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ABSTRACT

A study examined efforts to promote community-based economic development in 103 communities that adopted self-development strategies involving local governments working with other public and private entities providing employment, income, and services to local communities. Based on data collected from these communities, the study evaluated how and why communities pursued this form of development, relative costs and benefits of these strategies, and factors influencing the jobs created and income generated in these efforts. Self-development projects faced many of the same obstacles as traditional economic development activities. Credit was, however, more of a problem for self-development efforts than other economic development activities because lenders were hesitant to take the risk. Success at self-development required adopting the appropriate organizational structure, obtaining technical assistance, and choosing a strategy that fits the local economic and social structure. Policy recommendations were that technical assistance and information allowed rural communities to implement their own economic development activities; activities needed to be kept at a workable scale; and access to credit was essential. (Contains 32 references. A model of community economic development is appended.) (YLB)

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Division

From the Grassroots

Results of a National Study of Rural Self-Development Projects

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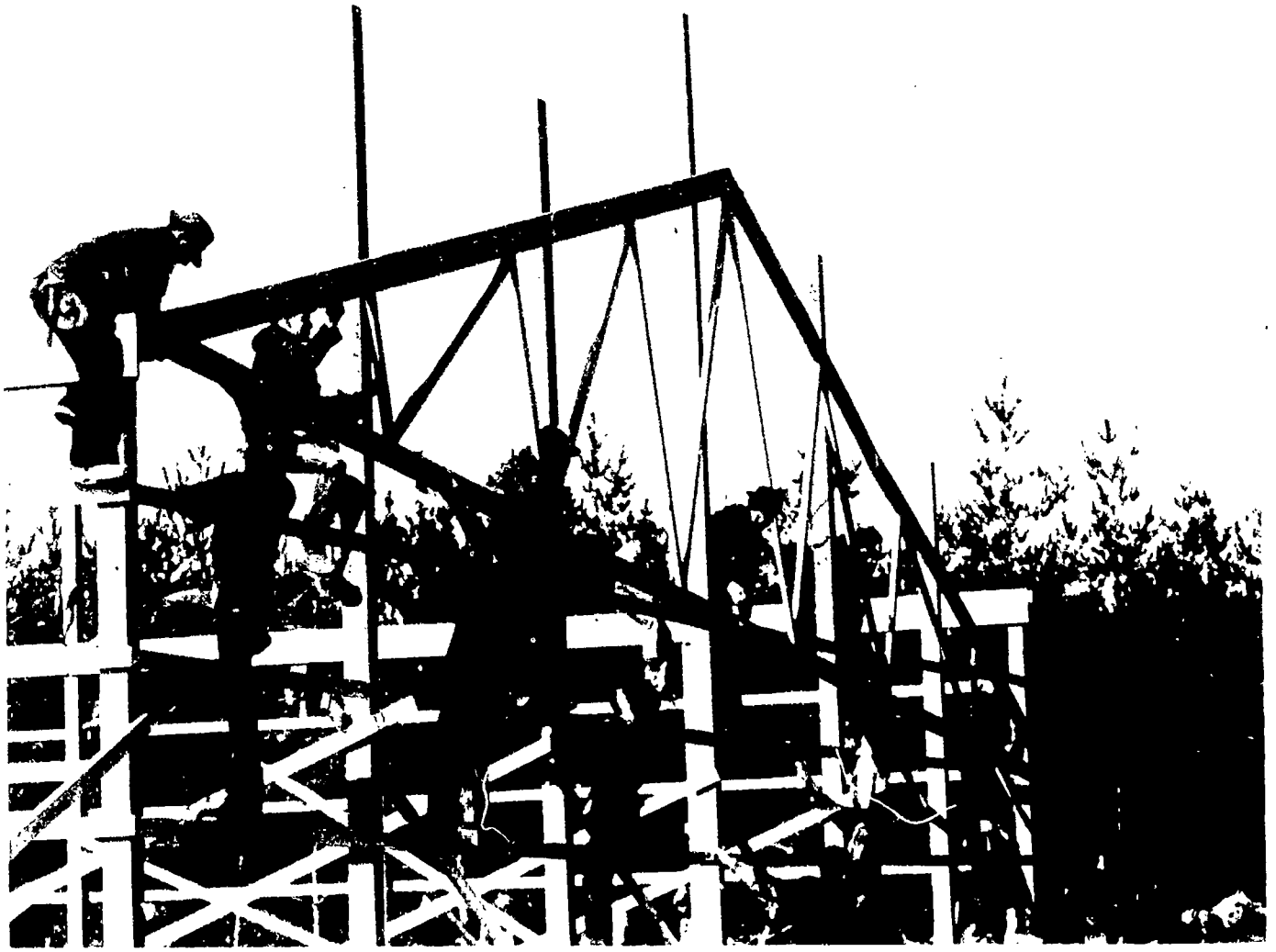

From the Grassroots: Results of a National Study of Rural Self-Development Projects. By Gary P. Green, Jan L. Flora, Cornelia B. Flora, and Frederick E. Schmidt. Agriculture and Rural Economy Division, Economic Research Service, U.S. Department of Agriculture. Staff Report No. AGES9325.

Abstract

In this study we examine efforts to promote community-based economic development, what we refer to as self-development. Self-development strategies involve local governments or quasi-governmental units working with other public and private entities to develop enterprises providing employment, income, and services to local communities. These enterprises are locally controlled. Based on data collected from more than 100 communities adopting these strategies, we evaluate how and why communities pursue this form of development, the relative costs and benefits of these strategies, and the factors influencing the jobs created and income generated in these efforts. Self-development projects face many of the same obstacles as traditional economic development activities. Credit, however, may be more of a problem for self-development efforts than other economic development activities because lenders are hesitant to take the risk. Finally, success at self-development requires adopting the appropriate organizational structure, obtaining technical assistance, and choosing a strategy that fits the local economic and social structure.

Key words: community development, economic development, rural policy, small towns, self-development

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In September 1988, the Economic Research Service (ERS) entered into a cooperative agreement with four institutions to study self-development projects in nonmetropolitan areas of the United States. The four institutions are the departments of Agricultural Economics and Sociology at Virginia Polytechnic Institute and State University (VPI&SU), the Institute of Community and Area Development at the University of Georgia (U. GA.), the Center for Rural Studies at the University of Vermont (UVM), and the Kansas Center for Rural Initiatives at Kansas State University (KSU). David W. Sears of ERS provided oversight for the research, which was carried out over a period of more than 2 years. The research team was headed by Jan L. Flora (VPI&SU); other team members were Cornelia B. Flora and Jim Chriss (VPI&SU), Frederick E. Schmidt and Eddie Gale (UVM), and Gary P. Green (University of Wisconsin). The project was supported in part through ERS Cooperative Agreement No. 58-3AEN-8-00082. Financial resources were also provided by each of the four universities represented in the project. Thanks to Rick Reeder (ERS), Kurt Finsterbusch (University of Maryland) and Sonya Salamon (University of Illinois) for helpful comments on the text of this report.

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From the Grassroots

Case Studies of Eight Rural Self-Development Projects

Gary P. Green
Jan L. Flora
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Introduction

The environment for local economic development in rural communities has undergone a fundamental change over the past few decades. International competition, economic restructuring, deregulation, and New Federalism make it increasingly difficult for rural communities to compete for capital. In response to these changes, many policymakers have advocated that most communities need to find new strategies for promoting economic development rather than relying exclusively on traditional strategies of providing tax breaks and financial incentives to attract branch plants. Industrial recruitment strategies have become less successful as there are fewer manufacturing firms willing to locate in rural areas and more communities competing for these firms.

In this study we examine alternative economic development strategies, which we refer to as *self-development*. To date, there has been very little evidence in the economic development literature on how effective these strategies are, how and why these strategies are initiated in communities, what the relative costs and benefits of adoption are, and what factors influence job creation. We address these questions by examining recently collected data from more than 100 rural communities that are adopting these strategies.

What is Self-Development?

We define *self-development* as having all three of the following characteristics: (1) involvement of local organizations (in most cases, including a local government); (2) investment of substantial local resources (this does not preclude use of outside resources); and (3) local control of the enterprise or activity which is created. Self-development projects also must generate income and/or create a net increase in jobs in their community. We included only self-development projects that have been implemented since January 1980.

Self-development, as defined here, does **not** include industrial recruitment because this would not be considered an example of local control. The establishment of a business by local entrepreneurs would not be included unless there is community involvement (in terms of financing and/or an organizational effort leading to establishment or expansion of the firm); it does **not** include recruitment of a Federal or State facility, such as a prison or job-training facility, because the facility is not locally controlled. Improvements in the quality of life, which may attract additional residents and therefore indirectly create jobs or increase incomes, are also

beyond the scope of this definition of self-development. Furthermore, we examine only communities in nonmetropolitan areas.

How Was the Study Conducted?

To identify communities implementing self-development strategies, we used existing bibliographies and inventories of economic development efforts. Several publications were used, including Thomas' (1988) Profiles in Rural Economic Development and the computerized data base, "Alternative Economic Development Ideas: Tool Kit" (University of Missouri 1986). We also contacted several organizations involved in community and economic development, such as the National Association of Towns and Townships and the National Association of Development Organizations. Next, we contacted members of the Community Development Society for their input. More than 600 key informants from various agencies in all fifty states (e.g., state departments of economic development, Cooperative Extension Service rural development specialists, Economic Development Administration University Centers, and Regional Planning Commissions) were asked to identify good examples of innovative self-development cases in their community, region, and State.

