Place and Prosperity

Prepared for:

Governor's Council on Maine's Quality of Place

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In its 2006 report "Charting Maine's Future: An Action Plan for Promoting Sustainable Prosperity and Quality Places," the Brookings Institution asserts that Maine's quality places are scarce and valuable assets in today's economy. At the request of the Governor's Council on Maine's Quality of Place, staff at the State Planning Office investigated the intellectual underpinnings of that claim. They also considered why and how Maine might consider "Quality of Place" as a new framework for economic development. This paper summarizes their findings and conclusions. It is structured such that the Council could chose to include it as background with its final report and recommendations.

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Executive Summary

Maine residents know that the world is changing. New technologies have decreased the constraints of physical distance. Maine is attracting businesses and individuals who previously could not have located here. Declining transportation costs and lower international trade barriers have given businesses more freedom to locate in low-cost countries.

Historically, Maine's assets of semi-skilled labor, hydropower, and natural resources allowed it to produce goods at lower cost that its competitors. Indeed, many of the state's current economic development initiatives are aimed at lowering businesses' costs. These efforts have undoubtedly kept some businesses in Maine and mitigated job losses at some facilities. But cost-based competition is getting harder.

Today, the economic playing field favors professional services and high value-added manufacturing over traditional manufacturing and resource extraction. Successful businesses are those that can exploit new technologies, respond to changing consumer demand, and generate new, innovative ideas for new markets. Surviving U.S. manufacturers aren't competing through lower costs, they're competing through higher quality.

Today's growth industries aren't based on low-cost, low-skill manufacturing; they're based on knowledge, skills, and innovation. Technology firms are less tied to traditional factors such as transportation costs, proximity to raw materials, and cheap labor. Their success often depends on their ability to attract and retain highly-educated workers.

Research shows that Quality of Place amenities such as Maine's natural environment, historic downtowns, and livable communities help to attract economic activity. Today's businesses and individuals are now freer to locate based on lifestyle amenities rather than traditional economic factors. Nationwide, they have revealed a preference for attractive natural settings with ample opportunities for outdoor recreation, low crime rates, and cultural amenities like museums, restaurants, and galleries. These "Quality of Place" attributes also attract tourists and retirees. Places with favorable Quality of Place characteristics tend to experience more economic and population growth.

As an economic development strategy, "Quality of Place" entails a comprehensive effort to protect, enhance, and market the characteristics that make a region distinct and attractive as a place to live, work, and recreate.

Quality of Place is a complement to, not a substitute for, traditional economic development strategies. It endorses elements of traditional strategies in areas like transportation, health care, and education. Businesses looking to expand or relocate usually consider Quality of Place when other production costs are similar across two or more competing locations. So tax policy, transportation and telecommunication infrastructure, and workforce qualifications are still important.

And yet, Quality of Place strategies are attractive because they seek to directly enhance the well-being of residents, which is the ultimate goal of economic development. Furthermore,

Maine is well positioned to compete based on Q of P, not costs. The Brookings Institution (2006: 6) notes that, "Maine possesses a globally known 'brand' built on images of livable communities, stunning scenery, and great recreational opportunities." This brand, Brookings asserts, has increased in economic value as "the search for quality places grows in importance." In this regard, it asserts, *"…Maine is surprisingly well-positioned for the future."*

Quality of Place initiatives must be pursued regionally. One's perception of Q of P reflects the entire region within which one resides, works, and recreates. Businesses assess amenities within the region where employees will live, not just the worksite. Many tourists and retirees also begin their destination selection regionally. Thus, each community's Quality of Place decisions affects its neighbors. Protecting or enhancing Q of P may only be done regionally.

Quality of Place must be defined regionally. It is difficult to define and measure "Quality of Place." It is multidimensional, entailing elements of the natural and built environments, cultural amenities, and civic traditions. It is unique to each place. Therefore, each region must define its own Quality of Place.

Within a Quality of Place framework, the value of natural resources depends on their accessibility. Maine's natural setting plays a key role in defining its Quality of Place. Leveraging natural resources to attract residents and visitors requires an infrastructure that makes the resource accessible, and businesses that provide necessary goods and services.

Successful economic development policies and initiatives align a region's unique assets with promising and realistic market opportunities. Different people – natives, retirees, tourists, telecommuters, etc. – assess Q of P slightly differently. The choice of whom to target should be grounded in a realistic assessment of a region's strategic assets, and understanding of the benefits and drawbacks of each target market.

In all, we find that the time is right to reshape Maine's economic development strategy in a way that targets resources to initiatives that are well-suited to today's economic realities.

I. Introduction

"Accessible wild places and tranquil country farms, human-scaled Main Streets and working waterfronts: These are what differentiate Maine from other places and in many respects drive its economy." – Brookings Institution 2006

In 2005, GrowSmart Maine commissioned the Brookings Institution to report how Maine has changed both physically and economically in recent decades, and to suggest strategies to ensure sustainable prosperity for Maine's future. After a year of research and interviews, Brookings released their report in October 2006. One of its main findings was that the quality and character of Maine's people, communities, and landscape are a unique economic asset, and that preserving and investing in that "Quality of Place" is essential for the state's long-term economic health. Brookings titled its report "Charting Maine's Future: An Action Plan for Promoting Sustainable Prosperity and Quality Places."

Many of the report's recommendations aligned closely with actions that Governor John E. Baldacci's administration had already taken or were underway, such as increasing efficiencies in state government and school administration, instituting a spending cap on all levels of government, increasing investments in research and development, and expanding access to higher education.

Governor Baldacci sought to take further action on two of the reports' recommendations. In response to Brookings' suggestion of a Maine Innovation Jobs Fund, he established the Governor's Council on Jobs, Innovation, and the Economy. The council was responsible for developing a strategy for state investments in innovation and cluster development. The council's recommendations resulted in the $50 million bond that Maine voters will consider in the November 2007 referendum election. If approved, the Maine Technology Institute will administer those funds on a competitive basis for research, development, and commercialization in targeted technology sectors.

Next, Governor Baldacci created the Governor's Council on Maine's Quality of Place, responding to the report's recommendation of a Maine Quality Places Fund. This council is composed of seventeen Maine residents with ties to public, private, and non-profit institutions

throughout the state. It has two primary purposes. First, to determine if "Quality of Place" is a viable framework for community and economic development in Maine, as suggested in the Brookings report. Second, to the extent that it is, to determine what would be required to implement that strategy.

To assist the council in its work, the State Planning Office wrote the following paper, which begins to answer two questions. First, "based on the academic literature, is Quality of Place a viable strategic driver of community and economic development?" If so, "what must Maine do to realize a Quality of Place strategy?" To answer these questions, we review the economic and planning literature that describes, measures, and evaluates Quality of Place and its empirical connection to economic prosperity.

In Section II, we briefly describe the roots of Maine's current economic development strategies and consider whether new tools are necessary to respond to today's economic realities. In Section III, we explore the many tangible and intangible factors that comprise Quality of Place, how researchers attempt to measure them, and how they collectively act as an economic good. In Section IV, we discuss the theoretical and empirical connections between Quality of Place and recent changes in technology and trade, business attraction, tourism, and retiree migration. In Section V, we describe the empirical evidence connecting Quality of Place and overall economic growth in rural and urban areas. Finally, in Section VI we offer concluding remarks and policy implications.

II. A New Economic Development Strategy for Maine?

Before deciding whether Quality of Place is a promising framework for economic development, it is prudent to ask whether Maine needs a new framework. After much consideration, our determination is: "Yes." The following paragraphs explain why.

Maine residents know that the world is changing. We have felt it directly. New technologies have decreased demand for labor at manufacturing facilities. Increased international trade has threatened some Maine companies with new, low-cost competitors. Growing demand for new goods and services such as advanced medical care, internet access, and green technology have created entirely new economic opportunities. To thrive in today's economy, many Maine workers and businesses have acquired new skills, adapted to changing consumer demands, switched occupations or industries, and even relocated.

