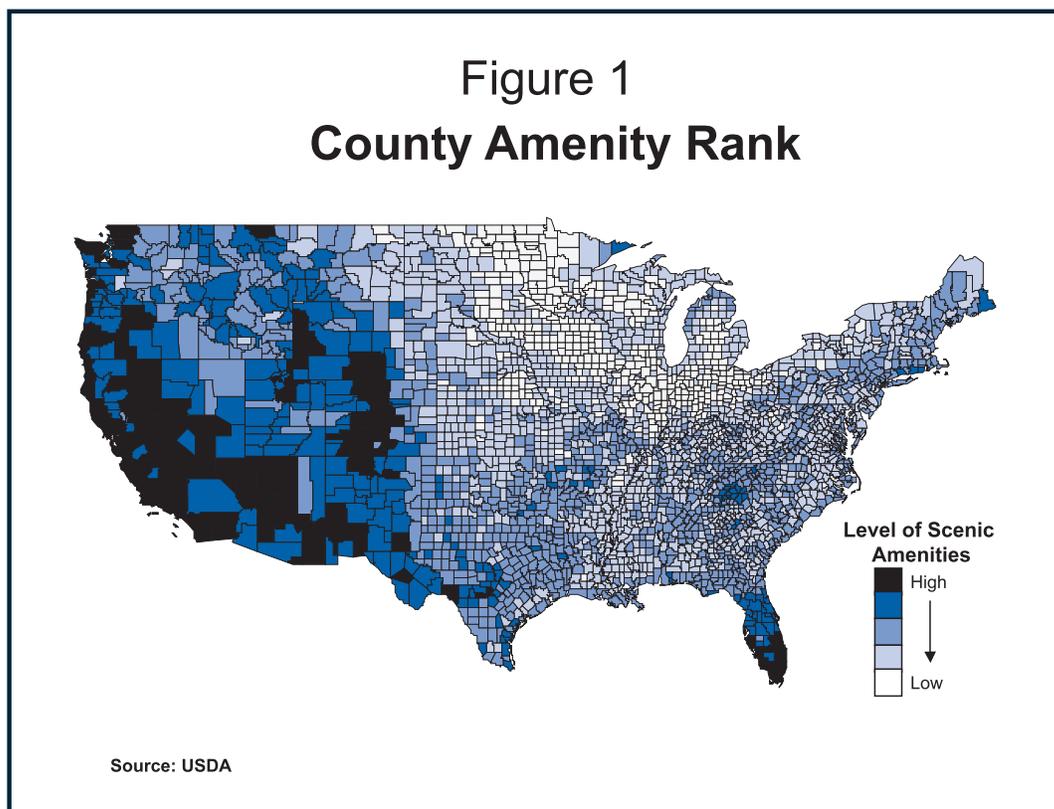
Remarkable growth of scenic rural areas in the 1990s

In the 1990s, retirees, tourists, workers, and even new businesses flocked to rural America. Populations rose as many

(the most recent year for which data are available), rural counties with the highest level of scenic amenities grew 2.1 percent annually, more than double the rate of growth in rural counties nationwide (Chart 1). Meanwhile, in rural counties with the lowest level of scenic amenities population growth was stagnant.

The attraction of mild climates and varied topography added many new residents to rural populations in the 1990s—

**Figure 1
County Amenity Rank**



urban retirees and workers left the hustle and bustle of the cities for more scenic rural areas. As the waves of new residents and tourists arrived, retail sales soared, often pushing up job rolls in scenic areas. While this was happening, many new businesses—businesses in technology and service-related industries, in particular—took advantage of their footloose nature to head for the greener pastures of scenic rural America.

Simply put, the population growth in scenic areas during the 1990s was nothing short of remarkable. From 1990 to 1997

at very little cost to these communities. As populations in scenic rural areas soared, so did job rolls. Many rural communities were primed to add new jobs after the twin crises in energy and agriculture in the 1980s. From 1990 through 1997, growth in rural jobs was more than 2 percent annually, double the growth rate of the decade before.

But the rapid growth of new jobs was not enjoyed by all of rural America. Rural job gains were concentrated near urban areas, along transportation corridors, and especially in scenic areas. The most scenic

rural counties, according to the USDA index, added jobs at 4.4 percent per year, nearly double the rate for the nation's rural counties as a whole.

