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Introduction

In recent years there seems to have been increased interest in the Adirondack region of New York. Some have looked at the area with sustainable development in mind, while others have seen the Adirondack Park [the Park] area as one in which economic growth has been curtailed by strict environmental controls.1 Few have tried, however, to measure over time the economic activity taking place within the Park, nor has there been much effort to compare economic activity within the Park to that outside the Park. This article is designed to address these omissions.

The authors have gathered seven data series on the economy, for six Adirondack counties, covering the years 1989-1998.2 In addition, they have developed a tool to compare economic activity within the Adirondack Park to that of areas surrounding the Park. Note, however, that this work is preliminary since it considers only six of the twelve northern New York counties either partially or totally within the Park. The authors hope to include, at a later date, the remaining six counties, and at the same time consider more economic variables, thereby allowing a better assessment of the Park’s economy over time.

Much of the data used in this study has been collected and aggregated by the authors. Building-permit data come from code enforcement officers at the village or town level. Raw data on net business formations, number and dollar value of real estate transactions are supplied by county clerks, and sales tax revenue by county treasurers. Labor data come from the state level.3 Employment of such data as an important and legitimate measure of economic activity is based upon their usage by the Bureau of Economic Analysis, Georgia State University’s Economic Forecasting Center, or the Federal Reserve Bank of Dallas, among others.4

There is concern about the Park’s economy today, and its rate of growth. Some support greater economic growth, feeling the Park’s economy anemic and its growth small. Others believe the Park’s economy shows adequate growth, and that a greater rate of growth may lead to diminution of the essentially rural or wild nature of the Park.5 The authors simply wish to present a means of assessing the relative economic growth of the Park, by focusing on the growth rate of objective economic indicators. Results indicate that both sides of the controversy may have a case. This study focuses on the economy of the Park only, not its natural or ecological characteristics.6

Since economic activity and its growth in a six-county region are the focus of this work, one might ask at the outset, what is a reasonable rate of growth within the Park? We suggest parameters for consideration.

Those insisting that the Park has grown enough will be against any growth, putting the lower bound at zero. What about an upper bound? As a guide, consider the real long-term growth rate of the nation’s Gross Domestic Product.7 In recent decades such growth has fluctuated around 2.3%.8 Given the North Country’s long winters and limited transportation alternatives, we assume an upper bound of 2% real annual economic growth. Thus reasonable real economic growth within the Park, and perhaps for the North Country, might fall somewhere between 0 and 2% per year. Growth at the maximum 2% implies a doubling of the economy’s size every 36 years.

The Adirondack Park is a six-million-plus acre tract, located in northern New York State, but make no mistake, it is not purely wilderness or forest. It is more. This unique state park is divided roughly equally between private and state ownership, and includes within its

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boundaries towns and villages, industry and commerce. Such complexity makes any simple definition of the Adirondack Park difficult.

Data gathering in sparsely populated areas is difficult and expensive. While New York State collects detailed data for areas downstate and upstate, it has, as of this writing, done less for the large New York area known as the North Country. In order to make economic sense of this area we have collected a series of unique data sets at the county, city, town and village levels.

Finally, this paper examines the economies of six counties (Clinton, Essex, Franklin, Hamilton, Lewis and Warren) in northern New York, an economically unique region: (a) much of it is close to and economically influenced by Canada, and (b) large portions of it are within the Adirondack Park, with its special rules governing land use. Two of the six counties, Essex and Hamilton, are totally within the Park; the others lie to differing degrees outside the Park. [See Figure 1]9

Economic Indicators

Economic activity continually rises and falls. These cycles are known as business cycles. At the regional level they are called regional business cycles. Economic indicators are measures indicative of economic activity and many are closely related to business cycles. They are used to measure overall economic activity for classifying it as rising (expansion [or upswing of the cycle]) or falling (recession [or downturn of the cycle]) as well as to determine the cyclical turning points of these expansions and recessions.10 There are many such indicators. Consider, for example: retail sales, personal savings, corporate profits, unemployment, unit labor costs, housing starts, net imports, and government debt. All are key to understanding how various economic sectors are functioning and, collectively, how well the economy is performing. Therefore, economic indicators reflect the overall dimensions of the domestic and international aspects of the American economy as well as particular segments of it.11

The seven economic regional indicators employed here (see Table 1) measure sector activity constituting the economic backbone of any region: real estate, construction, business formation, labor force, and retail sales. From these indicators a composite indicator [the Measure of Aggregate Relative Economic Strength, or MARES] was created to provide a measure of relative economic activity. The MARES is discussed in the methodology section below.