State government has also adapted. The state's economic development initiatives now include investments in research and development, the creative economy, and industry clusters – strategies that reflect understanding of new economic drivers.

Part of this council's charge is to ask whether the state's current economic development initiatives and infrastructure are sufficient to respond to current and future market conditions. To answer this question, we reflect on past changes in Maine's economy.[1] One determinant of Maine's ability to cope with and adapt to changing economic and social forces is its ability to understand them (Cottrell 1976). All of the phases through which Maine's economy has progressed have, in various ways, contributed to the mix of development strategies that we have today.

Farming, Fishing, and Forestry

As a young state, Maine's economy relied heavily on its natural resources. The majority of Maine workers were engaged in agriculture, and many of the rest were harvesting the bounty of

[1] For a more detailed discussion on this topic, see "The Economy in Motion: Maine's Emerging Future," in Changing Maine, 1960-2010: Teaching Guide (2006) ed. Richard Barringer, University of Southern Maine, Muskie School of Public Service, New England Environmental Finance Center, Portland, Maine.

its forests and waters. In this regard, Maine was like much of the rest of the country. One hundred years ago, nearly two-thirds of American workers were employed in farming or manufacturing, and roughly the same proportion lived in rural areas. Farming, especially, relied on large amounts of manual labor, which spurred population growth in rural areas. From 1860 to 1910, Aroostook was Maine's fastest growing county. By 1910, it was Maine's third most populous county.

Manufacturing

Then new technologies and the opening of farmland in the Midwest allowed Maine to produce and purchase more food using fewer people. On the technology side, a field that once took three people a day to harvest could now be harvested in a few hours by one person and a tractor. Such advances made food cheaper, permitting consumers to spend more on things like clothes, furniture, and other manufactured goods. People who could no longer find work on the farm took to our mills and factories.

Some manufacturers located in cities, but many built in rural areas where they drew from the abundance of semi-skilled workers, inexpensive land, and readily available waterpower. In addition to big manufacturing centers like Lewiston-Auburn and Biddeford-Saco, smaller operations arose in Dexter, Skowhegan, Guilford, and Wilton. Some rural towns urbanized with the expansion of manufacturing.

Knowledge and Innovation

Then things changed again. New technology and investments allowed us to manufacture more goods with fewer people. Transportation and communication improvements expanded trade with places with large pools of cheap, unskilled labor. These changes made goods less expensive and increased competition for U.S. manufacturers. Consumers began to spend money on things like haircuts, chiropractors, and accountants – "services" that rely on the knowledge and skills of the service provider. Today, many people with service jobs might have worked in manufacturing in times past.

Demand has also grown for new, innovative products like computers, the internet, and iPods, and specialty items like designer clothes and organic food. Today, the economic playing field favors professional services and high value-added manufactured goods over traditional manufacturing and resource extraction. Successful businesses are those that can exploit new technologies, respond to changing consumer demand, and generate new, innovative ideas for new markets. Surviving U.S. manufacturers aren't competing through lower costs, they're competing through higher quality.

The Rural-Urban Divide

Maine's rural and urban places have experienced these changes very differently. Rural areas thrived when agriculture and manufacturing ruled the national economy. In these industries, producers and consumers can be far apart. Potatoes can be grown in northern Maine and served in a restaurant in southern Maine. Lobsters can be caught in Washington County and eaten fresh in Miami or Los Angeles. Paper products can be made in Millinocket and used around the world.

Most knowledge and innovation-driven businesses are different. In the case of many services, the person providing the service and the person using it need to be in the same place. Growth in high-skilled services has favored urban places, where a critical mass of people creates enough demand to make highly specialized services profitable.

Urban places also benefit from deeper pools of skilled labor. Jobs that require more formal training and skill tend to flourish in places where there are a lot of similarly skilled people, and where customers can afford to pay for high-skill services. Employers looking for highly skilled workers seek out places with lots of potential employees from which to choose. In most cases, these have been urban rather than rural places. Metropolitan areas also offer a greater diversity of job opportunities, increasing the likelihood of a favorable match between the career ambitions of workers and the skills sought by businesses (Krugman 1991; Feser 2002). This has particular appeal for the growing numbers of dual-career households that must consider the professional ambitions of both partners when choosing where to live.

Today's knowledge and innovation economy isn't inherently worse or better than one based on raw commodities or manufactured goods. However, it highlights disparities of workforce skills and market size in rural and urban areas.

A New Strategy

Successful development strategies have always aligned with the economic conditions of their time and place. Take, for example, the Homestead Act of 1862, which offered free land to any U.S. resident willing to settle in America's unorganized West. At that time, agriculture was at the core of the nation's economy and land was a valuable economic asset, bestowing opportunity and security to its owner. In one of the largest migrations in history, Americans responded to the Homestead Act en masse. Ultimately, one-tenth of the nation's land area was settled in this manner.

Today, some of the same states populated by the Homestead Act still offer free land to settlers. They have attracted some new residents, but the response is nothing like it was years ago. That's because the world has changed since 1862, and land alone simply does not provide the same opportunity and security it once did.

Many of the Maine's current economic development initiatives are aimed at lowering businesses' costs. Historically, our state's assets of semi-skilled labor, hydropower, and natural resources allowed us to compete by producing goods at lower cost than our competitors. If competitors' costs changed, however, then we lost our advantage. For instance, Maine's textile industry thrived until North Carolina successfully lured textile businesses south with lower wage and energy rates. Maine's efforts to reduce or subsidize business costs have undoubtedly kept some companies in Maine and mitigated job losses at some facilities.

But we know that some necessary cost-saving measures, such as upgrading paper mill machinery, actually reduce employment opportunities. Today's growth industries aren't based on low-cost, low-skill manufacturing; they're based on knowledge, skills, and innovation. If we want to grow, we need to focus some of our energy and resources on those industries. The time

is right to reshape Maine's economic development strategy in a way that targets resources to those initiatives that are well-suited to today's economic realities.

III. What is "Quality of Place?"

The Brookings Institution (2006: 6) notes that, "Maine possesses a globally known 'brand' built on images of livable communities, stunning scenery, and great recreational opportunities." This brand, Brookings asserts, has increased in economic value as "the search for quality places grows in importance. In this regard, it asserts, *"…Maine is surprisingly well-positioned for the future."*

Most Maine residents believe that ours is a special state. When we leave it, we often recognize differences in pace of life, congestion, and relationship with nature that remind us why Maine is different. For further confirmation, we see the millions of tourists from other New England states, the mid-Atlantic, and around the world who travel to Maine each year.

Some aspects of Maine's "Quality of Place" (Q of P) are easy to identify. They're the postcard images of loons, lobsters, and lighthouses. Other aspects are harder to pinpoint, like the reputation for quality and honesty epitomized by companies like L.L. Bean and Stonewall Kitchen.

To determine whether Quality of Place is a viable development strategy, we must first gain a clearer understanding of the term. Below is a paraphrase of the description put forth by Council Chairman Richard Barringer.

> Quality of Place consists of those characteristics of a community or region that make it *distinctive* from other places and *attractive* as an area to reside, work, and/or visit. Because it is distinctive, Quality of Place varies from location to location. Because it is attractive, it entails characteristics that are outstanding from the norm.
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> Quality of Place encompasses a community's natural and built environment, civic traditions, cultural amenities, recreational opportunities, and access to them; in some cases it includes housing, education, and health care, and access to these.
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> In current Maine program terms, Quality of Place initiatives embrace landscape protection, downtown revitalization, historic preservation, the creative economy, outdoor recreation, nature- and heritage-based tourism, and local and regional planning initiatives. By implication, it also touches upon affordable housing, transportation, education, and health care.

Characteristics or assets that enhance a community's Quality of Place are often called "amenities." For example, if a place has many museums, theaters, galleries, and concert halls, it is said to have ample "cultural amenities."

