Presentation to Australian Regional Development Conference – Canberra 2016

5 September 2016

**Economic Adaptation in NE America - Case studies of relevance to regional Australia.**

Conference Stream – Employment

This presentation draws on findings from a recent visit to the north east region of the USA. It will focus on case studies of Portland (Maine), Providence (Rhode Island) and Nantucket Island (Massachusetts) including adaptation to changing economic circumstances, and implications for similar towns and areas in regional Australia.

**The US Economy**

*The USA is the World’s largest economy, deriving its strength and resilience from its geographic diversity...Economically at least, America is not a single country. It is a collection of seven nations and three quasi-independent city states.*

One of these “nations” is the Great NorthEast, which even excluding the city state of New York, has been the country’s brain centre since before the American revolution.

This presentation focusses on the New England area in the north eastern corner of USA. It comprises the states of:

- Connecticut
- Maine
- Massachusetts
- New Hampshire
- Rhode Island (which is not actually an Island); and
- Vermont.

The New England Area is bordered by the state of New York to the west and south, Canada to the north and the Atlantic Ocean to the east.

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The New England Region

The New England Region was historically a centre for industrial manufacturing, and a supplier of natural resource products, including granite, lobster and codfish.

The economy of this region has been described by the US Department of Commerce as a microcosm for the entire US economy².

The New England region was the birthplace of the industrial revolution in the USA, and was also one of the first regions to experience deindustrialisation.

It is therefore a good place to look for post-manufacturing adjustment case studies.

In the first half of the 20th century the region began a long period of adjustment to changes in the manufacturing sector, as companies relocated to the Midwest and South of the USA. From the latter part of the 20th century many of these manufacturing activities were relocated offshore.

By the late 20th century, an increasing proportion of the regional economy was focused on high technology manufacturing such as computers, electronics and military industries. There were also high levels of employment in the finance and insurance sectors, as well as health and education.

Granite is still produced and exported from the area. Food exports include lobsters, other seafood, potatoes and cranberries. Higher education is also an important source of export earnings.

The Impact of the Global Financial Crisis (GFC) of 2008

While the focus of the GFC may have been on the financial markets of New York, the adverse impact was widely felt across the USA, and was generally far more significant than the impact in Australia. This is shown by the sharp drop in employment across the New England Region across 2008-09.

Monthly Employment Changes since May 2006 – New England Region

Since 2009 employment levels have generally improved across most of the New England region, and unemployment is generally lower than for USA as a whole. The unemployment rate in Maine is currently lower than for New England region as a whole, but it is higher in Rhode Island.

Unemployment Rates – 2015-16 New England Region and USA

Case Studies

This presentation focusses on three case studies, all within 1.5 to 3 hours travel time from Boston, the largest city in the New England Region.

Boston

The Boston greater metropolitan area has a population of around 5 million people. It has been included in a list of the 30 most economically powerful cities in the world.

Boston’s universities and colleges – including Harvard University, Massachusetts Institute of Technology and Tufts University - are significant contributors to the economy of the city and the surrounding region. Boston attracts more than 350,000 college students from around the world, who contribute more than $US 4.8 billion annually to the city’s economy.

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3 The prominence of Boston’s area colleges and universities, Denis M McSweeney, 2014
The city is also home to a number of technology and biotechnology companies. Innovation is supported by the presence of highly-regarded universities, a well-qualified workforce and access to venture capital.

Over 21 million domestic and international tourists visit Boston each year, spending over $US8 billion.  

Boston is also a major centre for finance industries, and a cultural and sporting hub.

**Case Study 1 - Portland, Maine**

Portland, Maine (not to be confused with Portland, Oregon, on the US West Coast), is a coastal city around the same size as Launceston, although its greater metropolitan area is home to around half a million people.

Portland is around 180 km north of Boston and easily accessible by rail or road from Boston.

Portland is currently transitioning from an economy highly dependent on port-related activities and shipbuilding to an area where increased employment is now being generated by strong promotion of local food, artisan activities and nature-based tourism.

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4 Greater Boston Convention and Visitors Bureau.
The downtown area of Portland, including the Old Port, have a high concentration of eating and drinking establishments, including micro-breweries, bakeries and seafood restaurants.

There has been a growing interest in organic food and farmers markets. Portland also hosts a number of food and beverage festivals and has been named as the *Foodiest Small Town in America* by *Bon Appetit* magazine.

