

The economic value of beaches — a 2013 update

By

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ABSTRACT

Few Americans are aware that the travel and tourism (T&T) industry is among America's largest industries, employers, and earners of foreign exchange; and beaches are its leading tourist destination. In an era where the availability of jobs is a major issue and their offshoring a significant concern, the T&T industry is the largest employer in the U.S. and its jobs are difficult to offshore. U.S. economic competitiveness is of concern, since it runs large trade deficits, but its largest trade surplus is in T&T, where it runs a multi-billion-dollar surplus even with China. Survey after survey finds that beaches are the leading U.S. vacation destination. However, beach erosion is a major concern for many beaches. As beaches such as Waikiki decrease in width tourists head to other destinations, including foreign beaches. Beach nourishment has been shown to increase tourist numbers and provide a good return on investment, in particular to the federal government through taxes. However, the U.S. lags much of the world in the growth of tourism infrastructure investment including restoration of beaches. As a result, the growth of U.S. tourism is projected to lag much of the rest of the world. Renewed U.S. investment in tourism infrastructure is important to grow the economy and number of jobs and to reduce the U.S. trade imbalance.

Houston (1995a; 1996; 2002; 2008) described the economic value of America's beaches. He noted that the travel and tourism (T&T) industry is becoming increasingly dominant in economies throughout the world. However, few realize that T&T is among America's largest industries, employers, and earners of foreign exchange; and beaches are its leading tourist destination. Although high-technology industries grab the news, the U.S. runs a trade deficit in these industries and high-technology jobs are increasingly "offshored" in today's world economy. T&T is difficult to offshore and is providing the economic growth, jobs, and foreign exchange that make the U.S. competitive in a world economy. However, tourists have choices in international tourism, and the U.S. has neglected tourism including supporting infrastructure investments. This paper updates and lends support to the conclusions of Houston (1995a; 1996; 2002; 2008) on the economic importance of beaches to the national economy.

T&T AND THE ECONOMY

T&T is the world's largest industry, contributing \$6.3 trillion in 2011 to the world's Gross Domestic Product (GDP) (World Travel and Tourism Council

2011a) and exceeding the GDP of all countries other than the United States (United Nations 2010). Similarly, T&T contributes \$1.3 trillion to America's GDP (World Travel and Tourism Council 2011b). This is 8.7% of U.S. output and makes it the third largest contributor to GDP behind real estate rental and leasing (12.6%) and manufacturing (11.7%) (U.S. Bureau of Labor Statistics 2012a; World Travel and Tourism Council 2011b). T&T also produces \$124 billion in annual tax revenue for all levels of government in the United States; without this revenue, each U.S. household would pay \$1,055 more in taxes (U.S. Travel Association 2012).

T&T MEANS JOBS IN AMERICA

T&T is both the world's and America's largest employer (Figure 1) providing 255 million jobs throughout the world (8.7% of jobs) and 14.3 million jobs in the U.S. (10.2% of total employment) — more than one out of every 10 jobs (U.S. Bureau of Labor Statistics 2012b, World Travel and Tourism Council 2011a). In contrast, all U.S. manufacturing industries from Apple to General Motors to Boeing employ only 12.0 million people, having steadily lost 3.2 million jobs in the past 10 years (U.S. Bureau of

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Labor Statistics 2012c). States compete with each other to attract manufacturing industries, especially high-technology industries, but few have policies to attract T&T businesses. However, the number of high-tech U.S. manufacturing jobs declined almost 30% from 2000 to 2010 with only 1.8 million remaining; about one-eighth the number of T&T jobs (Washington Post 2012). For example, Figure 2 shows employment trends at IBM that currently has less than a quarter of its employees located in the U.S. Since 2004, about 85% of R&D employment growth in U.S. multinational corporations has been abroad (TradeReform 2012).

Not only are manufacturing jobs in a long-term decline, but many service-sector jobs face "offshoring." Princeton economist Alan Blinder, who was vice chairman of the Federal Reserve during the Clinton administration, says that 25% of American service-industry jobs are at risk of being offshored (Blinder 2009). T&T is a rare industry where offshoring is difficult. There can be intense competition among countries for tourism, but if a tourist wants the tourist experience at Fisherman's Wharf in San Francisco, the tourist has to go to San Francisco. In the current tough economic times, Adrian Cooper, chief executive of Oxford Economics, recently said of T&T: "It's one of the healthiest sectors in the United States ..." (New York Times 2012b).

T&T IS KEY TO INTERNATIONAL COMPETITIVENESS

The U.S. is a major player in the international T&T industry. International tourists, who represent 10%-15% of tourists in the U.S., spent \$153 billion in 2011, a