Table 1 is based on data collected at the county level and is designed to give an economic overview of the six-county region. All underlying data have been adjusted, where necessary, to remove the effects of inflation. A description of the seven variables follows.

Net Business Formations

Net annual business formations are derived by determining the number of new businesses formed each year (sole proprietorships, partnerships, corporations, or any of their derivatives) and subtracting from them the number that ceased doing business. Therefore, net business formations represent investments in new businesses and the resulting change of the business base. Such investment in new businesses acts as a measure of business confidence in an area.

| Table 1. Annual Data Inside the Adirondack Park and Outside the Adirondack Park |
|------------------------------------|---------------------------------|-----------------|-----------------|-----------------|-----------------|-----------------|-----------------|-----------------|-----------------|-----------------|-----------------|
| (1) | (2) | (3) | (4) | (5) | (6) | (7) |
| Net Business Formations | Real $ Value: Real Estate Transactions | Number: Real Estate Transactions | Building Permits: Single Family | Building Permits: Total | Average Annual Employment Rate | Real $ Sales Tax Receipts |
| in | out | in | out | in | out | in | out | in | out | in | out | in | out | in | out | in | out | in | out | in | out | in | out | in | out | in | out | in | out |
| 1968 | 753 | 1158 | 137,428,336 | 225,393,531 | 5136 | 8237 | 201 | 457 | 1860 | 2599 | 91 | 92 | 15,653,304 | 33,922,117 |
| 1971 | 697 | 1124 | 86,520,065 | 161,103,971 | 4707 | 7558 | 145 | 336 | 1620 | 2368 | 88 | 91 | 14,217,616 | 32,180,705 |
| 1972 | 711 | 1162 | 103,600,065 | 158,617,649 | 4830 | 7730 | 157 | 330 | 1571 | 2183 | 88 | 90 | 13,219,033 | 29,345,188 |
| 1973 | 701 | 1186 | 95,063,278 | 165,115,345 | 4579 | 7708 | 128 | 225 | 1491 | 2227 | 89 | 91 | 13,990,393 | 31,031,932 |
| 1974 | 832 | 1343 | 89,716,856 | 168,384,397 | 4912 | 7272 | 144 | 268 | 1157 | 2321 | 89 | 92 | 14,227,283 | 30,892,470 |
| 1975 | 754 | 1352 | 97,423,139 | 160,147,822 | 4146 | 7220 | 157 | 205 | 1523 | 2327 | 90 | 92 | 13,701,004 | 31,504,345 |
| 1976 | 938 | 1425 | 128,618,786 | 170,494,340 | 4681 | 7438 | 141 | 196 | 1652 | 2739 | 90 | 92 | 14,229,130 | 31,330,006 |
| 1977 | 1044 | 1477 | 93,921,179 | 163,470,178 | 4656 | 7465 | 116 | 185 | 1780 | 2396 | 90 | 90 | 14,509,507 | 31,717,102 |
| 1978 | 1110 | 1489 | 114,516,239 | 174,397,296 | 4814 | 7757 | 162 | 294 | 1553 | 2248 | 90 | 93 | 14,018,430 | 32,050,669 |

Sources: County Clerks all counties: business formations, real estate transfers, and transfer taxes (the authors have used "transactions" rather than transfers in the table for purposes of clarity.)
County Treasurer all counties: sales tax receipts.
Town or village Code Enforcement Officers: building permits, total and single family.
Employment Rate: N.Y. State Department of Labor Office, Saranac Lake: unemployment rates.
All aggregations of and adjustments to the data performed by Drs. R. Withington, and R. Christopherson.
The trend is clear, see Table 1, Column 1. Although net business formations within the Park are fewer in absolute number than those outside the Park, their growth rate over the past ten years has been faster than their growth rate outside the Park. This was especially so in the last three years. This trend is apparent in Table 2, when one observes the ratio of net business formations.

Real Dollar Value of Real Estate Transactions

This indicator provides the real dollar value of real estate transactions. Looking at dollar values over time requires one to consider the effects of inflation. Therefore, these data have been adjusted to remove such effects. Table 1, Column 2 shows that between 1989 and 1998, there was a decline in real dollar transactions both inside and outside the Park. However, when one compares the per capita ratio, as we do in Table 2, transactions within the Park have gained relative to those outside the Park.

