

THE ECONOMIC IMPACT OF RECREATION DEVELOPMENT: A SYNOPSIS

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ABSTRACT. Economic impacts per dollar of tourist expenditure have generally been found to be low compared to other economic sectors in local less-developed areas where recreation development is often proposed as a stimulus for economic growth. Tourism, however, can be economically important where potential or existing recreation attractions can encourage tourist spending in amounts large enough to offset these lower per-dollar impacts. In addition to definitions useful in interpreting the results of impact studies, findings from several investigations of local effects of recreation spending are discussed.

SPECULATION continues to best describe the process known as "estimating the economic impact" of recreation-area development. Local chambers of commerce and certain government public works agencies are noted for their optimistic views though some economists have been more cautious about the economic benefits of recreation development.

What is meant by "economic impact"? How large is the impact associated with recreation-area development and use? And where will such impacts be felt in the economy?

The answers are not all clear. However, we have the results of a few studies, completed in recent years, which provide clues to some of our questions. I will briefly outline the results of some of these studies and the factors that are relevant to the general problem of measuring economic impacts stemming from recreation.

Generally, such impacts have been found to be relatively small compared to impacts

from other economic sectors. Their magnitude and some of the reasons given to explain their smallness are developed in the following pages. The scope of this paper is limited to exclude the literature dealing with the more general questions of local economic growth and the impact of public investments.

DEFINING IMPACT

To provide a base for further discussion, a few underlying concepts deserve mention. First, economic impact can be defined in at least two different ways, and it should be made clear which we are referring to. Often "impact" is used to mean "total spending," or "total business activity" created by the spending of new (outside) dollars in a particular area. Alternatively, it can refer to personal income that accrues to the area's residents in the form of wages, profits, rents, etc., because of the new spending. Obviously personal income is

only a portion of total business activity generated when new money is attracted to a particular local area.

Local communities, counties, states, and even whole regions of the Nation view recreation development as inducing economic growth of their area when visitors from outside bring new money into the area to purchase a recreation commodity. Critical elements in this concept are: (1) the recreation commodity must be exported from the relevant area to bring in new money, which can then recycle through the area's economy, producing employment, income, etc.; and (2) the relevant area must be clearly delineated—the perspective from which economic benefits are being viewed is of crucial importance.

For instance, recreation spending in Colorado by Nebraska tourists may result in net economic gains to the "Western" or "Mountain" region, to Colorado, to one or more Colorado counties, and to a number of Colorado communities. But it is a net economic loss to the "Plains" region, to Nebraska, and to certain Nebraska communities, or to some other area where the money would have been spent had Nebraskans not taken a Colorado vacation. The implication is that one should use extreme caution when interpreting the national benefits of a new park or recreation development (*Beardsley 1970*). What applies at the local level may not apply if one assumes a national perspective.

BENEFITS

The logic of this argument applies as well to local economic benefits stemming from investment in construction of recreation facilities and the employment and income it may create. Real benefits may accrue to a local area or a region from public investment in a dam and recreation reservoir, for instance.

But against these benefits, assuming a national point of view, we might inquire what benefits are foregone in all other potential uses of the funds. The capital, labor, and resources expended in creating the reservoir might have found alternative (and, possibly, more productive) employment in recreation developments of other

kinds or in other places or in provision of totally different public goods and services. Therefore real benefits of the reservoir to the Nation may be substantially less than those as viewed by the local area. From the larger point of view, the most important effect of the investment may be a redistribution of income favoring the local area in question—but possibly at the expense of other areas. Whether such redistribution is desirable or not is a socio-political question, beyond the scope of economic analysis.

This introduces some closely allied considerations—visitors' origins, spending habits, and length of stay at the study area. For example, certain kinds of recreation developments attract visitors from nearby metropolitan areas who visit the area on single-day trips and purchase in their home community nearly all of the equipment, food, etc. required for use of the area. Economic impacts in the local area (assuming it excludes the metropolitan areas) will be very slight compared to other kinds of recreation developments that might attract visitors who stay several days and make relatively high expenditures at or near the area in question.

