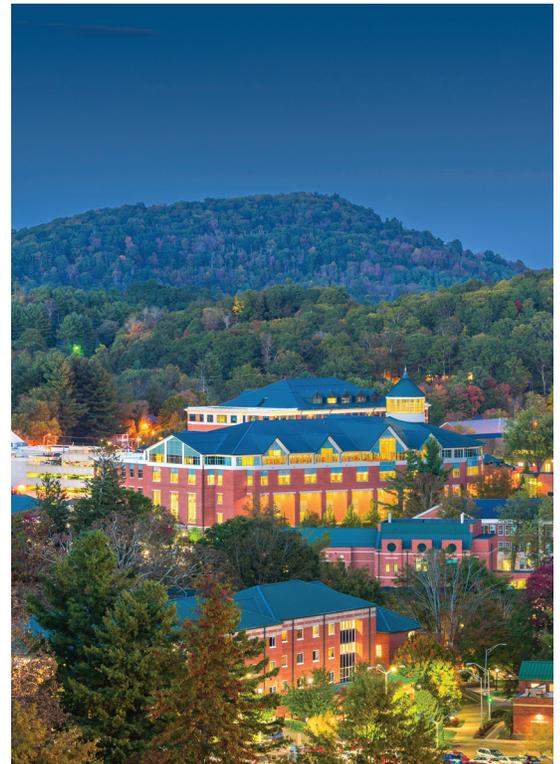


College Towns Provide Economic Resilience



Key Takeaways

- The local economic benefits of higher education are numerous.
- They can be set against some cities' backdrop of long-term economic and social decline.
- What challenges has COVID-19 created for higher ed and local economic resiliency?



Colleges and Universities as Economic Drivers

Colleges and universities play critical roles in their local economies. Studies support the premise that investments by college towns and cities to support local higher education pay dividends to surrounding economies, including at critical times, such as during the COVID-19 pandemic.

The local economic benefits of higher education can be set against a backdrop of economic and social decline in some cities over decades, as manufacturing operations migrated away from many major industrial U.S. cities and states. Struggles that followed sometimes launched downward economic spirals worsened by negative momentum of population declines, which proved difficult to halt or reverse.

Yet, in college towns, the operation of a college or university often plays the role of economic engine. In addition to the influx of students, parents, and visitors and the more permanent presence of faculty and staff, colleges and universities can attract new permanent residents as well as encourage the growth of businesses, arts, and additional social benefits in the local area.

Research by the Brookings Institution for *The Wall Street Journal* suggests some notable exceptions to this pattern.¹ The study found that roughly half of manufacturing-heavy areas that lost jobs but maintained steady employment growth since 2000 are home to a major research university. In these instances, the presence of a major research university supported economic activity in otherwise struggling towns where traditional manufacturing was declining.

Large research universities often serve as innovation engines, the research suggested, helping to drive advancements that private industry may sustained. Colleges and universities can provide myriad local stimuli including a stable pipeline of knowledge, ideas, entrepreneurship, and skilled residents. These communities are often more inclusive as well, offering opportunities to diverse residents with a variety of skills across a range of professional and social strata.

The economic and social dynamism can be strong enough to offset other factors: short-term like pandemic-imposed business and social restrictions and long-term such as a economic decline.

Capturing tuition, fees and other expenditures from out-of-state and international students, and attracting well-educated, higher earners to a region helps to drive higher personal income and municipal revenues. Increasing populations can attract private investment that supports restaurants, retailers, and the arts.

A different but consistent perspective is offered by instances of colleges across the U.S. investing in their hometowns because the towns' economic prospects affect the college's outlook as well. These revitalization efforts are proactively pursued by colleges as mutually beneficial.

Efforts by small-town colleges include a range of creative measures. For example, colleges are admitting a selected group of local high school graduates by offering generous scholarships. They also encourage students to work with local organizations and businesses in efforts to gain real-world experience, while supporting the local community. Further, they often can establish partnerships with local employers to offer students real-world experience and networking opportunities, while supporting local labor levels and employers. In one instance, a college dean moved to an off-campus office in order to foster greater connections with the local community.



College Town Economies Remarkably COVID-Resilient

More recently, in the face of the temporary but significant challenges posed by the economic shift prompted by COVID-19 in 2020 and 2021, college towns have been put to the test. Generally, the economic resilience of college towns is built around the positive presence of students, who rent dorms, houses, and apartments, and spend money in restaurants, bars, and local retail stores.

The students' spending historically is complemented by professors and college administrators who buy homes and cars and plant longer-term roots in these towns. The economic spin-off is compounded by traditional annual events, including parents' weekends, homecoming weekends, graduations, and football games.

COVID-19 shutdowns and forced closures of local campuses abruptly halted the activities in the spring of 2020. Fewer students and campus workers suppressed spending. However, a sampling of college towns across the country in August 7, 2020 revealed an ongoing level of economic resilience as reported by *MarketWatch*, in "Here's why college towns are among the most economically resilient places in the country."

For example, Corvallis, OR, home of Oregon State University, also supports more than two dozen software companies, thanks largely to the high volume of engineers who graduate from the school each year. A review of monthly U.S. Labor Department data reveals that the unemployment rate for Corvallis from January through May 2021 was 1.0 to 1.8 percentage points below that of Oregon's statewide average. In May, for example, Corvallis had a 4.0 percent unemployment rate while unemployment for Oregon overall was at 5.8 percent.

Similarly, Rochester, NY, home of the University of Rochester, a renowned research university, generates a highly educated workforce that supports key industries including optics, imaging, energy innovation, software and information technology services. For the first five months of 2021, Rochester's unemployment rate varied from 1.8 percentage points to 3.0 percentage points lower than the New York state average. In May 2021, for instance, Rochester's unemployment rate was 5.8 percent, based on seasonally-adjusted Rochester Core-Based Statistical Area data, while the state of New York averaged 7.8 percent unemployed.

Another small-town economic benefit brought about by the societal shifts in response to the pandemic is an increased openness and desire to telecommute for many white-collar workers, attracted to the lower cost of living and higher quality of life often associated with small towns.

While some areas in the U.S. struggled more than others due long-term trends such as globalization and short-term challenges such as COVID-19, many other states, cities and towns have reasons to be optimistic. In particular, colleges and universities hold great potential to fuel social and economic well-being across the country, especially over the long term.

FOOTNOTES:

1. "There's an Antidote to America's Long Economic Malaise: College Towns," December 12, 2016

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