Potential self-development cases were identified by these key informants and secondary sources. By September 1989 we had learned of 249 cases which initially appeared to meet our criteria. A questionnaire was sent to all of these projects and we received 160 completed questionnaires. The final step was verification of the cases through phone calls and additional mailings. We ended up with 103 cases in our analysis. The final response rate was 68 percent.[1] A listing of the projects included in the final sample, with information on contacts and descriptions of activities, is reported in Flora et al. (1991).

Given the nature of the problem, it is impossible to accurately assess the representativeness of the sample. We believe, however, that our methodology may have underestimated the level of self-development occurring in rural communities. Because we relied heavily on key informants and community development practitioners to identify these projects, we may have included the more interesting and successful cases in our analysis. There may be many more self-development efforts occurring in rural areas that are less successful or less visible. Thus, self-development may be having a larger effect in aggregate, but a smaller effect on the average community than we find here.

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[1] Completed questionnaires were received from 160 of the 249 organizations or projects which, on the surface, appeared to be promoting self-development. As we gained additional information about each of the projects in the process of preparing one-page summary profiles of them (Flora et al. 1991), we determined that 57 of the 160, in fact, did not fit our criteria for self-development. As a result of several followups by mail and by telephone to nonrespondents, we gained enough information regarding 41 other cases to determine that they also did not fit our criteria for self-development--even though we did not receive a completed questionnaire from them. We could not obtain enough data from the other 48 cases to determine whether or not they were actually instances of self-development. Those 48 cases then became the no responses. Thus, the self-development response rate is [103/(103 + 48)] x 100 = 68 percent. The 68 percent response rate holds if all 48 no responses were self-development projects. But it is likely that many of the 48 were not. If, in fact, only half of the 48 no responses were actually self-development projects, then our self-development response rate was [103/(103 + 24)] x 100 = 81 percent.

These are not the only self-development projects in the country; no doubt, there are many other such projects. In fact, several projects we learned of later that appeared to meet the criteria were not included among the survey responses. Hence, it is impossible to assess the representativeness of our sample.

In-depth case studies of eight of the 103 projects, discussed in another ERS publication (Flora et al. 1993), yielded valuable information on the processes of self-development activities. The case studies are particularly useful in providing rich detail on development activities, such as how and why the community chose a particular strategy, the process by which the project was implemented (including how opposition and obstacles were overcome), and how leaders were able to garner local and outside support. Participants in the projects and community leaders were interviewed as part of the case study in each community. We examined both operating and failed self-development projects. The case studies include some regional variation and different types of projects. These eight cases appear to be representative of the larger sample from which they were drawn.

To strengthen our analysis, we combine material from the case studies with survey data collected from the 103 self-development projects. The survey focused on the initiation, organization, and obstacles for these activities. Specifically, it included information on the characteristics of the self-development project, key actors in the development of the project, benefits and costs associated with the project, and methods of financing self-development activities.

Descriptive Results

Characteristics of Self-Development Projects

Although we considered self-development projects initiated as early as 1980, we found that most of the projects originated since January 1985. Sixty-seven percent of the projects in our survey were initiated from 1985 to 1990. It is likely, therefore, that these projects are the most successful of those initiated because other projects initiated during this period may have already failed. Other factors, however, may have contributed to the large number of projects that were started in the late 1980's. The farm crisis and the loss of manufacturing jobs had a strong effect on rural communities. As will see, many of the self-development projects were started in response to crises during the late 1980's. The fact that we are looking at winners should be kept in mind as we examine what factors are associated with job creation and income generation.

Types of Projects

We identified 11 different types of projects: tourism and cultural activities, business retention and expansion, locally controlled industrial development, historic renovation or preservation, small business incubators, community-owned enterprises, value-added firms, worker-owned businesses, community financial institutions, agricultural marketing organizations, and community-based service firms. In many cases it was difficult to classify the projects because they involved more than one type of activity. For example, Ganados del Valle, an Hispanic collective enterprise in New Mexico, includes a sheep- grazing cooperative, a weaving cooperative, an enterprise that sells organic lamb to area restaurants, and a general store. It qualifies as a community- and worker-owned enterprise, a tourism project, and a value-added firm. In most cases, we attempted to identify the central activity of the project and based the classification on this activity. We classified each project in two ways: on the basis of mutually exclusive categories and in a non-mutually exclusive fashion. Data reported below are based on the non-mutually exclusive categories. The mutually exclusive categories were used in a regression analysis.

Tourism and cultural activities are the most prevalent self-development projects, followed by retention and expansion of existing businesses and locally-controlled industrial development (see figure 1). There are relatively few community-based service firms. Community-based service firms are public-private entities that are created to meet local needs for services, such as health facilities or cable television systems. Tourism and cultural activities may be so prevalent because they fit in well with the cultural heritage of many rural communities. Many of these self-development activities have built on local activities that had existed in the community for years. The startup costs for many of these projects also may be less than other types of projects, such as locally controlled industrial projects or community-owned businesses.

Geographic Characteristics

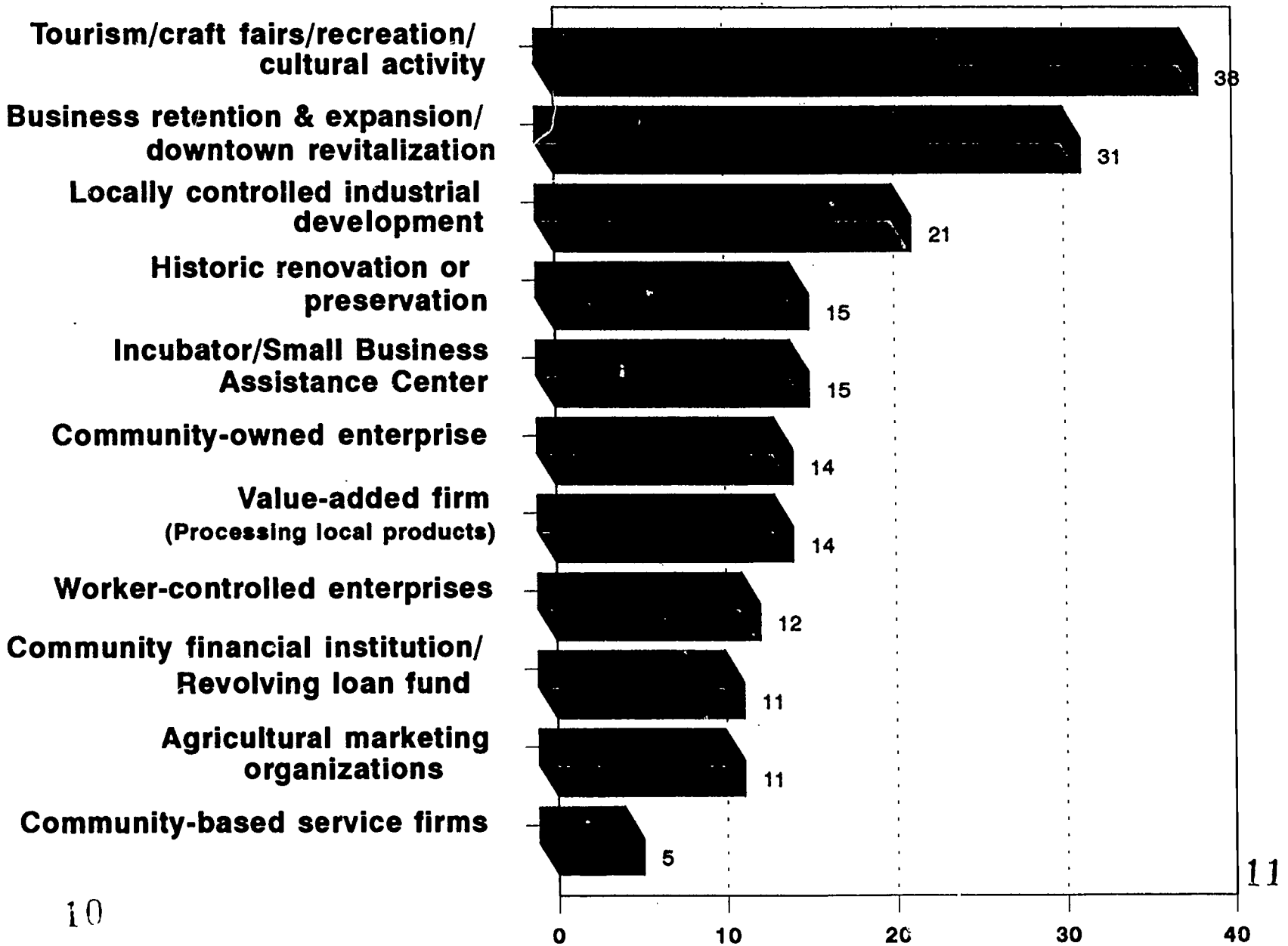
Given the diversity in rural America, it is reasonable to expect to find geographic differences in the adoption of self-development strategies among communities. The majority of the self-development projects we identified are located in the North-Central States. Using the Census definition of regions, we find that 7 percent of the projects we identified are in the Northeast, 51 percent in the North-Central, 23 percent in the South, and 20 percent in the West. Based on 1980 Census figures, approximately 13 percent of the nonmetropolitan population is in the Northeast, 31 percent in the North-Central, 43 percent in the South, and 13 percent in the West. Thus, self-development efforts are overrepresented in the North-Central States and the West, and underrepresented the South and Northeast. Although there are regional differences in the adoption of self-development activities, we found no regional differences in the obstacles faced, benefits and costs, or factors influencing job creation and income generation.