WHERE THE MONEY GOES

Finally, it should be obvious that total expenditures by recreationists are not all net personal income to residents of the area or region. Some of the money received by local businesses leaves the area immediately as payment for imported goods and services (commonly referred to as "leakages"); some is respent within the area for local goods and services; and some accrues as income in the form of wages, profits, rents, and interest. A similar second round of spending for imports, local spending, and creation of local-area income is started from those original dollars respent in the local area.

This circular pattern of expenditures is, of course, the familiar multiplier process, begun by an original expenditure of new money in the local area, continued until all of it has leaked away. And, in general, the greater the proportion of goods and services for local consumption that are pro-

duced locally, as opposed to those that must be imported from outside the area (the more often basic dollars turn over before they leak away), the greater the multiplier effect is in increasing local income.

One counter-effect on leakage stemming from recreation development in the local area may be that residents reduce recreational visits to other areas in favor of visits to the development in their area. In effect, less recreation may be imported by area residents because it is being produced locally.

A rather peculiar aspect of economic impacts from recreation-related spending is their highly seasonal nature. Often, sustained local economic growth is hindered because nearly all spending is concentrated into a 2- or 3-month season; capital investments remain idle much of the year, and the seasonal labor force may leave the area, taking with it much of its wage and salary income for spending elsewhere. However, because of this seasonal pattern of out-migration of much of the labor force, school facilities, public utilities, and many costly public services are not required at the per-capita levels necessary for year-round residents.

What industries or sectors of the economy share the primary impact of recreation-related spending, and what is the magnitude of secondary impacts resulting from the respending process? Some insight can be obtained from studies of recreation expenditure effects on local communities.

Many of these studies have utilized input-output analysis to study the interrelations of the various "sectors" (businesses, governments, and households) of an area. Input-output analyses provide a means of estimating the dollar turnover resulting in all other sectors of the economy from additional expenditures in one or more particular sectors. However, input-output analysis is expensive in terms of the cost of data collection; if only a few broad sectors are used, collection and analysis of income and expenditure data will be less expensive than if many narrowly defined sectors are used. But if the "sectors" are not defined narrowly enough, the analysis may not be

sensitive enough to accurately reflect the impact of a small additional expenditure in one sector.

Because of the rural and generally less-developed character of many local areas where recreation developments have been made or proposed, the impact on local business and associated creation of income from recreationists' spending has been relatively small, compared to other kinds of spending. As noted above, this is generally due to the high proportions of goods, services, capital, etc. that are imported to these areas. And again, an important source of leakage of money from the local area results when seasonal helps' summer earnings are saved and later spent outside the area.

SOME STUDIES

An excellent example is provided in a study of Teton County, Wyoming (*Rajender et al. 1967*). There the total business activity stimulated by a dollar of expenditure in grocery and food stores (one of the main components of tourist spending, characterized by a high rate of leakage), was \$1.12, including the original dollar, while for agricultural sales the figure was \$1.70 (table 1). Personal income generated by a dollar in overall sales to tourists was \$0.56 and in agriculture was \$0.68.

Several industries were affected directly by tourist spending. These included eating places, auto services, food and retail stores, guest ranches, and lodging places. In these industries, *indirect* or secondary spending generated in the "multiplier process" was only 34 percent of total spending by tourists; the turnover of dollars from these industries in the local economy was very poor. However, in Teton County, the disadvantage of relative smallness of multiplier effects of tourists' spending is easily overcome by the large absolute levels of tourist expenditures. Fully two-thirds of all basic spending in the county was from tourists' expenditures, and this accounted for 59 percent of the \$12.8 million in personal income received by local residents in 1964.

Because of the uniqueness of the county's recreational resources and the relative lack of opportunities for economic growth in

Table 1.—*Local impacts from sales in various economic sectors*

Area	Total business activity generated per dollar of sales			Personal income generated per dollar of sales			
	Tourist ¹	Agriculture	Grocery and food	Tourist ¹	Agriculture	Grocery and food	Timber production
Teton County, Wyoming	\$1.46	\$1.70	\$1.12	\$0.56	\$0.68	\$0.20	—
S. W. Wyoming	2.07	2.32	1.84	.31	.82	.42	—
Itasca County, Minn.	2.23 ²	2.04	1.18	.45 ²	.61	.13	\$1.01
Reserve, New Mexico	—	1.66	1.13	—	—	—	—

¹Average for all sales to tourists except as noted.