Quality of Place is difficult to measure. As the above description indicates, Quality of Place is multidimensional and includes both tangible and intangible factors. That makes measuring it inherently difficult, even subjective. This is unlike traditional economic factors such as tax rates and workforce size, which have "hard" numeric values, are often uniformly specified and documented, and can be reliably compared from one place to another. Quality of Place characteristics often don't have numeric values and defy easy comparison. Some data sources relate very closely to Quality of Place factors but are too high-level to capture important subtleties. For instance, we can quantify the amount of forestland in a given county, but we can't quantify the difference between the brilliant colors of an autumn forest in New England versus Georgia. Likewise, we can report the miles of coastline in Maine and New Jersey, but we can't quantify the aesthetic difference between Maine's "rock bound coast" and New Jersey's long sand beaches. Yet there is growing interest in the connection between the Quality of Place and economic prosperity, and therefore a growing number of researchers are taking on the measurement challenge.

Quality of Place is multidimensional. Some researchers combine indicators of several factors of Quality of Place into one index. A well-known example is Richard Florida's Creativity Index, which combines information on a city's labor force, industry mix, innovative activity, and cultural tolerance into one measure of "creativity." Other studies isolate one aspect of Quality of Place. These fall loosely into four categories: the natural environment, the built environment, civic traditions, and culture and recreation.

> **Natural Environment:** The most common measures of natural amenities are climate, topography, and water bodies. Climate is generally measured by average temperature, humidity, and rainfall at different times of year. Topography indicates the variety of landscapes in an area such as mountains, valleys, plains, etc. Water amenities are often

described by the number and size of lake, rivers, or coastline in an area, the presence of marinas and water access points, etc.

Built Environment: A place's physical structures (e.g., residential, commercial, industrial, religious, and civic buildings) often define its character. Their appearance and layout may strengthen or detract from social networks. The manner in which they are constructed and occupied may determine whether the community enjoys sustainable fiscal policies and private investments.

Civic Traditions: "Civic traditions" refers to the strength and extent of a community's social networks, the level of social capital (mutual trust and reciprocity), and civic engagement and effectiveness. Researchers can't measure these intangible qualities directly, so many use survey responses and proxies such as membership in clubs and organizations, political participation, crime rates, and volunteerism.

Culture and Recreation: Cultural and recreational activities generally describe the range of leisure activities available to residents and visitors. Cultural amenities are often measured by the number of cultural institutions in an area, such as museums, theaters, libraries, restaurants, galleries, studios, festivals, fairs, concerts, historic sites, and the cultural diversity of the local population. Recreational activities may be indicated by facilities such as tennis clubs, and bowling alleys. Nature-based recreational infrastructure includes hiking trails, campgrounds, parks and public lands, golf courses, ski resorts, etc.

Quality of Place is regional. A region's Quality of Place is the collective result of the characteristics of individual sites. Lagging areas can bring down the attractiveness of an entire region, and dissuade new investment regardless of the quality of individual sites within the region. Take, for example, New Jersey. For many travelers, perceptions of that state are formed by the dense industrial and residential development first seen along Interstate 95 in northern New Jersey. These images carry more power then the large unseen regions of farmland that earned New Jersey the nickname "Garden State," or its miles of white sand beaches, or the fact that over

one-fifth of the state (1.1 million acres) is Pine Barrens, the largest stretch of undeveloped land in the mid-Atlantic.

Many businesses see Quality of Place factors as regional attributes that appeal to workers. Most businesses do not care about locating within *immediate proximity* of residential amenities. However, they do care about the availability of amenities in nearby communities where workers will live. Once a business has chosen a region, there may be many potential sites all within commuting distance of high-quality recreational amenities and good schools, which will appeal to its workers. Many costs, on the other hand, such as taxes and regulatory burdens are site-specific. For this reason, both Myers (1987) and Gottlieb (1994; Gottlieb 1995) advocate a coordinated regional strategy toward Quality of Place improvements.

Quality of Place is an economic good of real value. Places with distinct and attractive Quality of Place are scarce. Scarce commodities have economic value that influences, and is revealed by, people's financial decisions. Many people have accepted lower wages or periods of unemployment to live in high-amenity areas. When a back-to-the-land movement hit the baby boomers in the 1970s, many of them rejected opportunities for higher incomes and standards of living in metropolitan areas to experience a more "authentic" life in rural places like Maine. Conversely, people may demand higher compensation to live in low-amenity areas (Roback 1982).

Variation in property costs also reveals the economic value of Quality of Place. Buyers are willing to pay more for a shorefront house in Maine than for an identical house a few miles inland. Numerous studies have found a price premium for properties near open-space and conserved land (Weicher and Zerbst 1973; Mahan *et al.* 2000; Irwin 2002; Thorsnes 2002). These findings held true in both rural and urban areas.

Quality of Place is a public good. The collective decisions of a region's residents, businesses, and governing bodies contribute to its Quality of Place. All residents and businesses can experience its Q of P at once, even if they didn't help create it. Therefore, there is generally little incentive for any single individual, or group of individuals, to assume responsibility for

enhancing and protecting Q of P. Historically, societies use the public sector as the vehicle to protect and enhance “public goods” like Q of P.

IV. Quality of Place in Today's Economy

Quality of Place relates to Maine's economy in at least three ways.

First, new technologies have decreased the constraints of physical distance; Maine's Quality of Place is attracting businesses and individuals who previously could not have located here. Several national businesses have located portions of their operations, such as call centers, in Maine towns far removed from both corporate headquarters and customers. Advancements in telecommunication are also allowing individuals to live in Maine and work for employers and clients many miles away. Businesses and individuals who have taken advantage of these new opportunities say that Maine's Quality of Place was important to their decision to locate here.

Second, Maine's Quality of Place supports a tourism industry that is integral to the state's economy, and is one of the largest sources of employment. The state's distinct natural beauty and picturesque communities draw millions of visitors each year. Many Maine businesses and individuals rely on tourism for sales and income.

Third, the aging of the baby boomers has drawn attention to Quality of Place as a factor in deciding where to retire. Compared to previous generations, baby boomers are entering retirement years earlier, healthier, and wealthier. Some have the means to relocate as they enter a new phase of life. They are choosing where to retire based on a number of variables, including climate; taxes and cost of living; proximity to family, medical care, airports, and recreational opportunities; and other Quality of Place factors. Some retirees are choosing Maine, and more will follow.

The following sections examine each of these connections in more depth.

Technology, Trade, and Quality of Place

Today, location has at once more and less economic significance. Changes in technology and international trade have decreased the limitations that physical distances once posed to businesses. Many professional services can be delivered over the telephone and internet, with providers and clients located thousands of miles apart. Falling transportation costs and international trade barriers have given businesses more freedom to locate in low-cost countries, transport goods to customers thousands of miles away, and still make a profit.

This geographic freedom has not spread economic activity evenly across the U.S, however. Instead, it is increasingly concentrated in a relatively small number of high-performing regional economies (Porter 1990). These high-performing regions typically have concentrations of the most critical asset in today's knowledge-intensive economy: highly educated and skilled people (Florida 2002).

Some scholars believe that these workers, and the businesses they generate and attract, are beginning to locate based on historically non-economic factors such as climate, recreational opportunities, access to nature, and cultural amenities. In this case, a region's unique Quality of Place becomes a tool for attracting workers and businesses.

Changes in technology and trade affect each place differently. To reconcile the seeming paradox between distance-less business transactions and increasing business concentration, one must consider how the effects of technology and trade differ across regions. Growing demand for new technologies can spawn entirely new industries such as biotechnology, nanotechnology, and clean energy. The development of new products, in turn, makes older technologies obsolete, and the makers of older technologies must modernize or face decline. Because businesses within the same industry tend to emerge and locate near each other, the rise and fall of industry fortunes may parallel the rise and fall of regional economies.

For example, declining demand for U.S. manufactured goods has resulted in the decline of many factory towns of the industrial Midwest and Northeast. At the same time, industries rooted in

research and development, advanced producer services, and high-tech manufacturing have emerged as new engines of economic growth. Areas with an early advantage in these industries, such as California's Silicon Valley, Austin, Texas and the Research Triangle of North Carolina, have seen solid economic growth over the past several decades. In the long run, regions that foster entrepreneurship and can continually reinvent themselves are best at adapting to technological change (Chinitz 1961).