Because self-development relies on local input and control, it is not surprising that nearly half the projects (47 percent) are community-based. Twenty-one percent of the projects are county-wide, one-fourth are multicounty projects, and the remainder (8 percent) are either State-wide or regional in orientation. Both the multicounty and regional projects had to retain a grassroots organizational component to qualify as self-development. For example, NEST (Neighbors Enthusiastically Supporting Trade) Builders is a not-for-profit organization in Nebraska. Representatives from several communities get together once a month with NEST Builders to discuss ideas for improving and helping the entire region. One of the major accomplishments is a recently completed incubator facility which provides financing, management, accounting, and business training services to locally-owned businesses. Another example of a regional project/program is the worker-ownership support and development network in Athens, Ohio. For eight years, the Worker-Owned Network (WON) provided training in business and co-op skills as well as technical assistance to firms seeking loans. During this time WON helped nine worker-owned businesses get started in Athens. In 1991, it expanded its scope. It changed its name to the Appalachian Center for Economic Networks (ACENet) and became a facilitator organization for flexible manufacturing networks of small industrial firms and craftsmen throughout an 11 county area in Southeastern Ohio.

Although a large geographic size of a project does not preclude grassroots economic development activity from occurring, it does present obstacles. The major problem in these multicommunity efforts is that they may create competition for jobs among governmental units (for example, neighborhoods, towns, counties) within the region. If a new business is created in a single community, city, or county, other places in the project area may not derive any direct and immediate economic benefits. As a result, most multicounty or multicommunity projects focus

Figure 1.

Types of Self-Development Projects



Note: Sum > 100% because some projects fit more than one category

less on location-specific endeavors and more on activities benefiting the entire region. Multi-community efforts tend to develop when there are some perceived benefits to collaboration. There are several examples of craft marketing cooperatives that have been established over a relatively large region. This type of project is not site-specific because producers receive benefits no matter where they live. The producers benefit in collaborating because there is a centralized location for the sale of the products. Projects providing technical assistance across a region also work reasonably well. In contrast, projects seeking to establish new enterprises tend to create many difficulties. Thus, some types of self-development activities are much more likely than others to take place on a multicommunity level.

An usual example of multicommunity cooperation is the Area-Community Commonwealth (ACC), a consortium of seven small communities in the hinterland of Mason City, IA. The ACC communities' merchants have coordinated their bargain days so that they do not compete head-to-head on the same day. During the Christmas season, they have also organized bus tours to take shoppers to all seven towns. In this way, they hope to encourage their citizens to shop locally rather than in Mason City or beyond.

Benefits and Costs of Self-Development

Self-development projects may yield both benefits and costs to communities and regions. Benefits may be in the form of new jobs created and/or saved, expansion of the variety of goods and services available to the community, improved community self-esteem, reduced State and local costs associated with unemployment and welfare services, new leadership, and additional dollars circulating in the local economy. Costs might include additional demands for Government services, revenue foregone due to tax abatements or credits, external costs borne by the community (for example, air or water pollution), and loss of revenue to existing businesses in the local community. The literature suggests that costs of other approaches, such as traditional forms of subsidized industrialization, often exceed the benefits (Summers et al. 1976). In such approaches, communities often spend resources to attract businesses and invest in speculative ventures and other activities that will, on average, have very little payoff. Even when a community has been successful in attracting a business, the costs may exceed the benefits. The tax breaks and subsidies may total more than the sum of the income generated through additional employment. We examine the costs and benefits associated with self-development activities. Although it is impossible to develop an overall cost=benefit ratio for various economic development strategies, these data provide us with some indication of the type and magnitude of the costs and benefits of self-development activities.

Jobs

We asked respondents to estimate the number of jobs created and/or saved by their self-development project. An average of 51 jobs were reported created and/or saved through self-development efforts. The median number of jobs produced or saved through self-development projects, however, was 25. The large difference is due to a few large projects (see figure 2).

In addition to the number of jobs, it is also important to consider the quality of the jobs created. Rural industrialization has frequently been criticized for creating primarily unskilled jobs (Falk and Lyson 1988). Most industries moving to rural areas have low skill requirements and provide low paying jobs. Among the self-development projects, only about 28 percent of the jobs created or saved are unskilled, while 43 percent are skilled (figure 3). Although we do not have data on

Figure 2.

Number of jobs created and/or saved through self-development efforts

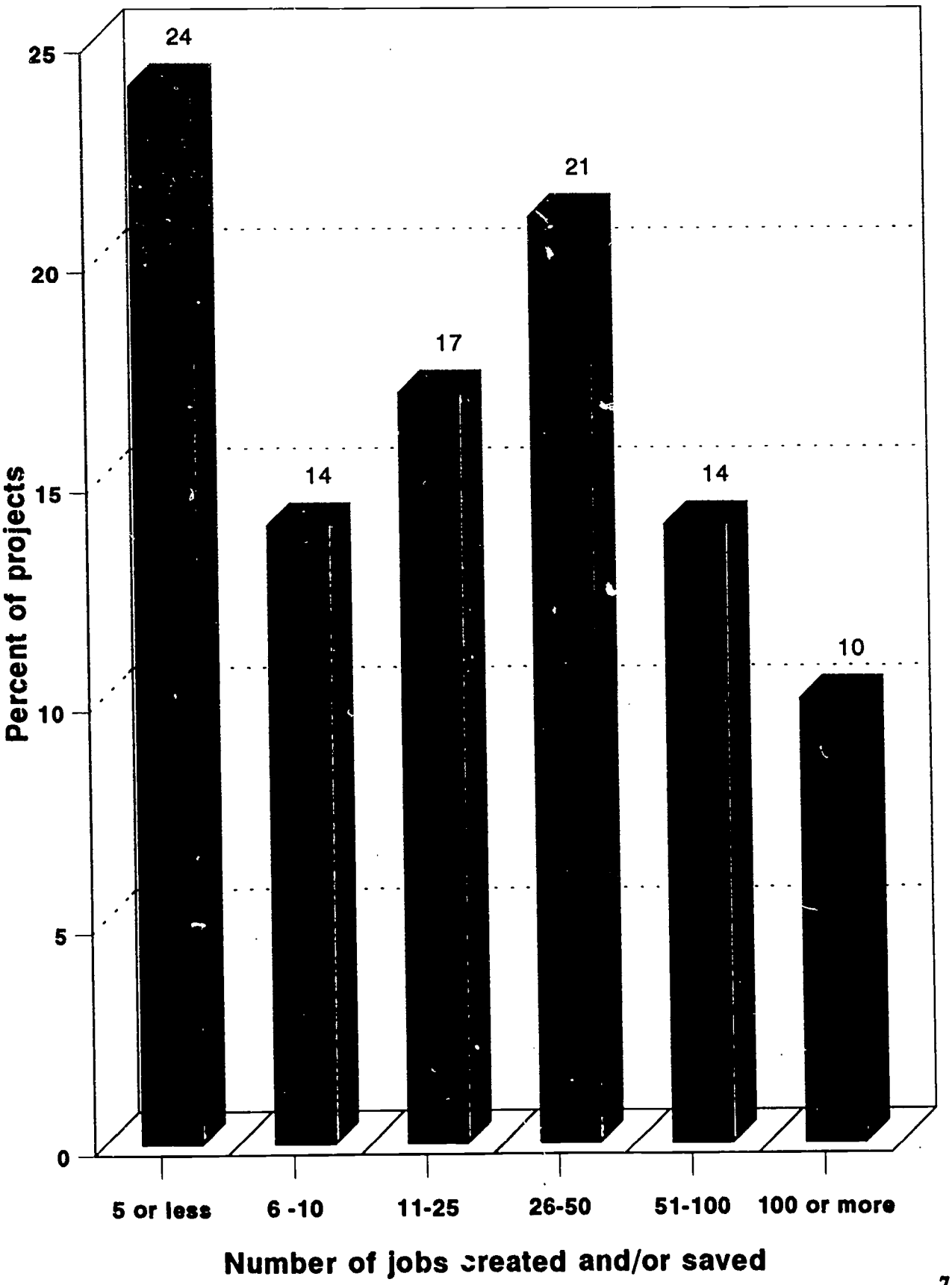
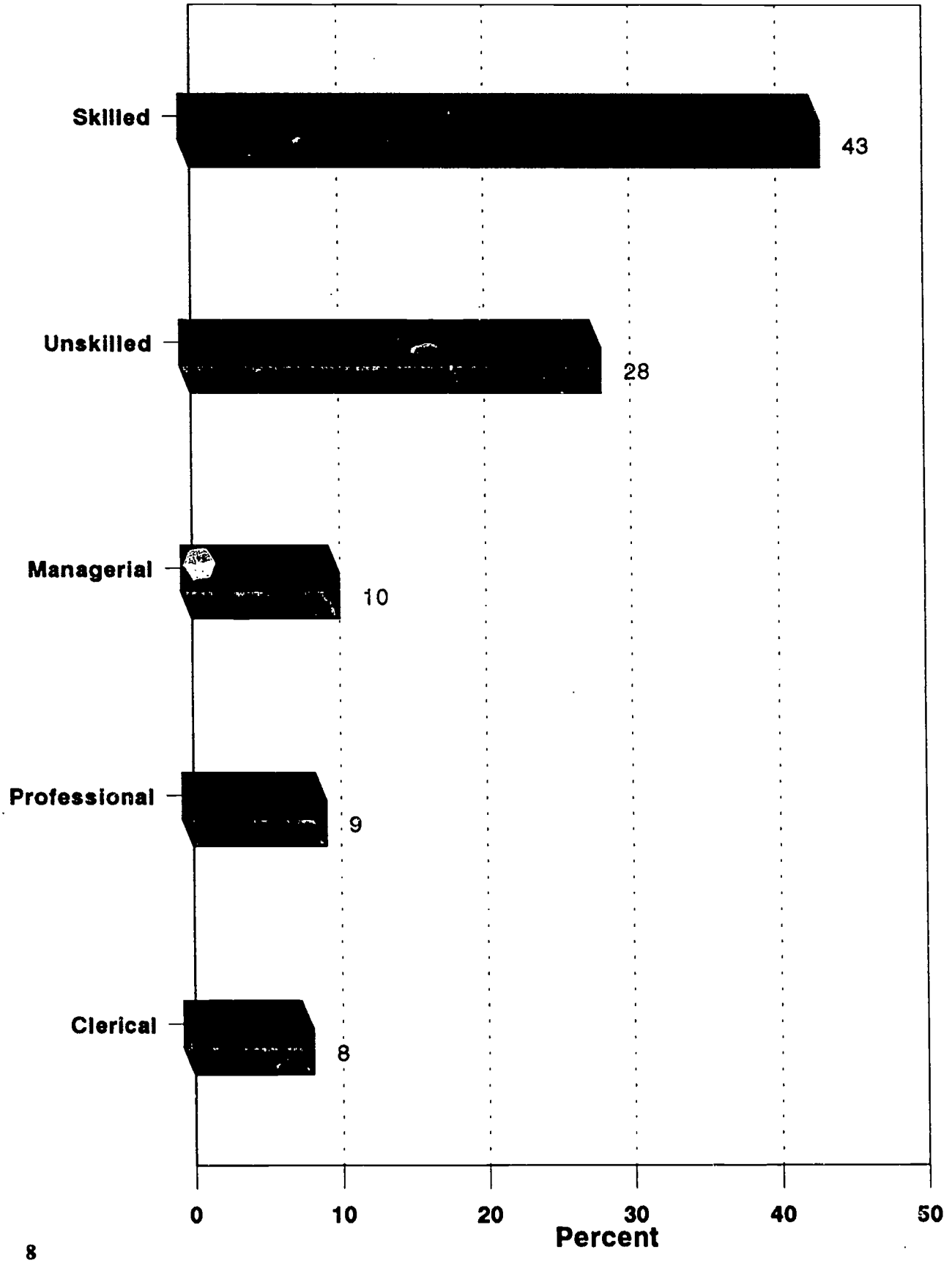