Job growth in the most scenic rural areas was especially strong in the services sector. Service jobs in these rural counties grew 7 percent per year, outpacing growth in all other rural counties by a three-to-one margin. Heightened tourism and recreation boosted payrolls in these industries, while

national chains and cyber merchants on the Internet.

Challenges to rapid growth in scenic rural areas

While rural communities with scenic amenities have welcomed the growth in population and jobs, many of these same communities face significant challenges. First, the rugged terrain of many scenic areas can hinder job growth in higher

Scenic Policies Around the Globe

Policies regarding scenic amenities are becoming prevalent worldwide, but policy approaches vary as much as the rural landscape. Some countries focus on sectors of the economy that are land-intensive, others focus on geographic regions, and still others focus on unique cultural or historical attributes.

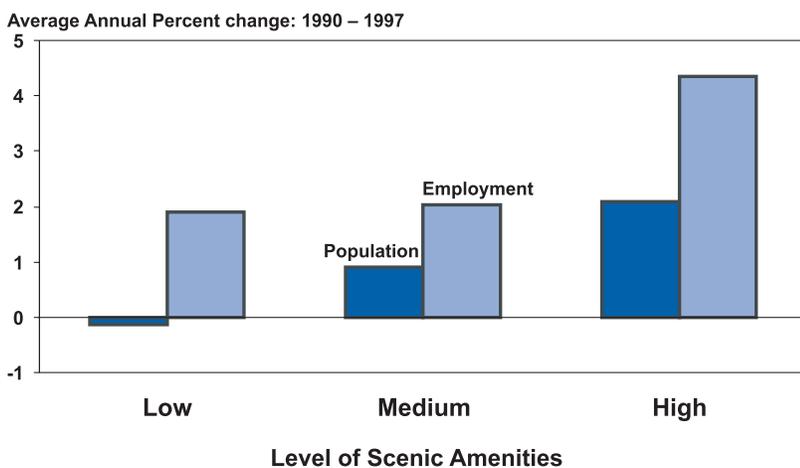
Examples of a sectoral approach are found in the European Union and Australia. For years, European agricultural policies have either required or rewarded producers who use traditional farming methods to preserve the cultural and scenic value of the land. Similarly, the Australian Regional Forest Agreement was designed to strike a balance between a globally competitive forestry industry and preservation of the forest.

In contrast, France has developed a geographic approach to scenic amenities. Preserving unique attributes of different regions and promoting economic development were two reasons cited when France created regional nature parks, which span various social and political boundaries.

Other countries have approached policy with high regard for historic and cultural tradition. The Asuka region of Japan is well known for its architecture, temples, shrines, ancient tombs, customs, rituals, music, and folklore.

Pressures from urbanization and declines in local industries spurred an effort to protect the region's rich cultural amenities and promote alternative industries with special laws involving land use, spatial planning, and tax concessions.

Chart 1
Scenic Rural Areas
Employment and Population Growth



Source: USDA, U.S. Census

healthcare, business, and educational services expanded to meet the needs of new workers and new businesses.

Retail employment also benefited from the influx of new residents and tourists in scenic rural areas. Although retail job growth was strong in all rural counties during the 1990s, counties with the highest level of scenic amenities added retail jobs at nearly twice the rate of other rural counties. As the tide of new tourists and residents in scenic rural areas rose, so did demand for retail goods such as gasoline, food, clothing, and souvenirs. These newfound customers were especially appreciated by rural businesses worried about competition from

paying industries, such as manufacturing. Second, many retail and services jobs require fewer skills than other rural jobs, limiting growth in personal income and worker skills. Finally, rapid growth in scenic rural areas can often strain local infrastructure and public services.

Attracting higher paying jobs to scenic areas has always been a tough challenge for rural leaders. Building factories and transporting goods over rugged terrain, for example, present expensive hurdles to rural manufacturers, driving up production costs and limiting business expansion in this higher paying industry. Growth of manufacturing jobs in all rural counties was

sluggish in the 1990s, averaging barely 1 percent per year (Chart 2). At the same time, manufacturing jobs in counties with the lowest level of scenic amenities grew at an enviable rate of 5.7 percent per year.