Technology also changes the relative cost and importance of the different factors of production: land, labor, energy, raw materials, infrastructure, etc. These factors are not distributed evenly across regions, and places endowed with the most valuable assets will attract more investment. Maine has benefited from this phenomenon in the past. For example, in the 1800's, Maine's resources of forestland and deep-water ports gave it a natural advantage in shipbuilding. Dozens of shipyards thrived along the Maine coast. Then changes in technology reduced demand for wooden ships. Today, Maine's boatbuilding industry remains strong, but it draws on different state resources, such as the generations of skilled craftsmen with ingrained knowledge of boatbuilding and seamanship, and advanced composite technologies developed at the University of Maine. As another example, globalization has greatly increased the importance of speed and flexibility in production (Harding 1990). Many U.S. manufacturers have turned away from large-scale mass-production systems opting for more flexible forms of production, such as just-in-time delivery systems. As a result, demand for access to airports and major shipping nodes has replaced demand for large warehousing facilities.

As today's technology sector and professional services grow, demand for highly education workers rises. Regions with dense concentrations of those workers have a comparative advantage.

Modern technologies have also created new possibilities for separating the various functions of the business hierarchy. As a rule, corporate headquarters, research and development, back-office operations, and production facilities once had to be located near each other to ensure coordination and effective oversight. Now advances in telecommunications have reduced the constraints of distance, permitting each function to locate according to its own needs (Harding

1990, Cohen 2000). Headquarters often prefer to remain in a large city with access to clients and managerial talent (Gasper and Glaeser 1998) while back-office operations may be more profitable in smaller cities or international centers where labor and land are more affordable (Richardson and Gillespie 1996; Moss 1998). For example, at the Defense Finance and Accounting Service center in Limestone over 300 local residents handle the finance and accounting needs of thousands of Department of Defense employees worldwide. Through modern telecommunications technology, these workers currently provide services to clients in fourteen time zones.

Telecommuting creates new opportunities for rural areas, but isn't a panacea. The technological advances that permit corporate decentralization also allow for increased physical separation between workers and the workplace. Telecommuting and telework refer to the substitution of an employee's normal working hours in a traditional office for the home or other remote location. The extent of telecommuting varies by individual: from those who work at home one or two days a week to those who operate exclusively from home and connect with colleagues and clients by phone, email, instant messaging, and internet. While there are no official counts of teleworkers, the Census Bureau reports that growth of home-based workers more than doubled that of the overall labor force between 1990 and 2000 (release CB04-183, 2004).

Many see telecommuting opening new doors for the economic activity of rural communities. They surmise that by leveraging natural amenities and low housing costs, rural places can successfully attract "lone-eagle" electronic commuters who work for employers and clients around the globe (Blakely 2001). There is, as of yet, little hard evidence that telecommuting will become the driving force behind a modern day rural renaissance.

The primary effect of information technology has been to lengthen commutes, but not eliminate them altogether (Handy and Mokhtarian 1995; Mokhtarian *et al.* 2004). Many jobs still require a physical presence (Salomon 1996). Even for those with a job amenable to telework, many workers are reluctant to make the shift fearing social isolation, being overlooked for promotion, or being left out of critical informal information flows (Assessment 1995; Gillespie *et al.* 1995).

Thus rural areas immediately outside a city's historical suburbs may experience more growth than very remote rural areas. In Maine, southern counties like York and Cumberland may see an increase in long-distance commuters to the Boston region, but there may be less impact in more remote counties.

Increasingly, businesses in high-growth industries are thriving in regions with highly-skilled workers. The common denominator of the new domestic economy is demand for well educated, skilled, and adaptable workers. Access to these workers is becoming just as important as taxes and transportation, if not more so, for the growing knowledge-intensive drivers of the domestic economy. As scarce assets, these workers have a new ability to attract rather than chase economic opportunities. They have greater control over where they live than ever before. By and large, they are choosing places with distinct and attractive Quality of Place. Thus, despite new technologies that allow businesses to grow and locate wherever they choose, there are still significant variations in growth across regional economies. Regions that attract and retain a skilled workforce are experiencing more growth in today's economy.

Quality of Place and Business Attraction

A region's economic growth is determined by three factors: its ability to *retain and grow* existing businesses, *generate* new businesses, and *attract* businesses and investment from outside the region. Historically, economic development has emphasized the latter of these: attracting new business and investment by aggressive marketing, tax abatements, interest-free development bonds, site development, or other cost-reducing incentives. In recent years, competition between states has intensified, with states offering larger and larger concessions. These targeted recruitment efforts are closely followed by initiatives to improve the business climate by lowering broad-based tax rates, streamlining permitting processes, and reducing regulatory requirements.

Most empirical research indicates that fiscal incentives are relatively ineffective in altering where businesses locate (Blair and Premus 1987; Fisher and Peters 1998). At times, they may even

drain scarce resources that could better be spent on long-term development strategies such as upgrading infrastructure, improving access to education, and developing local amenities.

Quality of Place is an attractive addition to traditional economic development strategies. Strategies based on improving a regions' Quality of Place funnel investment directly to improving the welfare of residents, which is the ultimate goal of all economic development initiatives. Quality of Place strategies reconcile the "business versus environment" debate by recognizing that a healthy, attractive natural environment helps employers recruit and retain workers, and that employment opportunities are important to the well-being of residents.

Quality of Place is important for attracting new businesses, but it is often not the most important factor. Most firms view Quality of Place factors as second-tier location considerations, preferable but not necessarily "must-haves." Quality of Place usually becomes important when other production costs are similar across two or more competing locations (Ritter 1990). Labor factors such as wage rates, the availability of qualified workers, productivity, and labor climate typically score near the top of most studies of business location. (Schmenner 1982; Goldstein 1985; Blair and Premus 1987; Love and Crompton 1999; Gambale 2006). Market accessibility factors such as highway access, proximity to customers, and transportation connections are also commonly listed among the top ten.

Most economists believe that Quality of Place influences business location decisions indirectly, namely through the preferences of their workers. Workers prefer places where they expect to enjoy a high quality of life. In turn, businesses seek locations that enable them to attract and retain valued workers, thus reducing recruiting, training, and turnover costs. However, there is evidence that knowledge and technology-driven businesses are so labor dependent that they factor residential preferences directly into their site choices (Gottlieb 1994; Gottlieb 1995). From the perspective of the employer, the most highly ranked Quality of Place factors are low crime, affordable housing, quality schools, and health facilities (Avery 2006). Cultural and recreational amenities rank fairly low among businesses. It is uncertain whether a survey of workers would produce a similar ranking as their employers.

The relative importance of different Quality of Place factors varies by industry and corporate function. Retail and personal-service businesses locate to maximize sales revenue (Cohen 2000). They prefer locations near existing and planned residential development, particularly affluent households with high disposable income. Manufacturers are the most sensitive to traditional location costs such as wage rates, proximity to markets or raw materials, transportation costs, and utilities; quality of life factors are generally less important (Hekman and Greenstein 1985). There is some evidence that higher value-added forms of advanced manufacturing are more attracted to high-amenity urban locations (Granger and Blomquist 1999). Corporate headquarters prefer cities with excellent airline connections, an abundance of professional support services, and a variety of cultural amenities that appeal to company managers (Cohen 2000).

Knowledge- and technology-based businesses value Quality of Place more than other businesses. The one group that consistently lists Quality of Place as a "must-have" is technology- and knowledge-intensive businesses (Myers 1987; 1988). Technology firms are less tied to traditional factors such as transportation costs, proximity to raw materials, and cheap labor. They are much more dependent on their technical workforce. The availability of technical labor is their most important location determinant, followed by proximity to universities with relevant strengths (Schmenner 1982; Gottlieb 1994). Technology firms consistently give higher ranks to Q of P factors than do other firms. They frequently rank Q of P amenities higher than traditional location factors (Blair and Premus 1987).