Figure 3.

Jobs created by self-development activities



the skill level of jobs produced through industrial recruitment, we can conclude that self-development projects tend to generate a wide range of job opportunities that are not concentrated in unskilled positions.

Several studies suggest that attracting branch plants to a community does not produce many benefits for the local residents. The new jobs often do not go to long-term residents, but instead are taken by new in-migrants (Logan and Molotch 1987:89; Summers and Branch 1984:144-145). When a branch plant moves to a community, workers move to the area because of favorable employment opportunities. Thus, the net increase in employment among residents is negligible.

We asked respondents to estimate the percentage of jobs created and saved which were taken by workers who were already living in the community when the self-development project was initiated. On average, 91 percent of the jobs were taken by local residents. Over half of the respondents reported that 100 percent of the jobs generated by the self-development project were filled by local residents. Self-development activities probably provide a larger proportion of jobs for local residents than industrial recruitment because: (1) with industrial recruitment, branch plants frequently bring top-level managers and technicians to the new plant site, and (2) the small scale of most self-development firms may not generate enough publicity to attract workers from outside the community. These projects emphasize generating jobs for local people and taking advantage of the resources that already exist in the community.

Income

Self-development activities have a mean gross annual sales of slightly over $1 million for the most recent year for which the respondent had information. The median gross annual sales generated was $150,000.[2] One can assume that a greater share of the income generated through these projects remains in the community and generates a larger multiplier than is the case for most development projects. For example, profits generated through sales at a branch plant or a franchise in a small town frequently does not stay in the community. As Gunn and Gunn (1991) argue, the surplus created in most types of community development is extracted from the local economy and generally does not benefit local residents. Because self-development is based on local ownership and control, a much greater share of the surplus created from sales and production circulates or is reinvested in the local economy to continue producing more jobs and income.

Indirect Costs

Not all the costs of economic development projects are considered when most communities attempt to create new jobs and income locally. Some of the costs are direct, such as land, buildings, or infrastructure that are provided to the new employer. Other costs of economic development projects may be indirect or hidden (off-budget), resulting from revenue foregone by local, State, or Federal Governments.

[2] The difference between the mean and the median was due to the presence of a small number of large enterprises in the sample.

Most local government did not forgo any revenue (for example, tax abatements and credits) to support the self-development project. In only 16 percent of the projects did a local government forego any revenue. When local governments did forego revenue it was not for a large amount. Five out of the ten cases estimating lost revenue indicated that the amount was $1,000 or less. Those 10 local governments were willing to forego revenue for 4 years, on average, to support the project. In only one-tenth of the projects did a state forego revenue for the self-development project. State governments were willing to forego revenue for an average of 4 years to support the self-development project.

More than one-third of the self-development projects received in-kind benefits provided by local governments. When local governments provide in-kind benefits to support self-development activities and projects, they tend to be one of three types: (1) services, such as use of a machine or grant-writing assistance; (2) a building; or (3) some form of labor. Other forms of in-kind benefits provided by the local government include equipment and insurance.

Community Life

We asked the individuals knowledgeable about each project to report whether they believed their self-development project had a negative, positive, or no effect on various facets of community life (figure 4). Of the 14 aspects of community life considered, self-development is reported to have the strongest positive impact on job creation (93 percent), community satisfaction (90 percent), and local economic stability (80 percent). In at least a third of the cases, there also was a positive impact on those who are on fixed incomes (such as retired persons), on the demand for public services, on poverty, on the quality of the physical environment, and on the fiscal situation of the local government. Again, these data do not permit us to compare the impacts of traditional economic development activities with those of self-development activities. Self-development projects were perceived by informants to have many of the same types of impacts as traditional economic development activities.

Obstacles to Self-Development

The obstacles facing self-development projects are similar to those faced by most businesses, although acquiring information and financing may be more difficult for self-development projects because they are frequently nontraditional activities. We asked respondents to indicate the degree (none, some, or great) to which a set of obstacles hindered or complicated the implementation of self-development strategies in the rural community (Figure 5). Informants reported that the availability and cost of capital are the greatest hindrances to or complications for the self-development project. For nearly one-third of the self-development cases, availability of capital is considered a great hindrance, and in over half the cases it is considered some hindrance. Among one-fifth of the self-development cases, the cost of capital is considered a great problem and in over half of the cases it is perceived to be some problem. Lenders generally believe that self-development projects are risky and in most cases the projects have no collateral. Participants in the self-development projects expressed a great deal of frustration with local lenders. Several informants blamed the problem on the loss of local (as opposed to branch) banking; others complained that the lack of support from local lenders was symptomatic of the lending conservatism that has always existed.

Figure 4.

Percent of respondents reporting that self-development has a positive effect on various facets of community life