Number of Real Estate Transactions

Real estate sales, whether of houses, lots, or unimproved land are a barometer of the desirability of an area for real estate investors. Column 3 of Table 1 shows that there has been little fluctuation in this variable. While the number of real estate transactions within the Park is far below those outside, both have declined over the period, with 1989 being an exceptionally good year.

Single-Family-Unit Building Permits

The building permits issued for the construction of single family units are a subset of total building permits. They are of special importance since they indicate the likelihood of further expenditures. These units lead to spending in excess of the building costs, (furniture, appliances, etc.) which has a ripple, or multiplier effect for the local economy. Column 4 of Table 1 shows that 1989 and 1990 were two outstanding years for single-family-unit building permits. Since then, both have fallen, but the numbers outside the Park have fallen much more dramatically than those inside the Park.

Number of Building Permits

While one might argue ad nauseam about the desirability of additional construction in the Adirondack Park, economists generally consider construction a sign of economic vigor. Building permits reflect a desire to put money into construction activities, and thus represent capital investment. They indicate the presence of zoning and construction standards as well.

Table 1, Column 5, shows the number of building permits issued for the period 1989 through 1998. Not surprisingly, one finds a trend similar to that for single family building permits. In fact, 1989 and 1990 were again two better-than-average years, and total building permits have struggled to regain those levels. However, 1996 was a banner year outside the Park and 1994 was an extremely slow year inside the Park.

Employment Rate

The employment rate provides an important indication of an area’s economic strength. It indicates what portion of the labor force is employed. Employment rates do not consider the type of work people do, nor how many hours a week they work. The employment rate was determined by subtracting the unemployment rate from 100. The rate of employment, Table 1,
Column 6, has fluctuated in a narrow range both inside and outside the Park.

**Sales Tax Revenues**

As with the dollar values of real estate transactions, mentioned earlier, sales tax revenues are subject to inflationary pressure. They too must be adjusted to remove inflation. The sales tax is a major source of county revenue, and is an indicator of the strength of a county's retail sector. From Table 1, Column 7, a pattern emerges. Starting with 1989, sales tax receipts, corrected for inflation, have fallen both inside and outside the Park. However, the ratio between the two has remained relatively constant at about 50%.

**Methodology**

Once the data were collected, the procedure was simple and straightforward. Data for each variable were broken into two components, one for activity within the Park, the other for activity outside the Park. Then the six-county population was divided into two parts, that within the Park, and that without. Following this, the data were population denominatored. That is, for each year the data representing economic activity within the Park were divided by the Park's population. The same was done for the area outside the Park. For example, net business formations in the Park for 1989 (see Table 1, Column 1) were divided by the population of the six counties within the Park. The same was done for net business formations occurring outside the Park. This process was repeated for each year for each of the seven variables, yielding net business formations per capita within and outside the Park for each of the ten years.

These results were then put in ratio form. Per capita net business formations within the Park were divided by per capita net business formations outside the Park. The result can be seen in Table 2, Line 1 where the ratio value is .73: On a per capita basis, for every 100 businesses formed outside the Park in 1989, 73 were formed within the Park. So, for this variable, at least, the Park shows a relative increase in businesses formed. One should note that a ratio value of 1.0 indicates parity, the same holding for all seven variables.

**A Measure of Aggregate Relative Economic Strength (MARES)**

In and of themselves, the Table 2 ratios for the seven economic indicators show diverse patterns of change. Each paints a different picture; however, when they are combined a composite picture emerges. This combination is accomplished by deriving a geometric mean of the ratio values for each year. The result is a Measure of Aggregate Relative Economic Strength, [MARES]. The values of the MARES for the years 1989-1998 are found on Line 8 of Table 2, and are plotted in Figure 2.

This Figure shows the economy of the Park operating at a level well below that of the economy outside the Park (parity would be at 1.0). It also shows, when taken as a whole, economic activity inside the Park has gained, relative to that outside the Park. Unfortunately, this gain was due not to growth in the economy, but to the relatively smaller shrinkage of economic activity inside the Park than outside. The MARES figure rising from .64 in 1994 to .71 in 1998 demonstrates this.

**SUMMARY**

This paper has outlined a process for assessing the relative economic activity of two separate areas, based on seven economic variables, for a period of ten years. The economic activity of the six-county area within the Adirondack Park, after being adjusted by population, was compared with the same population-adjusted activity for those portions of the same counties lying outside the Park.