Research and development (R&D) facilities are particularly sensitive to the availability of highly educated workers and Q of P amenities (Harding 1989; Ritter 1990). They often locate near major research universities to recruit graduates, provide up-to-date employee training, and even collaborate in direct research with university faculty (Harding 1989; Malecki 1992). Universities also tend to provide cultural and recreational opportunities that appeal to knowledge workers and are otherwise unavailable outside of large urban areas.

Businesses assess amenities within the region where employees will live, not just the worksite. Thus, each community's Quality of Place decisions affects its neighbors. Looking

at job growth in engineering and managerial services in Northern New Jersey, Gottlieb (1995) finds that, with the exception of avoiding areas of violent crime, most businesses do not care about locating within *immediate proximity* of residential amenities. However, they do care about the availability of amenities among neighboring communities, such as low crime rates, low pollution levels, high school quality, and close proximity to commuter rail terminals.

These results further confirm that businesses, at least those which are highly dependent on educated workers, consider the residential preferences of their workers in their location and expansion decisions. However, such factors affect choice of region, not necessarily the specific worksite. This reinforces that fact that economic development is a *regional* phenomena and calls for regional approaches and coordinated action. The isolated actions and policies of individual municipalities can negatively affect the region's overall attractiveness and hurt long-run prospects for business and residential development.

As industries that value Quality of Place grow, demand for high-quality places will grow. The growth of technology and information firms is expected to outpace other industries in the U.S. (Berman 2005). As the economy becomes increasingly knowledge- and technology-intensive, it is reasonable to expect that Quality of Place will gain in importance. At the same time, traditional cost and market factors such as infrastructure, highway and airport access, labor costs, education, and taxes will continue to be important and should not be ignored.

Business location surveys should be interpreted with caution. Business location surveys like those discussed above are valuable tools for understanding how businesses decide where to locate. However, surveys also have some serious shortcomings, if not carefully designed and administered. Many location surveys are conducted by trade publications through voluntary readership polls and may not represent all businesses.[2] Some respondents may intentionally misrepresent their true preferences in hopes of skewing policy decisions. For example, a business owner may inflate the importance of tax abatements hoping that government will continue to offer more and larger incentives. Lastly, preference surveys always include an

[2] For example, the annual corporate survey by Area Development magazine (Gambale 2006) is dominated by large manufacturers. As a consequence, its findings under represent the location preferences of smaller firms and businesses in the service-based economy.

implicit evaluation of a business's current location and may not reflect *absolute* preferences (Gottlieb 1994). For example, Love and Crompton (1999) found that firms relocating within Colorado ranked Quality of Life lower than firms relocating from out-of-state. The authors argue that firms relocating in-state might take for granted Colorado's natural beauty and abundant recreational amenities, and focus on the region's deficiencies.

Quality of Place and Tourism

Tourism is a tradable good. The previous sections considered how Quality of Place can benefit a region's economy by attracting permanent residents and businesses. This section looks at Q of P and tourism. In economic terms, tourism is a tradable good (Crouch and Ritchie 1999, English and Bergstrom 1994). It draws wealth into a region by "selling" recreation or leisure experiences. Tourism is an appealing development strategy because it is seen as a clean industry, it requires relatively little capital, and can benefit areas that have lost their industrial base in recent decades (Marcouiller and Prey 2005). Done well, it preserves and enhances a region's unique natural, recreational, and cultural amenities. It also introduces the region to visitors and seasonal workers who may later become permanent residents, especially in retirement (Woods 2000, Kuentzal and Ramaswamy 2005, Mason and Pettit 2001).

However, because tourism is tradable, the tourism market is highly competitive. Travelers can choose from many places that offer the recreational or leisure experience they desire. This makes each region's unique Q of P a competitive asset for attracting tourists. While there are some concerns about the quality of tourism jobs, and tourism's impact on housing prices, the environment, and community cohesiveness, tourism is an increasingly popular development strategy both nationally and internationally.

Maine is well-known as a tourist destination, primarily for its natural amenities. Longwoods International (2006) estimates that overnight visitors to Maine spent over $3 billion in 2005, about two-thirds of which came from tourists (rather than people visiting family and friends or on business). Maine's Quality of Place undoubtedly influences the number and type of visitors who choose it as a destination.

According to surveys commissioned by Maine's Office of Tourism, the percentage of tourists that identified the main purpose of their trip as outdoor recreation, skiing, and "touring" exceeds national averages. More than half (60%) of tourists from outside the Northeastern U.S. reported "touring" the state, indicating that Maine's overall Quality of Place, and its associated attractions, draw more tourists than any individual site or activity. The percentage of visitors who come for beaches and "country resorts" roughly equaled national rates. Few tourists are drawn to Maine's cities, special events (concerts, festivals, etc.), casinos, and theme parks.

Throughout 2005, Maine's Office of Tourism conducted an online survey of people who were planning trips to Maine. While the survey is not scientific, it does offer a sense of what prospective visitors intend to do in Maine. More than 70% planned to sightsee/drive for pleasure, relax and enjoy the views, eat lobster, and dine out. More than 50% said they would explore national and state parks, shop, and participate in some form of outdoor recreation, most notably swimming, beach-going, hiking, and walking. Just 21% said they planned to enjoy Maine's nightlife and evening entertainment.

In a survey of state park visitors, nearly 40% of out-of-state visitors indicated that they had planned their park visit at part of their trip to Maine (Morris *et al.* 2006). For one in six (17%), visiting the one of the state parks was their trip's primary purpose.

Clearly, Maine's natural amenities are a primary attraction to tourists. In the summer, millions of visitors crowd Maine's coastal towns and inland destinations such as Baxter State Park, Moosehead Lake, and the rapids of the Kennebec and Penobscot rivers. In the winter, thousands of snowmobilers and skiers flock to Northern and Western Maine.

Tourism relies on a combination of resources, infrastructure, businesses, and location. None of those factors alone is enough to support a sustainable tourism industry. A recreational resource, such as a mountain, lake, or historic building, isn't enough to attract tourists. Marcouiller and Prey (2005) describe three ingredients to a recreational experience: resource, infrastructure, and businesses. The resource is what people come to do or see.

Infrastructure allows them to do or see it. Businesses provide the goods and services that make their trip possible. For instance, Mt. Katahdin is a resource. The roads to it and trails up it are infrastructure. The nearby hotels, campgrounds, restaurants, and stores provide the goods and services that hikers need and desire. Only the combination of these can attract the number of people who climb Mt. Katahdin each year.

Within a given region, the location of recreation sites also affects their usage. Since most people allot a fixed amount of time of a trip, they seek to minimize the amount of time spent on non-recreation activities like planning and transportation (English and Bergstrom 1994; McClellan and Medrich 1969). Therefore, sites near other popular destinations will receive more use than distant sites that require tourists to spend a lot of non-recreating transit time. Furthermore, places where people can enjoy a variety of recreational activities within close proximity will be more appealing than places with only one available activity.

These principles are important for regions seeking to leverage their recreational assets. Reducing the amount of time visitors spend traveling and planning can increase the amount of time they spend purchasing local goods and services. Indeed, the economic benefit of a visitor's trip increases with length (English and Bergstrom 1994). An overnight visitor will spend more than a day visitor on lodging and meals, and will likely spend more time at local shops and recreation areas. Therefore, maximizing the economic impact of tourism requires minimizing visitors' transportation time to and within the region, minimizing the time needed to find accommodations, restaurants, recreation areas, stores, etc., and offering a variety of recreational activities and attractions within close proximity.

Successful tourism development requires the right balance between increasing the accessibility of recreation sites and maintaining their integrity (Marcouiller and Prey 2005). In fact, the sense of remoteness and wilderness that characterize some scenic areas are the very things that attract people to them. Losing them in an attempt to increase the attraction's economic impact could instead produce a net loss.