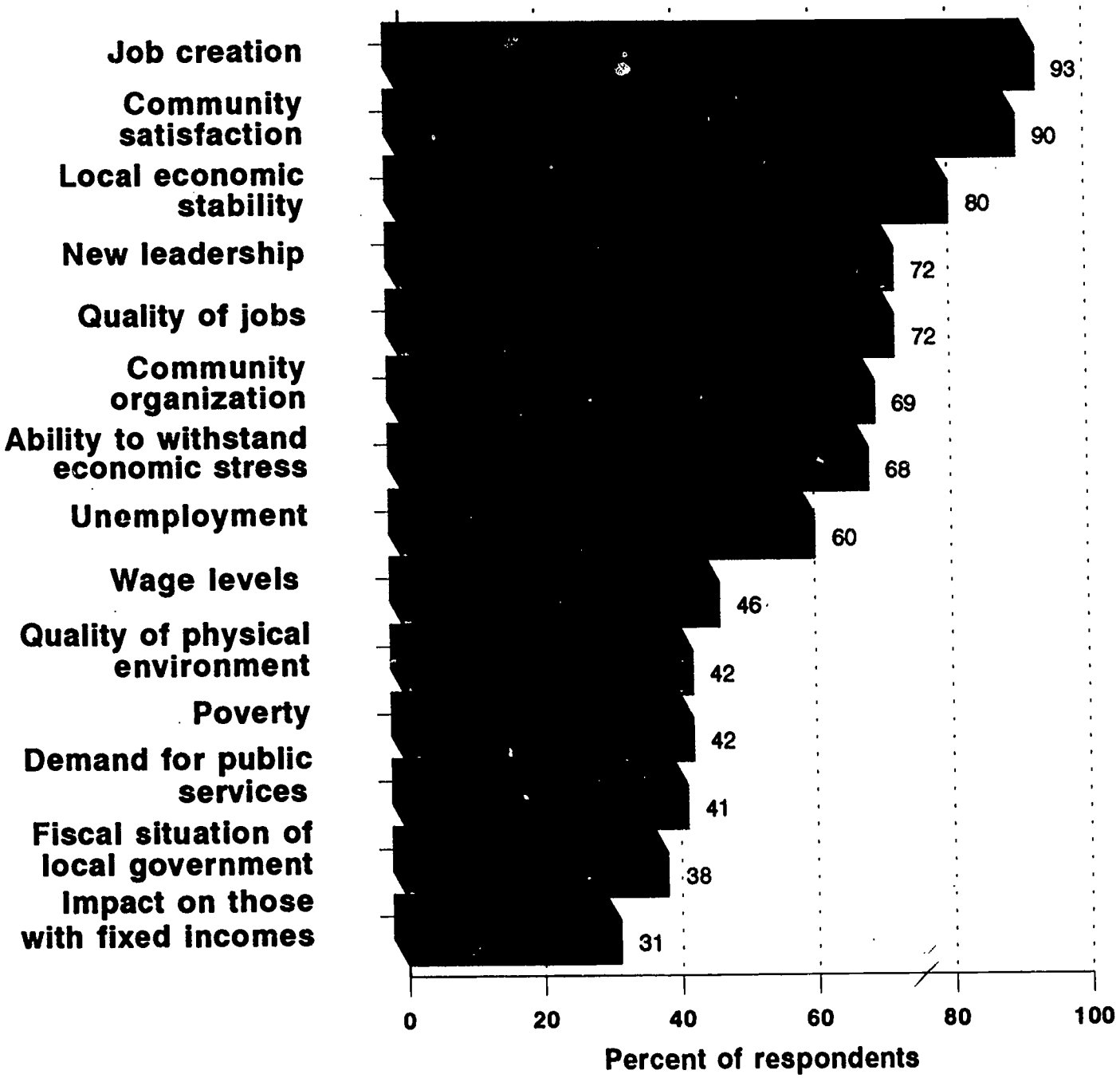
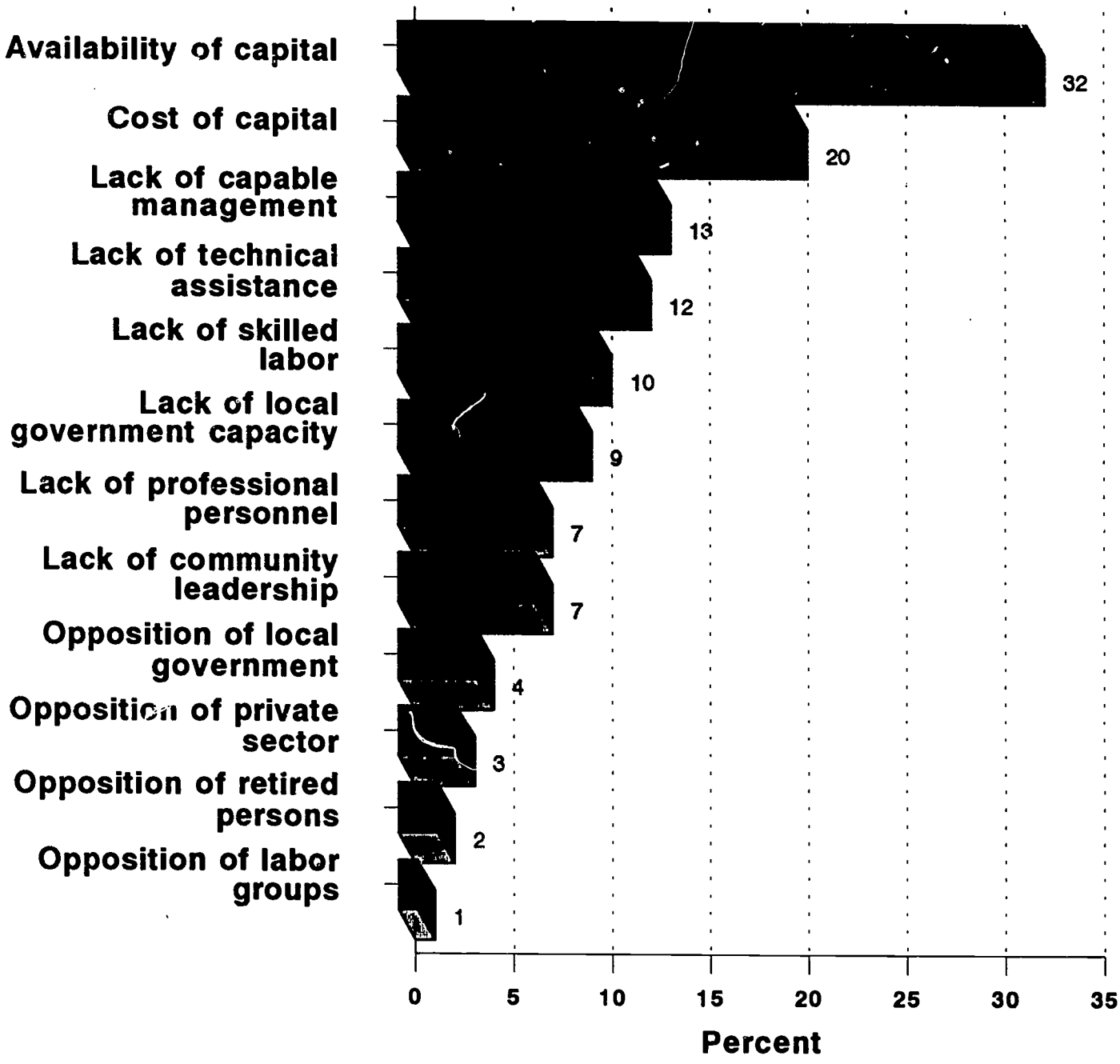


Figure 5.

Obstacles to implementation of self-development strategies*



*Percent of respondents citing these obstacles as a "great hindrance."

Lack of capable management, lack of skilled labor, and lack of technical assistance also are considered to be important constraints on self-development activities; each was cited as a great hindrance for slightly over one-tenth of the self-development projects. There is nothing unique about self-development projects on this score, however, as these problems are frequently mentioned as obstacles for most traditional economic development efforts in rural communities In our case studies of failed self-development efforts, lack of capital was frequently given as a reason for failure. However, our analysis suggests problems with management, which respondents felt could be overcome with more capital. For example, a community-owned firm in Kansas had difficulty accessing capital from a State retirement fund after the firm had diversified into several new lines without establishing itself very well in other markets. In case studies conducted among eight self-development projects, we found that both failed and operating projects had difficulty obtaining credit (Flora et al. 1993). Credit problems are real, but our case studies revealed that in many instances it is difficult to separate them from managerial decisions.

Overall, the findings from the survey suggest that the obstacles and hindrances facing self-development projects are similar to those of traditional economic development activities. The heightened importance of the lack of availability of credit, however, was evident in both our case studies and the survey data. It should also be pointed out that most of these projects were initiated during a period (1985-89) when capital markets were relatively loose. Therefore, in a period of tighter credit, such as the early 1990's, one might expect these problems to be exacerbated. Local lenders have no experience lending to self-development projects and thus, no experiential base to use to appraise risk.

Many communities did not approach their project in a businesslike manner, which meant they could not produce adequate calculations of potential costs and income, a key part of the documentation required for a noncollateralized business loan. And when self-development projects did have real estate or equipment to use as collateral for loans, there seemed to be little insistence on the part of lenders that cash flow projections be made and justified. We did find a few cases where a formal business plan was developed and marketing research was conducted for the activity. However, in most projects, organizers base their activity on their experience and a few good ideas. In this regard, it is not surprising that self-development projects were experiencing difficulty in obtaining credit.

Job Creation and Income Generation

Most rural communities experienced difficult times during the 1980's, yet relatively few adopted self-development strategies. And only a few of those communities pursuing self-development strategies survived more than a few years. Several common factors appear to be related to the job creation and income generation. These factors can be categorized as (a) structural or contextual and (b) social infrastructure influences. In the following we develop specific hypotheses about factors influencing the number of jobs and income created by self-development efforts and we report our results from a regression analysis (explained in more detail in the appendix).

We recognize that considering only the number of jobs created and amount of income generated are limited measures of the performance of self-development projects. A more comprehensive approach would be to consider the total direct and indirect costs and the indirect benefits that

may be derived from the activities. It may be possible to collect such data in intensive case studies, but it was not possible to obtain in the mail questionnaire used in this study. It is equally important to consider the noneconomic benefits of self-development activities. Quantifying the benefits of community stability and viability, however, would be extremely difficult. Thus, we were left with jobs and income as primary measures of the effects of self-development activities. These measures can be defended on two grounds. First, jobs and income are frequently used measures of community economic development. Second, our case studies revealed that jobs and income were the primary objectives of participants of self-development projects. From their perspective, many of the costs are not borne by the community and, therefore, should not be considered in an evaluation of their activities.