Coping with so many new jobs in the services and retail sectors in scenic areas presents another tough challenge for rural leaders. Per capita income growth and the level of job skills in these communities may be limited. Without encouragement,

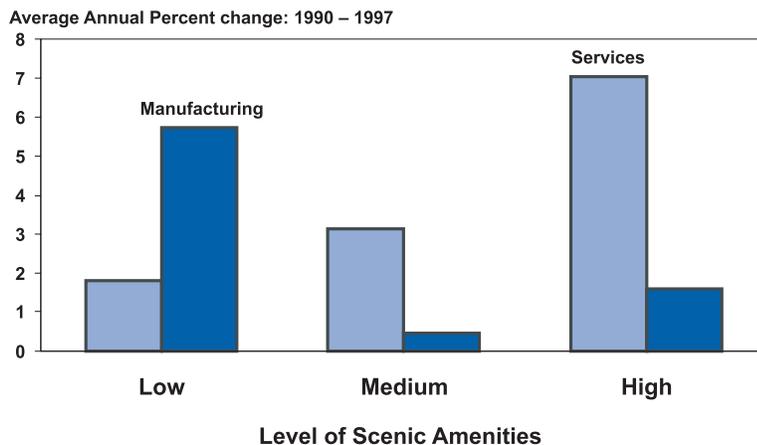
likely to relocate to scenic rural areas, higher incomes and greater skill development should become a reality. But to realize this potential, of course, we must first narrow the digital divide between rural and urban America.

Another solution to the problem of creating too many jobs at the lower end of the pay scale is to pursue local policies that encourage well-balanced growth among local industries. The logging industry, for

retirees, businesses, and workers can strain the local infrastructure and public services. New homes and new businesses can further stretch the rural infrastructure. And state and local governments must keep up with the need for local services such as police and fire protection. Ironically, rapid growth may create congestion in scenic rural areas, endangering the intrinsic value of the places that attracted people to rural America in the first place.

Chart 2
Scenic Rural Areas

Employment Growth by Sector



Source: USDA, U.S. Census

skill development in scenic rural areas may suffer and business expansion in higher paying industries may be hindered. This could be one of the prime reasons why so many of today's young people are leaving rural areas, robbing rural communities of their future leaders.

One possible solution to the lack of higher paying and higher skilled jobs in scenic rural areas is telecommuting. As new technologies become more accessible to remote areas, physical location becomes less important for many jobs. In the future, scenic amenities will almost certainly draw increasing numbers of telecommuters from the cities. With people of all income levels becoming more

example, has traditionally produced many higher paying jobs in scenic rural areas. Policies could help maintain growth in this industry while preserving the value of the forest, which would enhance growth in tourism and recreation. Other local policies could help scenic rural areas diversify into other industries to become less dependent on tourism and recreation. Well-balanced growth across many rural industries could lift rural incomes, encourage skill development of rural workers, and create a buffer in economic downturns.

Still another major challenge to leaders in scenic areas is managing growth so that new residents and visitors do not overwhelm rural communities. Relocating

Conclusions

Scenic amenities are often praised as a driving force behind the growth of successful rural communities. Indeed, as tourists, workers, and retirees flocked to scenic rural counties in the 1990s, these areas experienced rapid increases in population. Higher levels of scenic amenities, as measured by the USDA, also enhanced rural employment growth overall, particularly in services and retail trade.

But rapid growth in scenic rural areas can pose significant challenges to rural community leaders. Some of the more serious challenges include lower wages, limited growth in higher skilled occupations, and strained public services and infrastructure. Without strong local leadership and policies designed to balance growth among rural industries, encourage skill development of rural workers, and maintain crucial rural services, the kind of growth experienced in scenic rural areas in the 1990s may have a hollow ring.

Scenic amenities can be both an important tool for economic development for rural America and an economic challenge. But we should also remember that other community characteristics are vital to rural development. An educated work force, access to markets, urbanization benefits, and localization of industries all made significant contributions to rural employment growth in the 1990s. Characteristics such as these, along with strong local leadership and sound local fiscal policies, will help rural communities with and without scenic amenities reach their fullest potential in the 21st century.