Research shows the overall benefits of tourism generally outweigh the drawbacks, but it is important to understand both. Measuring tourism is difficult since many of the goods and services consumed by tourists are also consumed by local residents (English *et al.* 2000). Furthermore, many of the amenities that attract tourists, such as scenic beauty, outdoor recreation opportunities, and cultural amenities, are the same Quality of Place characteristics that attract residents. Empirical evidence of connections between natural and cultural amenities and economic growth (discussed below) may in part reflect robust local tourist economies.

For these reasons, much of the research related to tourism looks at the histories of places that are now recreation destinations. These areas are generally defined by the percentage of employment and income from recreation and entertainment (golf courses, ski resorts, amusement parks), lodging and restaurants, and real estate. Many rural counties that score high by recreation measures also score high on measures of natural amenities, but the overlap is not predominant (Johnson and Beale 2002). Some counties with ample natural amenities don't have strong tourism economies, and a few less endowed counties do. This supports the notion that resources are just one ingredient for tourist attraction.

Most studies find that places with relatively more economic activity related to recreation have experienced more growth in recent decades. Johnson and Beale (2002) find that during the 1980's, when the nation's rural counties as a whole were experiencing net out-migration, the populations of rural recreation counties continued to grow. English *et al.* (2000) also find that tourism-dependent counties experienced higher income and housing growth, although they find no significant difference in poverty rates within those counties.

When rural areas resumed growth in the 1990's, recreation counties grew even faster. Population in recreation counties increased 20.2% from 1990 to 2000, compared to 10.3% for all rural counties (Johnson and Beale 2002). Most growth came from the migration of new residents into recreation counties, rather than natural increase. Reeder and Brown (2005) confirm these results and find that employment growth in recreation counties more than doubled growth in non-recreation counties.

Skeptics and opponents of tourism development site the inferior nature of many tourism jobs. Reeder and Brown (2005) find that in 1999, earnings per job were slightly lower in the nation's recreation counties than elsewhere, meaning that jobs in these counties paid slightly less on average. However, earnings per worker were higher, meaning that each worker tended to make more money during the course of the year. Since tourism generates many part-time and seasonal employment opportunities, this may reflect some workers having multiple jobs. Measures of total income (which includes sources other than job earnings) were also higher in recreation counties. In 1999, per capita income and median household income in recreation counties were 10% higher than in other counties (Reeder and Brown 2005). Recreation counties have significantly lower poverty rates. Indeed, despite worries about the quality of tourism jobs, there is little conclusive evidence that tourism alone exacerbates income inequality among residents within a region (English *et al.* 2000; Marcouiller *et al.* 2004).

The impact of seasonal residents mainly differs from tourists in their demand for housing. Places that attract tourists also appeal to people looking for recreational or seasonal homes. According to the 2000 Census, about 16% of Maine residences are owned by out-of-state residents or by Maine residents for "seasonal, recreational, or occasional use." Like tourists, seasonal residents increase demand for local goods and services, especially those related to construction and recreation (Marcouilller, *et al.* 1996). Construction demand highlights their principle difference from tourists: seasonal residents increase demand for housing. By extension, they also increase demand for workers who can construct, renovate, decorate, and maintain houses. This may broaden the variety of job opportunities within a recreation-dependent community. However, the impact of second-home owners is unclear.

At the same time, increased housing demand can inflate the cost of homes and rental units in tourism-dependent areas (English *et al.* 2000; Reeder and Brown 2005). Since tourism-dependent areas are often characterized by high natural amenities, it may be impossible to distinguish price increases caused by seasonal residents and increases from demand for natural amenities.

Maine residents know the effect of increased demand for local homes and properties. Many have seen the sale value of their home greatly increase in recent years, along with the cost of buying a new one. In some recreation destinations, higher earnings opportunities may overshadow the increased cost of housing. Reeder and Brown (2005) find that in 2000 the additional income of households in recreation counties nationwide exceeded the average addition cost of housing. However, these aggregate findings may mask the experiences of some low-income households.

In addition to bringing new wealth and demand into a region, seasonal residents may also bring new values and ideas. In many areas, seasonal residents have higher incomes than permanent residents, higher average education levels, and more commonly have white-collar occupations (e.g., Marcouiller *et al.* 1996). In their case study of seasonal communities in the Upper Great Lakes, Marcouiller et al. (1996) find that seasonal residents are more likely to value peace and quiet and high environmental standards. They're also less likely to place high priority in local economic development than local residents.

Regions should pursue tourism development with full understanding of its benefits and drawbacks, and an eye toward creating the type of tourist experience that will support the desire level of jobs. Regions looking to develop tourism should thoroughly explore, understand, and deliberate the pros and cons of becoming a tourist destination (Woods 2000). For one, the ability of tourism to create high-quality jobs is often debated. "In reality," David Marcouiller (2007) states, "tourism tends to generate high levels of seasonal, part-time employment opportunities primarily geared to first-time workers and young people with little work experience… On the other hand, for certain types of tourism jobs, lucrative career ladders exist."

To improve the nature of tourism employment, Marcouiller (2007) and Vail (2007) argue for more development strategies focused on the supply of tourism rather than demand. In other words, instead of increasing tourist numbers through marketing, focus on supplying the type of tourism that will produce desired results, such as higher paying jobs, year-round employment, etc. This would likely entail comprehensive and complementary strategies for infrastructure, education, businesses development, etc. Marcouiller (2007) argues that this approach is more likely to generate well-paying jobs, rather than the low-wage jobs that are generally associated

with tourism. He notes, however, that part-time and seasonal jobs can provide valuable opportunities for entry-level people (teenagers, college students, immigrants, migrants, etc.), people in transition, and retirees and others looking to supplement their income.

Strategies based on tourism supply align with the preferences of the target market. Travelers of different ages and cultural backgrounds may desire different forms of recreation. For instance, a recent survey of Maine state park users found that visitors to historic sites tend to be older and have higher incomes than visitors to day-use parks and campgrounds (Morris *et al.* 2006).

Quality of Place and Retirement

As the nation's 78 million (U.S. Census Bureau 2006) baby boomers near retirement, many states and regions hope to attract them as permanent residents. Retirees are appealing migrants because many bring stable incomes and accumulated wealth. They increase demand for local goods and services. Family and friends follow as visitors, generating additional economic impact (Mason and Pettir 2001). Also, many retirees continue to work after they arrive and are active volunteers and community members (Mason and Pettit 2001).

Many states hope to attract retiring baby boomers, but the low percentage of retirees who move generally congregate to a small number of warm locations. According to a report by the American Association of Retired Persons (AARP), "One of the persistent myths is that Americans move when they retire" (Prisuta *et al.* 2006). The 2000 Census revealed that 23% of people age 65 and older had moved in the last five years, but most stayed close to move. Just 5% crossed state lines. According to report Adam Edelman, "In many cases, of course, retirees can't afford to move. But even for those who have the means to move to areas that cater to retirees, the desire to age in place near family and friends runs deep."

Retirees who do move have varying motivations. Based on 1990 Census migration data, Walters (2000) identifies three types of migrants: *amenity migrants* who move for leisure and recreation opportunities and a favorable climate, *assistance migrants* who move closer to their children or other individuals out of physical or financial necessity, and *severely disabled migrants* who

move into assisted living facilities or nursing homes. Walters estimates that amenity migrants account for about half of all relocating retirees between 1985 and 1990. They followed very distinct migration patterns that favored warm climates and proximity to bodies of water.

In states like Florida, Arizona, Nevada, and North Carolina, the recent, massive influx of retirees has created entirely new communities, constructed, maintained, and provisioned by local residents and businesses. These states have gained tens of thousands of new retirement-age residents in recent years. Seeing their growth, many other states have sought to gain a piece of the emerging "retirement industry."

Maine is among them. Happily, we have a promising track record. Between 1995 and 2000, Maine experienced the highest net gain of residents age 65 and older in New England (1,650). New Hampshire gained less than half that amount, Vermont broke even, and Massachusetts, Connecticut, and Rhode Island all lost older residents. However, Maine's gain was negligible compared to Florida's gain of 150,000 retirees and Arizona's gain of more than 50,000.