It has also been Ranked No. 1 city in the world for craft beer by the independent travel company, The Matador Network.
Portland’s Arts District includes museums, art galleries and performance spaces. Portland is also home to a concentration of publishing and web design companies, photographic and film studios. In addition, it is the tourist gateway for access to the islands and scenic coast of Maine, as well as to the Mt Washington ski fields.
It's not hoarding if it's books.
Portland has a low unemployment level when compared to state and national averages – 2.9% in October 2015.

Case Study 2 - Nantucket Island

Nantucket Island is located off the East Coast of mainland USA, close to Hyannis on Cape Cod. It has a year-round population of around 10,000 – 12,000, which swells to around 50,000 – 60,000 during the peak summer season. The economy of Nantucket Island, once driven by the whaling industry is now focused on tourism and service industries.
NANTUCKET
AND THE WORLD

From this tiny island in the North Atlantic, connections were made with far-flung locales across the globe. Oceans, seas, islands, and ports were the territory of Nantucket mariners, who “conquered the watery world like so many Alexanders,” as Herman Melville writes in *Moby-Dick*. A Nantucket diaspora to places as diverse as Nova Scotia, France, Wales, and San Francisco was equally impressive, extending the island’s influence to a multitude of points on the compass.

MAP CREATED BY MARY EMERY
A particular feature of the Nantucket economy is that in the historic township where most activity occurs, a zoning ordinance has effectively excluded “Formula Businesses”. “Formula Businesses” are identified as retail sales establishments, restaurants, bars or take-out food establishments that are under common ownership or are franchises where there are 14 or more similar businesses worldwide, with features such as standardized menus, merchandise, trademarks, colour schemes or uniforms.

The effective prohibition of “Formula Businesses” reduces completion that might otherwise make small scale local businesses uneconomic, and protects historic streetscapes. While this adds to the charm of the Island, it does also add to everyday living costs.

The attraction of the Island to tourists and retirees, and relative proximity to both Boston and New York means that construction activity is currently generating significant employment opportunities for residents, and for workers who travel to and from Nantucket Island each day by ferry. The fact that people commute daily from Hyannis (the nearest mainland settlement one hour away by express ferry) reflects the very high cost of housing and general living costs on Nantucket Island.
For people who own property on Nantucket Island, there are many opportunities for employment in service industries, particularly during the peak tourist season.

Case Study 3 – Providence, Rhode Island

Providence, Rhode Island is situated around 70 km south of Boston, on the main rail line between Boston and New York.

It is one of the oldest cities in the US, and was once a thriving port and industrial hub. It was previously a major centre for the production of textiles, silverware and jewellery. Many immigrants arrived to take up the employment opportunities generated by these industries.
In the decades following World War II, Providence was significantly impacted by a decline in employment in manufacturing industries. Between the 1950s and 1980s its population was reduced by around 40%, and the city became a centre for organised crime.

Today many former industrial buildings are still empty, although Providence does retain some manufacturing activity. Providence is increasingly becoming a service industry hub with eight hospitals and seven institutions of higher learning in its broader catchment.

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5 All About the Providence Mob, Allan May, 2007.
Brown University, an Ivy League university is one of the largest employers in Providence, and exerts a considerable influence on the city’s politics and economy.

Poverty, however, is still a problem. Around 30% of the population live below the poverty line\(^6\). A significant number of Providence residents commute to Boston, which takes around an hour each way by train.

\(^6\) US Census Bureau.
Implications for Regional Australia

The case studies discussed above, show how different cities, towns and communities have adapted to changing economic circumstances.

The three case study locations have all been impacted by proximity to the large and prosperous city of Boston, and to some extent by proximity to New York. The impacts have varied.

– Portland, Maine, has adapted to focus more on cultural activities, niche food production and tourism. There are many similarities with Hobart.
– Nantucket Island has evolved from its former role as the centre of the world’s whaling industry, through a phase where it became a mecca for people who wished to live simple lifestyles. It has now become an enclave for well-off older people for most of the year, and an expensive holiday destination during the peak summer season.
– Many of the residents of Providence, Rhode Island, are still being adversely impacted by reduced employment in the manufacturing industries of last century. While the area of the city near Brown University is prospering, other parts of the city are run down and feel unsafe. The low wages paid to people working in some service industries and the lack of job security, will make it difficult for many of the residents of Providence to improve their living standards.

Economic prospects for all residents of the NE of the US, will also continue to reflect to some extent the success or otherwise of the major cities of Boston and New York.