County-Level Determinants of High-Technology Firm Locations: 1988-94

Summary

One of the keys to the economic future of many rural areas may lie in the growth of high-technology, R&D-intensive manufacturing industries. Because these industries rely on non-routine, skill-intensive and customer-oriented processes, many believe that they are among the least likely to relocate to low-wage countries in the foreseeable future and that they may demonstrate to young people the value of education.

To identify ways for state and local officials to improve an area's chances of attracting high-tech firms, Stephan Goetz of the University of Kentucky measured the effects that a county's labor market, quality of life, market access, fiscal policies, and agglomeration have on its number of high-tech firms. Goetz found that:

- High-tech firms in general avoid counties with predominantly rural populations.
- Firms in 4 out of 5 high-tech industries also avoid counties that are not adjacent to a metropolitan area or that already have firms in that industry.
- Counties with airports fare better in attracting high-tech firms.
- Counties with large proportions of college graduates also do better in attracting those firms. However, many rural areas face a Catch-22. Lacking large numbers of college graduates, they find it difficult to attract firms that rely on college graduates. And, not surprisingly, lacking firms that hire college grads, rural areas find it difficult to keep graduates in the area.

Overall then, Goetz finds that rural areas have limited chances of attracting high-tech firms.