Retirees' relocation patterns have generally followed the population's at large, suggesting that some Quality of Place attributes attract people of all ages. The Northeast, mid-Atlantic, and upper Midwest are losing retirees while the South and Southwest are gaining them. Much of this may be climatic. Prisuta *et al.* (2006) find that counties with high rates of retiree in-migration as of 2000 tended to have higher average temperatures, lower crime rates, lower property and income taxes, higher percentages of recreation and entertainment employment, and, in rural areas, high percentages of federal lands. The last factor likely reflects migration to Western states. In a survey of recent retirees, Prisuta *et al.* (2006) find that climate is the top reason older people move (31%), followed by the desire to be closer to family and friends (19%). Retirees who moved liked their new location's community life (32%), climate (32%), natural surroundings (19%), and "community amenities like stores, shopping, and restaurants" (18%). Their most common dislikes were "traffic congestion and over-population" (22%), "weather" (14%), and "lack of amenities" such as cultural or educational facilities (11%).

There is unquestionably a connection between retiree's decisions of where to move and Quality of Place. Presumably freed from the need to base relocation decisions on employment, Q of P may be the most important factor. However, it often is defined in terms of temperature, which leaves Maine at a disadvantage. Natural amenities, however, are certainly part of the equation. In fact, there is a high degree of overlap between rural places with higher than average recreation economies and rural places with higher than average in-migration of retirees (Reeder and Brown 2005).

V. Quality of Place and Regional Economic Prosperity

The previous sections examined the relationship between Quality of Place and three potential sources of economic growth: business location, tourism, and retirees. The broader question is how Q of P affects a region's overall economic prosperity. The influence of Q of P on overall economic prosperity is typically assessed by changes in aggregate economic outcomes, such as employment, population and income growth.[3] These outcomes represent the region's overall ability to *retain, generate,* and *attract* economic activity. Over the long-run we should see areas with higher Quality of Place measures having higher economic growth if, in fact, the two are positively related (Calzonetti and Walker 1991). Few studies examine the relationship between Q of P and equity-based notions of economic development, such as the earnings gap between rich and poor (Kwang-Koo *et al.* 2005).

Most studies find that areas with high levels of Q of P factors (e.g. natural amenities, low crime, quality public schools, and cultural opportunities) also have higher rates of population and employment growth. But while the evidence is largely favorable, it is important to look deeper into how Q of P is measured and for what types of communities, such as urban and rural.

Rural Quality of Place

The economic research on Quality of Place is typically divided between studies of rural and urban places. For rural areas, the burning policy question is whether Q of P offers a viable development strategy to offset continuing job losses in agriculture, resource extraction industries (e.g. mining and logging), and manufacturing (Isserman 2000; Kwang-Koo *et al.* 2005).

In rural places, Quality of Place is closely tied to the natural environment. Natural amenities are beneficial, but not sufficient to guarantee growth. Rural Q of P is largely associated with natural amenities such as climate, topographical variation, and proximity to ponds, lakes and the coast. McGranahan (1999) argues that changing residential preferences

[3] Because of their reliance on secondary data, these studies tend to favor costs and other quantifiable types of physical and natural amenities over less tangible facets of Quality of Place such as social cohesion and the *quality* of good and services.

favoring areas with natural amenities is among the most important contributors to the growth of rural areas in recent decades. He finds that rural counties scoring higher on a natural amenity index typically had faster rates of population and employment growth than those lacking such natural advantages. He warns, however, that natural amenities alone are not a sufficient condition for growth. There are many examples of high amenity areas with little growth, and vice-versa. Some of the relationship between his natural amenities index, which favors warm and dry climates, may also be explained by long-term population shifts from the Northeast and Midwest to the South and Southwest.

The highest value of a natural resource may no longer be its extraction. Historically, it has been the extraction of natural resources that generates population and economic growth. Recall the Oklahoma Land Rush and the California Gold Rush. In places where natural resources have long been sources of extracted wealth, some residents worry that conservation and economic development are opposing goals. For this reason, a narrower field of study has evolved around the economic impact of conserved lands. Most studies have found a positive or neutral relationship between the amount of conserved land within a region and population, employment, and wage growth (Duffy-Deno 1998; Lewis 2001; Lewis *et al.*, 2002; Lewis *et al.* 2003; Lorah and Southwick 2003).

There is no strong evidence that land conservation adversely affects regional economies. If anything, the two may be positively correlated. This suggests that protecting and enhancing an area's natural amenities need not come at the expense of economic opportunity. In fact, successfully leveraging them as Quality of Place assets may attract more sustainable economic opportunities than industries that compete in global commodity markets (Power 1996).

Environmental quality can also facilitate growth under a Quality of Place strategy. Pagolatos *et al.* (2004) challenge the conventional wisdom that growth must always be at the cost of the environment, and the converse notion that environmental protection is necessarily contrary to growth. They test whether communities with higher air pollution levels experience higher earnings and employment growth, and whether areas with faster economic growth have higher pollution levels. For the period between 1987 and 1995, counties with higher initial air pollution

levels had slower employment the subsequent period. Areas with faster employment growth also had less pollution growth, reflecting the 'clean' nature of expanding technology and service industries. Earnings growth is lower where pollution levels are also low. While seemingly contrary, this result agrees with economic theory that workers must be paid higher wages to live in polluted areas and, conversely, will accept lower wages to live in areas with less pollution (Roback 1982).

The highest value of natural resources may now be attraction (of people). McGranahan (1999) finds that natural amenities are more closely associated with population than employment growth. This coincides with complementary results that rural amenities are a strong magnet for migrating residents (Knapp and Graves 1989; Beale and Johnson 1998; Rudzitis 1999). McGranahan (1999) also finds that amenities are better predictors of long-term population growth than short-term. They were least affective during the 1980's, when many people were leaving rural areas of both high and low amenities. According to McGranahan, "This suggests that the pull of high amenities is greater than the push of low amenities" (McGranahan 1999: 10). Indeed, several surveys have found that recent migrants place higher importance on the presence and protection of natural amenities in a region than permanent residents (Rudzitis 1999; Richert 2007).

This notion is supported by Census Bureau surveys, which reveal that the most common reasons for moving are family-related (e.g., change in marital status), work-related (e.g., new job or retirement), or housing related (e.g., buying a new home) (Schachter 2001). Fewer than 1% of movers named "change of climate" as the main reason for their move, and just 4-5% cited "better neighborhood/less crime." These responses suggest that the desire for Quality of Place may not compel people to move. However, it may determine where they go if they decide to move for another reason. For instance, many retirees chose to move because they are no longer tied to job, but their choice of locations may depend on Quality of Place factors like climate.

The value of natural resources in the context of Quality of Place rests in part on recreational access. Merely knowing that areas rich in natural amenities outperform less endowed places is of somewhat limited policy value. There is little a region can do in the short

run to increase its stock of natural amenities, beyond efforts to preserve them from damaging activities. More relevant is a place's capacity to develop the supporting infrastructure and services that allow it to capitalize upon its natural advantages. To this end, Deller *et al*. (2001) develop an extensive database of amenities and recreational assets measuring recreational infrastructure (golf courses, tennis courts, swimming pools, playgrounds, historical and cultural attractions), undeveloped land (federal wilderness areas, forest lands, state parks), water resources (rivers, lakes, bays, water-dependent recreation), and winter recreation (snowfall, mountains, cross-county and downhill skiing) in addition to climate.

All five indices are positively associated with one or more of three measured economic outcomes: employment, population and per capita income in rural counties.[4] Recreational infrastructure is strongly associated with all three measures, reinforcing its importance in rural development strategies. Places with a dry and warm climate tend to have positive population growth. The land resources index is positively associated with both population and employment growth, but not income, reflecting the expansion of tourist economies around public lands and the rather low-paying jobs they produce. It may also represent a willingness to accept lower wages to live in these areas, which will be discussed later.

Water resources are strongly associated with income growth, but neither jobs nor population, possibly due to the increased income gentrification of coastal and shorefront properties. The availability of winter activities also coincides with year-round growth in population, employment and per capita income, reflecting the successful expansion of year-round recreation opportunities in mountain resort areas.