Contextual and Structural Influences

Contextual and structural factors include a wide variety of macroeconomic and macropolitical patterns at the national, State, and regional levels. They include changes in policy and allocation of resources at the Federal level, including decisions made by the Federal Reserve about money supply and interest rates. For instance, the farm crisis was precipitated by tight money policies instituted in 1979 by the Federal Reserve. Economic development policy, banking laws, fiscal soundness, and taxing policies are all important contextual factors related to local development. Economic structure, levels of economic and population growth, investment climates, and proximity to urban centers are important contextual variables at the regional level that have an impact on local development.

Rural communities faced a variety of economic problems in the United States in the 1980's. In response to the growing crisis in rural America, some communities attempted to develop local resources rather than relying on traditional strategies emphasizing industrial recruitment. We will examine explicitly the effects of the following contextual and structural factors: economic crisis of the early 1980's, community size, proximity to metropolitan areas, and community income levels.

Crisis as a Precipitating Factor

In more than half of the projects (54 percent), self-development activities were initiated—according to the informants—in response to a specific crisis in the community or region. The two most frequently cited events leading to the creation of a self-development project were a downturn in the local economy (44 percent of those reporting that a crisis initiated the effort) and a plant closing (39 percent of those reporting that a crisis initiated the effort).

The farm crisis generated gradually increasing unemployment and underemployment over several years, while some of the plant closings led to dramatic and swift increases in the unemployment rates of these communities. Our findings suggest that communities are more likely to respond to these sharp economic crises than they are to more slowly developing problems in the economy. Under these crisis conditions, traditional approaches toward economic development are less likely to be considered viable, and communities are more willing to consider grassroots efforts at generating jobs and income. An economic crisis can pull together various elements of the community and produce a sense of urgency about conditions in the community.

We regressed the number of jobs created and/or saved and income generated from the project on whether or not the community reported a crisis in the form of a plant closing (see Appendix for

the correlation and regression analysis). Although a plant closing in the community prior to initiation of the self-development project is positively related to the amount of income generated by the project, it is negatively related to the number of jobs saved and/or created through the self-development effort. Thus, the evidence from the surveys did not support our hypothesis about the effects of a sharp crisis on the ability of a community to respond to these problems.

Community Size

Like any economic development activity, success of self-development projects is influenced by the local market, both in terms of its size and character. There are both advantages and disadvantages for self-development projects located in large communities. The primary advantage is that large communities provide a source of demand for the goods and services provided by the self-development project. Size of community is also probably related to the availability of managerial expertise, skills, capital, and other resources influencing the success of economic development activities. Because large communities offer more inputs into the process than small ones do, they enjoy larger multipliers for indirect benefits of economic development. The literature on local economic development suggests larger communities may be more successful in creating jobs than small towns (Lloyd and Wilkinson 1985). According to Williams et al. (1977), large and growing communities are the most favored locations by new and branch firms. In contrast, McGranahan (1984) found that in Northwest Wisconsin, growth in manufacturing in the 1970's occurred at a higher rate in smaller communities and those with the least manufacturing employment at the beginning of the period. This suggests that patterns of growth are not immutable. Instead, they change from one time period to another in response to macroeconomic influences.

Wilkinson (1991) argues that the strong ties among individuals in small towns may prevent the development of a sense of community, because these ties produce tight networks that do not have much interaction with one another. Thus, while small towns may create stronger ties for individuals, the overall effect may produce groups or cliques that prevent community-based activities from occurring. Thus, there are competing hypotheses regarding the effects of community size on job creation and income generation among self-development projects.

Size is particularly important for some types of projects. For example, much of the literature suggests that business incubators can effectively increase the survival rate of firms. However, they are probably not feasible in extremely small towns. Incubators require business services that may not be available in small towns. The small business incubator in Rome, GA, depended on a fairly large population (1986 population = 30,910) and would not have been as effective in towns with only a few thousand people. It could be argued that the failure of Caswool Cotco was partially due to the fact that there was such a small market in the area (1986 population = 1,990 [city]) and that the shop could not rely on retail sales for the majority of its income (although lack of managerial capacity—also related to community size—was a more important factor).

Community size may also limit the available pool of skills and expertise for some self-development projects. Oberlin, KS, located on the Western Kansas high plains, suffered somewhat from a lack of managerial expertise and skilled labor, particularly labor that had experience with the industrial-type work that was needed in the boat and bus factories. There was also a lack of complementary small firms in the area to which certain activities could be subcontracted. The bus

coach firm found its subcontracts spread all over the map–in Dallas (refurbishing plant) and Colorado (modular design project), as well as in Oberlin.

On the other hand, it may be more difficult to develop community-based support for the project and to develop the social ties required to initiate and implement the project in large communities. Grassroots efforts may be easier to implement in small rather than large communities because of the level of interaction among individuals in small towns. A few studies support this argument. Gaventa et al. (1990: 287-288) found that grassroots efforts are more successful in smaller communities and in communities which are only peripherally involved in the dominant economic and political system.

Although the literature suggests that large communities have several advantages in creating jobs and generating income, we believe self-development is a special case. Because these activities require considerable local interaction, small and declining communities may facilitate grassroots activities. In addition, if traditional economic development activities, such as industrial recruitment, have been successful, there may be less community support for alternative approaches to economic development.

Our regression analysis suggests that population size (expressed in logs) has a strong, negative effect on jobs created and/or saved (see appendix table 2 for the regression analysis). Self-development projects appear to require broad-based community involvement and investment in the activities, qualities not normally found in large communities. Thus, there seems to be support for our argument that such involvement is easier to accomplish in smaller-sized communities where local social networks are more closely-knit and where a concerted effort of cooperation among the local people is easier to facilitate. That does not necessarily negate that, as Wilkinson suggests, the closeknitness of groups within small communities *usually* militates against the development of an overall sense of community–only a small proportion of small communities successfully engage in self-development. Population change is weakly related to the two dependent variables (income generated and jobs created or saved); it has a positive relationship with jobs and a negative relationship with income.

Proximity to Metropolitan Areas

Another structural characteristic that may influence the number of jobs and amount of income created through self-development efforts is proximity to a metropolitan area. Some researchers have found proximity to be a key predictor of community economic growth, thus, it is a frequently used proxy for economic development in rural areas (Humphrey et al. 1989). Access to urban markets creates both advantages and disadvantages for self-development efforts. Proximity to an urban area provides a larger market for goods and services and offers additional business services, technical assistance, and information that may be beneficial to the economic development effort. On the other hand, proximity to an urban area may present obstacles because local residents look to the city to purchase goods and services and this may detract from a sense of community among residents and may involve more market competition for the self-development project.

Project Herbs, an herb growing project, benefited by its proximity to Asheville, NC. Its location was strategic because Asheville attracts many tourists in the summer months, and many pass by on the highway linked to Mars Hill. Similarly, Mars Hill was strategically located to market herbs in

nearby urban markets--Charlotte NC, Greenville, SC, and Johnson City, TN. If the project had not been as close to these urban areas, it would have been much more difficult to market the herbs. Location was also an issue for the Windmill Market Farm and Craft Cooperative in Penn Yan, NY. The urban population in the region--some 8 million people--contributed to the demand needed to sustain the market. Proximity to an urban center appeared to be less of an issue for self-development projects like the Vermont Northern Growers Cooperative in East Hardwick, VT, and the revolving loan fund in Mankato, KS.

When we regressed number of jobs created and amount of income generated by the self-development projects, proximity to a metropolitan center was not significantly related to the amount of income generated, but was strongly related to the number of jobs created and/or saved (see Appendix tables 2 and 3). Communities that were adjacent to a metropolitan area created or saved more jobs through their self-development effort than did those that were more isolated.

Income Level

Some literature suggests that community income level should be negatively related to growth-promoting activities, but positively related to growth (Logan and Molotch 1987). Communities with high incomes may generate less support for grassroots activities than poorer communities, because there may be less of a sense of crisis. Alternatively, Flora and Flora (1990) suggest that a community must generate a certain level of surplus wealth in order to have enough collateral to risk entrepreneurial activity associated with self-development.

From the perspective of purchase of the outputs of self-development, particularly retail goods and services, communities with a large per capita income potentially provide a better market for self-development activities. On the other hand, higher-income residents are more likely to purchase goods and services outside the local community, which means there may be less support for goods and services produced locally. This relationship may be most important for self-development projects in the retail and services sector, but may also apply to manufacturing projects oriented toward a local or regional market, as is the case for most self-development efforts.

There is a relatively weak relationship between mean family income in the community and numbers of jobs or amount of income generated through self-development (see Appendix Tables 2 and 3). This finding supports our observations from the case studies that while self-development activities are entirely locally controlled, they do not rely heavily on local demand for products and services.

Social Infrastructure

In addition to these contextual and structural factors, community social organization may influence the ability of self-development projects to create jobs and income. Borrowing from Swanson (1992), we call such variables *social infrastructure* (see also Flora et al. 1993; Flora and Flora 1991). Swanson (1992) conceptualizes social infrastructure in three parts: a) social institutions, including local government, social service institutions, voluntary organizations (including civic groups, churches, political groups, recreational associations); b) human resources, which include attributes of inhabitants such as their technical expertise, organizational skills, educational levels, and even social characteristics (class, race, ethnicity, and gender); and c) characteristics of social networks, including innovativeness, ability to mobilize resources within the community, and the

ability to link up with outside expertise and information. We define social infrastructure to include the following: the existence and nature of growth and antigrowth coalitions, the role of local governments, horizontal linkages among groups in the community, vertical linkages with external organizations, and ability to access local and outside capital. Growth coalitions and local government activities are key social actors. Horizontal and vertical linkages form basic networks in localities. Access to local and external sources of capital are characteristic of social networks and the ability of residents to gain access to their resources.