The outcome is presented in two different ways, the results of which are complementary. Table 1 clearly shows that 1989 was a strong year for economic activity, both inside and outside the Park. With the onset of the recession in 1990, things changed dramatically. Economic activity dropped sharply, and for all the variables covered here, with the exception of net business formations, the levels of activity enjoyed in 1989 have not been recovered.

Table 2 focuses on these same data, but adjusts them for population and compares them inside the Park to outside the Park. The results show that over the past decade, economic activity inside the Park shrank relatively less than it did outside the Park, the economic activity in the Park drawing closer to that outside the Park.
Accounting for this is difficult, but we know that in recent years while there certainly are national recessions, there also are regional recessions. The northeastern United States seemed to remain in recession longer than the nation, since the national recession ended in 1991. It appears that the North Country has remained in recession for longer than the northeast.

Finally, considering the absolute figures for 1989 and 1998 (Table 1), the region has experienced negative average annual growth. The North Country's economic recovery never attained the modest goals set forth earlier: a real annual economic growth of between 0 and 2%. Considering the relative economic figures (Table 2) over the same period, the economic activity within the Park deteriorated less than that outside the Park.

Notes


2 Because economic data for the Adirondack region is not readily available, the authors have collected, personally, most of the data in this paper.  

3 The authors have used the following economic variables as measures of economic activity in a sparsely populated, marginally developed region: net business formations, number and real dollar value of real estate transactions, number of building permits issued, number of single-family building permits issued, the employment rate, and real dollar sales tax revenues. Presence or absence of regional data is often related to population density. This part of New York is sparsely populated, and traditionally collected economic data are not readily available. Therefore, research on the area is based primarily on data collected by the authors.  

4 See, for example, the economic indicators used in The Survey of Current Business, the various southeast regional forecasting reports, and the monthly bulletin, Southwest Economy.  


7 GDP is the dollar value measure of all final goods and services produced in the nation in a given year. There are many reasons for criticizing what GDP measures, and what it does not measure. It measures only the aggregate dollar value of final goods and services without concern for the negatives associated with them. For example, virgin redwood timber may be cut in Humboldt County, California and sold which adds to GDP. On the other hand, that forest's destruction may eradicate species or cause severe water pollution downstream. These negative externalities are not directly factored into GDP accounting; if so, they would reduce it. Consider also, all those transactions never reported [sales of illegal drugs, employees working off the books, etc.], which economists label the underground economy. Were these added to GDP, they would increase its size. There is general agreement in the profession that these two types of omissions are a wash. Work has been done, however, attempting to account for such considerations. See, for example: "Accounting for Progress: Indicators for Sustainable Development," Giles Atkinson and Rick Hamilton, Environment, (1996), Vol.38, #7, pp. 16-26, and " Debates and Reviews—Sustainable Wealth Creation at the Local Level in an Age of Globalization," Paul Ekins and Les Newby, Regional Studies, (1998) Vol.22, #9, pp. 863-872. Such criticism of GDP does not rule it out as a source for guidance in the search for reasonable expectations for rates of growth.  


9 Essex and Hamilton Counties are totally within the Park. Portions of Clinton, Franklin, Lewis, and Warren Counties are also within the Park.  

10 Norman Frumkin, Guide to Economic Indicators 2nd ed., M.E. Sharpe, pp. 3. Upturns and downturns of the business cycle that persist for at least two quarters are known as expansions or recessions.  

11 Ibid., p. 3.  

12 See P.A. Wissel, D.J. Reeb, and R.B. Hedges in New York's Adirondack Park: A Study of Land Price Effects from Development Restrictions, where it was found that legislation restricting land use did not have a negative effect on the price of private land within the Park.  

13 On the basis of population and data sampling, these components were given weights in the four counties partially within the Park, when in-Park and out-of-Park data were not readily available. These weights are as follows: Clinton .13 in., .87 out; Franklin .21 in., .79 out; Lewis .14 in., .86 out, and Warren .25 in., .75 out.  


15 The geometric mean is given by the equation:

\[ G = \sqrt[N]{x_1 \cdot x_2 \cdot x_3 \cdots x_N} \]

[\( G \) = geometric mean, and the \( x \)s are the values for the variables: e.g., \( x_1 = \text{ratio of net business formations; } x_2 = \text{ratio of the number of real estate transactions, etc.} \)]

16 Here again if, the MARES value was 1.00, the collective economic activity of the seven variables within the Park would equal that outside the Park. Any MARES value less than 1.00 indicates the Park had a lower level of collective economic activity than the area outside the Park. The lower the MARES number, the less well, relatively, the Park's economy performed in that year.

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