²Sales by resorts only.

other sectors, improvement of the economy may depend in large measure on further recreation development. For instance, it would be very interesting to know the economic effect on the county of the development, over the past several years, of a major ski resort near Jackson. The extreme seasonal fluctuation of employment and income may have been reduced, leading to greater integration of the economy.

Similar multipliers for total business activity were found in the Reserve New Mexico area (*Gray and Carruthers 1966*). A dollar expended for food and groceries stimulated a total of only \$1.13 in business activity in the local area—again including the first dollar. The corresponding figure for agriculture was \$1.66.

The impact of spending by visitors to Flaming Gorge Reservoir on the economy of four southwestern Wyoming counties was likewise not large (*Kite and Schutz 1967*). There, although a dollar of spending for food and groceries generated \$1.84 in total business activity in the area, a dollar spent for agricultural products generated \$2.32. Personal income generated by a dollar in sales to tourists was \$0.31 and in agriculture was \$0.82. The three sectors of the economy most affected by recreationists' expenditures were gasoline service stations, other retail businesses, and food and beverage establishments.

Total business activity generated in Itasca County, Minnesota, by a dollar in sales of groceries was \$1.18 (*Hughes 1970*). A dollar in sales of agricultural products created \$2.04 in total spending. A dollar of spending in the resort sector created \$2.23 in total business activity, but resulted in only \$0.45 in personal income compared to \$0.61 for agriculture and \$1.01 in timber production, an activity using relatively high amounts of labor and low amounts of the products of other regions.

A similar figure, \$0.49, was found for personal income generated per dollar of tourist spending in the Canyonlands National Park area of southeastern Utah (*Edminster and Harline 1962*).

Even the establishment of Cape Cod National Seashore in 1961 was found in 1968 to have made little difference to jobs, population, and taxation. "The impact of the Seashore on major components of the economy has been small," except for land values, which have risen more steeply than could have been expected in the absence of the Seashore (*Herr 1969*). Nearby private land values were found to have risen at 10.7 percent per year from 1960 to 1968, nearly triple that expected, based upon values on the rest of the Cape.

Similar larger-than-expected increases in private land values were reported around three reservoirs in Colorado (*Milliken and*

Mew 1969). Nearby private lands gained a net value increase of \$5.16 million between 1946 and 1968, compared to that expected without the reservoirs.

IMPLICATIONS

Except for increases in land values near recreational developments, most evidence indicates relatively small effects on rural local economies from spending by recreationists. This is reflected in relatively low levels of secondary business activity and small income multipliers that result from the existing less-developed structure of these economies (Hughes 1970). Unless secondary supporting businesses already exist or can be established, dollars from sales to recreationists leave the area relatively quickly as payment for imports of the products being sold; and local economies receive little benefit.

However, it should be recognized that recreation development may be the best possible means of stimulating the economy of certain local areas. If opportunities for industrial or agricultural development are lacking or limited, a recreation development attracting large amounts of tourist expenditures may easily overcome the disadvantage of the relative smallness of the associated multiplier effects, compared to

other kinds of expenditures as illustrated by the Teton County study.

The results of studies such as these have important implications for recreation planning and local economic-development organizations. Development of the kinds of recreation attractions that will encourage visits year-round, longer visits, and higher levels of spending by tourists will increase the flow of basic expenditures and will result in economic improvement for such areas as these.

Recent trends toward integrated year-round resort communities offering a wide range of activities, accommodations, and attractions illustrate this concept. Jackson, Wyo., has added a major ski resort and side attractions such as several art galleries, tending to make it a year-long vacation spot as opposed to its past role in merely catering to summer visitors to Grand Teton National Park. Ketchum-Sun Valley, Idaho, on the other hand, has broadened its past image of a winter ski-resort community and has added a golf course and many summer homes in addition to more services for summer vacationers.

All of these trends should attract more spending the year round. The positive effects on the economies of these areas will be of considerable interest and may serve as a guide for development elsewhere.

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