The Growth Machine

The growth machine, a concept first introduced by Molotch (1976), is a local coalition which seeks "to create conditions that will intensify future land use in the area" (Logan and Molotch 1987: 32). This concept is particularly useful in helping us understand the approaches different community leadership structures take to development. Generally the growth machine, which includes developers and land speculators, real estate agents, construction firm owners, bankers, and (in communities with declining population) people who own substantial rental properties, views growth and development positively. In contrast, other groups in the community would stand to lose with increased land prices and property taxes—farmers, retired persons, agribusiness or other resource-based businesses (that is; caretaker coalition). It is not clear how these two groups respond to self-development efforts. Creation of jobs and income are consistent with the interests of growth machine actors, but self-development may threaten industrial recruitment efforts, in terms of financial resources.

To examine the effects of growth machine activities on self-development projects, we assess the support of three actors—local development corporations or committees, coalitions of private business (for example Chambers of Commerce), and local newspapers. These actors loosely comprise the local growth machine in small towns; that is, one would expect them to benefit from the intensification of land use and, therefore, to be in favor of growth. If any of these groups were involved in the initiation of the self-development project as reported by respondents, the variable was coded "1"; if not, it was coded as "0."

Respondents were asked to identify the three most active groups in initiating and implementing the self-development project and the three groups or organizations most critical of self-development strategies (figure 6). Two of the three most frequently mentioned as initiating or supporting groups (private business interests and local development corporations or committees) are part of the growth machine. The third—city government—is an institution which may be controlled by the growth machine, or it may be dominated by a caretaker coalition. These three entities, which were most likely to support self-development efforts, were also the most likely (in different communities) to oppose them. Thus, the local growth machine—which one would expect to support industrial recruitment—may or may not be supportive of self-development.

The regression analysis indicated that growth machine support of self-development does not create more jobs or income than that which occurs without growth-machine support. One interpretation of these findings is that growth machine support has little impact on activities of self-development projects, but growth machine opposition may be quite important. Growth machines may be active in support of relatively small self-development projects, but not lend support to larger self-development projects, preferring instead to invest in recruitment activities.

Local Governments

According to Sokolow (1990), local governments play a critical role in both the leadership and implementation phases of any development program. If development occurs, an active local government is needed. But most local governments in rural areas are caretakers. Green and Fleischmann (1991) found that small town governments do not have the resources or the expertise–or the will–to become actively involved in promoting economic development. In these settings, economic development activities tend to be carried out by private or semipublic industrial development authorities or by private developers.

Respondents were asked to identify which government units, if any, were actively involved in the creation of the self-development project. In over half of the cases the city and/or town government was active in the promotion of a self-development project. In more than one-third of the self-development projects a county government was involved in the development of the project. In nearly one-fourth of the cases no local government was involved in the initiation of the project. And two-thirds of the projects involved other local government entities (for example, school district, conservation district).

It would appear that communities in which self-development occurs are atypical in that local governments do take a development role. City and specialized governments, in particular, are usually involved in initiating or implementing economic development. This is in contrast to most small town efforts, where according to Green and Fleischmann (1991), the local government has a limited role. However, in the case studies, we did not find many instances where local governments were leaders in initiating grassroots economic development efforts. They are most likely to be involved in the implementing phase; typically, once community support is gained for the project, the city government enters to provide resources or legitimation (as in serving as the recipient of a block grant).

Although there are multiple levels of government involved in several self-development projects, little collaboration among the various units was evident. Instead, self-development groups seek assistance from the relevant levels of government, with no real intent of producing a more unified, cooperative approach to economic development. Of course, the lack of collaboration among governments is not unique to self-development efforts, as it appears to be symptomatic of many economic development strategies.

Our interviews with local government officials revealed that some officials were ambivalent toward or not knowledgeable about the self-development efforts. Even though local governments' cooperation was important to the self-development project, self-development was not seen by government leaders themselves as a central part of the local economic development strategy.

Many small town governments tend to equate economic development with industrial recruitment. Few government officials reported that self-development was an appropriate activity for government, whereas local governments often fund Chambers of Commerce for industrial recruitment efforts. When local governments offer incentives to outside firms, few objections are raised. Providing resources to existing businesses, however, presents political problems for local government officials; questions are raised about one person being favored over another. For instance, if a local revolving loan fund is set up, some applicants will receive funding and others will not. Few politicians are willing to take the heat from such a situation. This problem was

resolved in Mankato, KS, when the city gave the decision-making power regarding loans from its revolving loan fund to Mankato Commercial Development, a private business group. Although the city council has veto power over the loan recommendations, it has never exercised it.

Opposition by the local government may present a major obstacle for projects seeking support by other groups in the community. Opposition can take various forms, such as unwillingness to provide any government services for a project (for example, a downtown renovation project might require increased parking, which the town may be unwilling to provide and incur costs), or withholding resources (for example, for a community-oriented financial institution).

The regression analysis shows that local (city) government support is positively associated with the number of jobs created or amount of income generated by self-development projects (See appendix tables 2 and 3). This relationship is statistically significant for the amount of income generated from the project.

State or Federal Government Involvement

Vertical linkages are the ties community groups have to organizations that extend beyond the community (Warren 1978). The ability to use vertical linkages and plan for their effects may influence the effectiveness of self-development projects. One extremely important vertical linkage is to external sources of technical assistance. Few small towns and rural communities possess the economic development expertise to implement self-development projects entirely on their own.

Federal and State governments have played major roles in providing technical and organizational, as well as financial, assistance for rural economic development (Ryan 1988; Blakely and Bradshaw 1985). Our survey data indicate that local leaders relied on Federal, State, or regional agencies for important assistance in initiating self-development projects in nearly all of the projects. The outside agencies most relied on were the Small Business Development Center (SBDC) and the Cooperative Extension Service. Of the 31 percent indicating an important role for State or regional organizations, almost one-third reported that a SBDC had played an important role in initiating self-development activity. In addition, about a third of the respondents stated that a regional or State extension specialist was involved in the initiation of the project. In nearly one-fifth of the cases a regional planning commission and in nearly another fifth a State economic development agency played an important role in the self-development project. The regression analysis reveals that state or Federal Government involvement in self-development activities is not statistically related to the number of jobs created and/or saved and the amount of income created.

Access to Capital

Another indicator of the efficacy of a project's vertical (outside the community) and horizontal (within the community) linkages is its ability to gain access to sources of capital. The ability to invest in a self-development activity is essential to getting projects off the ground. The capital must not only exist, but local residents must be willing to risk it on local private ventures. The risk factor is a key ingredient. Residents saving their money for retirement or their children's education will not want to risk losing it on a venture unless they will somehow benefit from the activity. That benefit need not be economic. One of the foremost problems facing self-development projects is that they are perceived to be risky investments. The projects must find

ways of reducing the risk and leveraging local investments in order to raise the necessary capital for the activity.

Self-development projects used a wide variety of funding sources. We categorized funding sources into four types: local-public; nonlocal-public; local-private; and nonlocal-private. Nearly two-thirds of self-development activities involved some form of funding from outside the locality in which the project was carried out. For the entire sample of 103 projects, local-public funds averaged $151,000 and nonlocal-public funds averaged $241,000 (see figure 7). Among the 55 self-development projects receiving nonlocal-public funding, the mean amount was $451,000, but the median was only $80,000 (figure 7). Public sources of funding for self-development projects were distributed as follows: Federal programs (less than one-third), State government (less than one-fifth), and local government (more than one-tenth). Among the Federal programs most often used were the Tennessee Valley Authority, Small Business Administration, and Economic Development Administration. Although there were significant cuts in Federal spending for rural and community development during the 1980's, these data suggest that the Federal Government continues to be a major source of capital for successful community economic development activities. It might be reasonable to assume, therefore, that if there had been more Federal dollars available in the 1980s, there would have been more self-development activities occurring in nonmetropolitan areas.

Informants were asked to estimate the total amount of private funds devoted to the project and to indicate the source of these funds. Only 20 of the 103 projects used a private source of funding from outside the community. Among those receiving such funds, the mean amount per project was $1.1 million, but the median was only $25,000, indicating a few very big projects with large donors or investors. Sixty projects relied on local-private funds. The average amount of local-private funds devoted to a project receiving such funds was $367,000 and the median amount was $75,000 (figure 6). Thus, although the mean amounts of local- and nonlocal-private funds received by all self-development projects were virtually equal (see figure 6), the local funds were much more broadly distributed than were those from the outside. Local private funds were usually provided by individuals (one-half) or local businesses (one-fifth). In only one-tenth of the cases were local private funds provided by banks. The following sources accounted for the bulk of projects receiving outside private funds: individuals (nearly one-third), businesses (nearly one-third), and foundations (nearly one-sixth). Again, commercial banks played a minimal role in providing funding for self-development projects.