In many ways, the value of a region's natural environment depends on people's ability to access it (Marcouiller and Prey 2005). Aesthetic beauty is appealing and has economic value (as revealed by the higher prices of property with stunning water or mountain views), but infrastructure encourages people to spend time in an area, either as residents or visitors.

[4] It is interesting to note that crime (a common urban Quality of Place measure) was found to be *positively* associated with population and income growth. This finding may reflect a tautological relationship where faster growing areas experience higher crimes rates. The study also found no significant relationship between the physicians (a common proxy for health care availability) and growth.

Infrastructure that supports multiple recreational activities, such as hiking trails, camp sites, golf courses, boat launches, and ski resorts helps realize the full economic value of natural resources.

Urban Quality of Place

Amenities are a driving factor in the recent growth of many cities. The past twenty years have witnessed a dramatic turnaround for many large and medium-sized cities around the country, in somewhat stark contrast to widespread exodus of the preceding half-century. This modern renaissance is, by and large, the consequence of increasing demand for social interaction, changes in lifestyle preferences favoring urban amenities, and notable reductions in crime that had previously deterred people from enjoying such amenities (Clark *et al.* 2002; Glaeser and Gottlieb 2006). Because lifestyle preferences for urban amenities tend to rise with income and education, areas with high Quality of Place also have a critical advantage in attracting patrons with higher disposable incomes as well as knowledge- and innovation-intensive businesses (Shapiro 2006).

Urban Quality of Place focuses on lifestyle amenities and urban revitalization strategies. Quality of Place has drawn considerable attention in recent years as a unitary framework for a myriad of urban revitalization strategies. Like its rural counterparts, urban Quality of Place focuses on residential amenities as a gateway for both residential and business development. They differ in the specific types of amenities valued by residents who choose to settle in urban areas. Rural Quality of Place is primarily defined in terms of natural amenities, low crime, safe schools, and other "small-town" values. Urban Quality of Place, by contrast, focuses on lifestyle amenities, such as the availability of cultural and entertainment offerings, as well as characteristics of the built environment and related development policies, such as historical preservation, downtown revitalization, housing availability/affordability, and the use of traffic calming and other means of improving urban livability. Natural features, such as proximity to water and green space, certainly play an important role in promoting a sense of urban livability. However, the issue for cities with such assets is on how to leverage these advantages to attract investment, such as in the case of waterfront development, without diminishing the valued character of the resource itself. For growing metropolitan areas concerns over uncontrolled

sprawl and the related costs associated with congestion and pollution dominate Quality of Place concerns.

Cities attract creative workers who help build the cultural atmosphere that helps to attract other educated workers and innovative businesses. Urban areas with favorable a Q of P have several key advantages. In his book, The Rise of the Creative Class, Richard Florida (2002) outlines a select cadre of scientists, artists, musicians, designers, educators, and others who together comprise a "creative class" that helps to attract other knowledge workers and businesses in growing knowledge-related sectors. Florida argues that the creative class is a primary driver of regional economic growth. These workers are also highly mobile and have a well-defined sense of their lifestyle preferences – namely for areas with an abundance of cultural diversity, arts and entertainment, and outdoor recreational opportunities. It follows that successful regional economies are those most capable of attracting and retaining creative workers, namely through public support for the arts, and providing the amenities and progressive social policies favored by creative class workers.

Florida's work has been highly influential within policy circles, but hotly contested among scholars. Few deny the legitimacy of the background story of The Rise of the Creative Class: that the U.S. economy is increasingly driven by innovation and that human capital embodied in highly educated professionals are a major factor driving entrepreneurship and economic growth. The academic debate focuses on whether Florida's conclusion, that a narrowly defined group of creative workers is a *dominant* driver of regional economic growth, is truly supported by the evidence and whether the trends described by Florida could be explained by other factors, such as human capital.

In the years following publication of The Rise of the Creative Class and Florida's follow-up Cities and the Creative Class (2005) there have been numerous studies testing Florida's hypothesis using more rigorous analytical methods. Thus far, the results have been mixed. McGranahan and Wojan (2007) show that workers in creative occupations are drawn to rural counties with high endowments of natural amenities, and that both urban and rural areas with higher levels of creative occupations are associated higher rates of total employment growth.

Lee *et al.* (2004) find that a region's endowment of creative workers (artists, authors, designers, musicians, etc.) is positively associated with entrepreneurship (new firm starts), and that social diversity is related to new firm starts in service industries.

The creative class is important, but it is not the dominant driver of metropolitan economic growth. Human capital and innovation are more important. There is also accumulating evidence that the creative class is not the key driver of regional economic growth, as argued by Florida. Controlling for employment growth due to national industry trends, Gabe (2006) finds that regions with higher than expected growth in creative occupations are often associated with *lower* than expected rates of employment growth. The implication is that the favorable association between economic outcomes and creative workers may be due to a region's endowment of high-growth industries (i.e. industry-mix effects) and not necessarily from presence of the creative class itself. A team of researchers from the University of North Carolina, Chapel Hill (Donegan *et al.* 2007) similarly found that Florida's measures of creativity and social diversity performs poorly in explaining metropolitan job and income growth relative to more traditional factors, such as educational attainment and industry mix. Rausch and Negrey (2006) also found that the concentration of creative-class workers was insignificant in explaining metropolitan output growth after controlling for educational attainment. In sum, the mixed evidence warns against formulating policy based upon a narrow interpretation of Florida's research. The creative class may be associated with high-performing regions, but is not likely to be its sole cause. Education, knowledge, and a diverse economic base appear to be the common dominator driving both growth of the creative workforce and urban economic prosperity.

Although Florida's research has received the bulk of recent attention, there are many other studies that also address the relationship between urban Q of P and economic prosperity. Like Florida, Markusen and Schrock (2006) also focus on the arts and culture based development. They find that arts-oriented development is often a source of local employment growth with positive multiplier effects and have the added benefit of helping to build social capital. They do not argue, however, that artists are *the* driving force behind regional growth, but instead highlight how promotion of the arts can be successfully adopted as *one* possible approach to economic revitalization. Glaeser *et al.* (2001) take a more encompassing view. They argue the

modern city has largely evolved into a center for consumption, and find a strong connection between urban amenity variables, such as the concentration of eateries and theaters, and local economic growth. Not surprising, they also find that crime and lagging school performance lower growth prospects.

Conclusion

In all, Quality of Place is an attractive framework for economic development. It funnels resources to enhancing the welfare of local residents, which is the ultimate goal of economic development. Yet, despite growing attention among policy makers, empirical evidence of the success of strategies to protect, enhance, and market a region's Quality of Place is only beginning to emerge. Many studies have documented a positive connection between the presence of natural and cultural amenities within a region and economic growth. Questions remain about how areas with distinct and attractive Quality of Place can leverage that asset without damaging it, and in a way that creates well-paying employment opportunities, rather than the low-wage, low-skill jobs that are generally associated with tourism and recreation. There is also ample room for research on how large numbers of seasonal residents may affect income inequality and perceptions about Quality of Place and economic development.

Nevertheless, initial evidence suggests that Quality of Place aids economic growth, which makes it an important consideration for Maine. It is an area in which Maine has a comparative advantage: the state's natural setting and livable communities have attracted visitors and residents for decades; its internationally-recognized brand centers on these features. This makes Quality of Place an attractive framework for community and economic development initiatives in Maine.

Successful efforts to define, protect, enhance, and market Quality of Place in Maine would likely be regional, since individuals and businesses assess Quality of Place regionally and each community's decisions affects its neighbors. It is also noteworthy that Quality of Place is not a substitute for more traditional economic factors such as human capital, productivity, infrastructure, and tax policy. In some cases, realigning Maine's economic development strategy around a Quality of Place framework may simply require adjustments to the funding and administration of existing initiatives. Quality of Place is one ingredient for economic growth, but it is an ingredient that Maine is lucky to have in abundance.

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