Overall, funding was the major obstacle identified by most self-development projects. Successful projects were able to obtain some local capital and leverage it to obtain larger amounts of funding from nonlocal sources. This strategy served two important functions. First, it generated local interest and support for the project. If the projects had been successful at obtaining all of their funding from external sources, it is doubtful whether the community would have had the same level of participation in and support for the project. Second, by demonstrating local support, project leaders found it easier to convince outside funding sources to take the risk and support the project. Thus, leveraging has both economic and social functions that have proved essential to project success.

It could be argued that ability to secure local and outside funding should be considered a measure of success. Our field work suggested, however, that many projects received more funding than they were able to manage well, which ultimately led to their failure. For example, one project

Figure 6.

Groups reported as critical of or helpful in implementing self-development

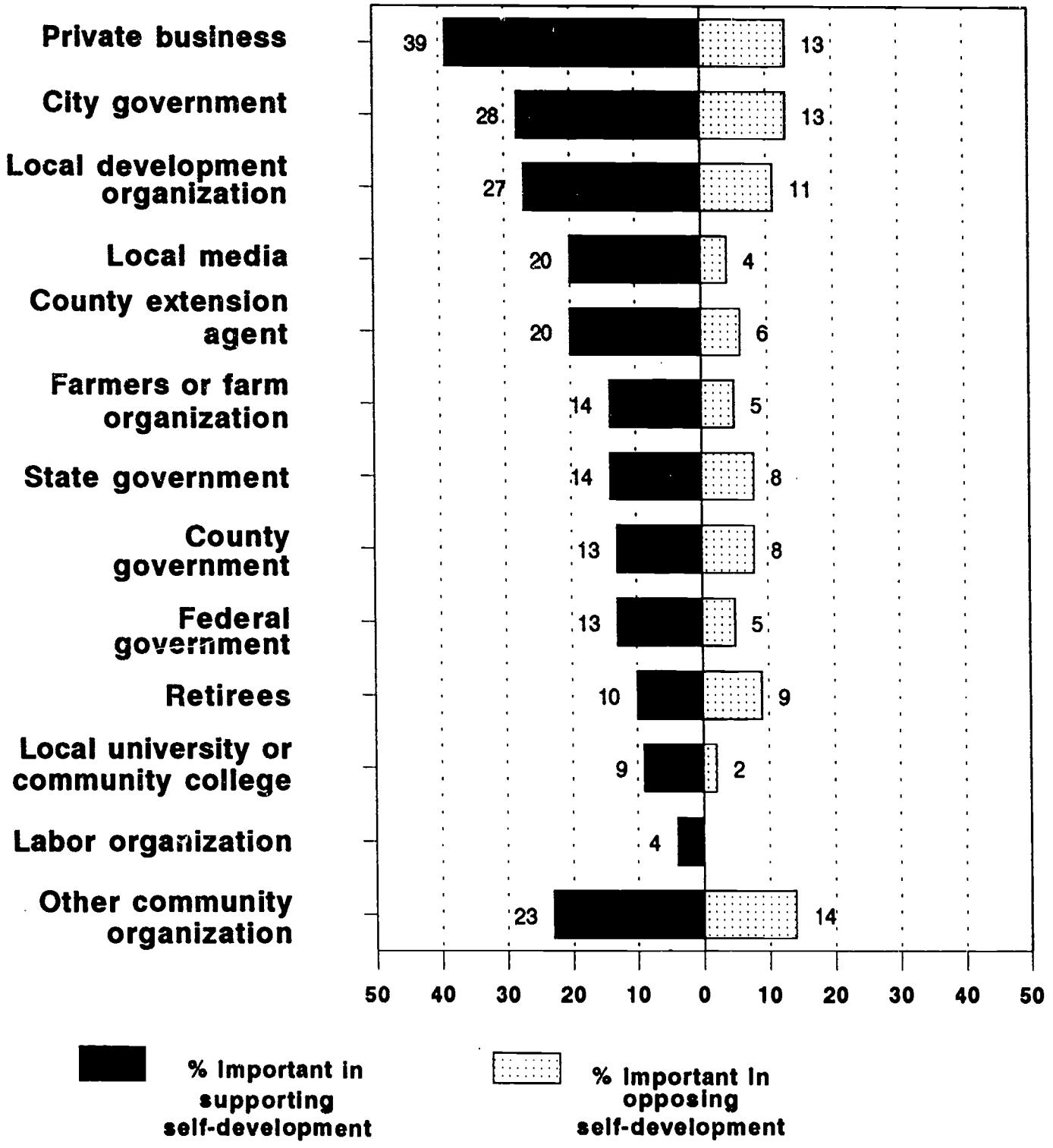
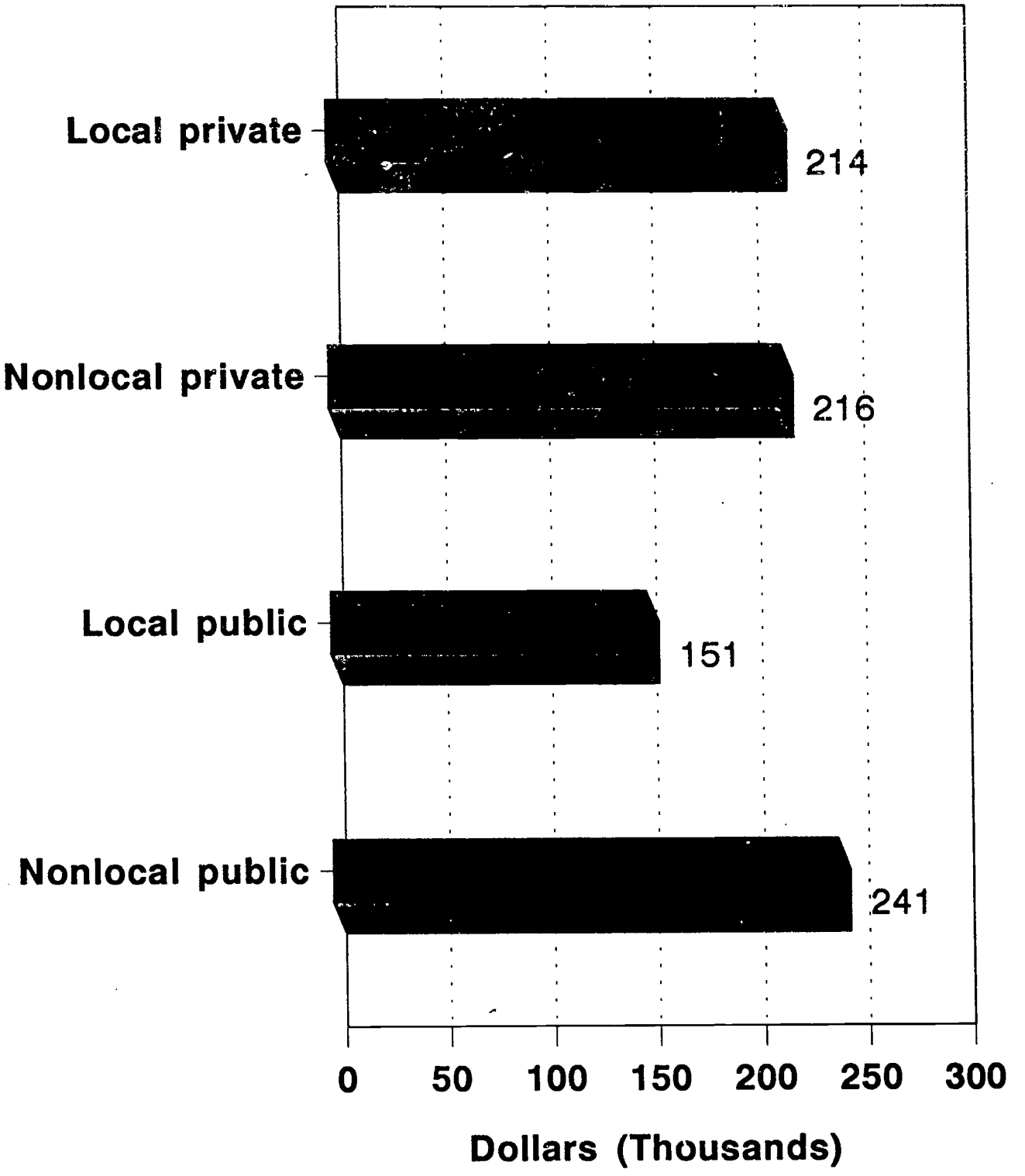


Figure 7.
Sources of funding [1]



1/ In this figure, zero is a legitimate number. When we ran the same numbers assuming that zero is not a legitimate number, we obtained substantially higher results: $367,000 for local private, $1,110,000 for nonlocal private, $305,000 for local public, and $451,000 for nonlocal public.

expanded too quickly because of the easy availability of funds. Too-rapid expansion is a problem for other types of economic enterprises as well. An indicator of good management is linking funding needs with ability to maintain the quality of goods and services necessary for business continuity. We expect the amount of local and outside funding to be positively related to job creation and income generation. Given the importance of leveraging, we believed that the amount of local funding will be more important to the size of projects than the amount of nonlocal funding.

Amount of outside funding was a significant predictor of level of income from self-development projects. Amount of local funding was not significantly related to either income level or number of jobs created (See appendix tables 2 and 3). However, these findings clearly suggest that self-development projects need some local funding to take advantage of external resources. Leveraging is critical, yet the actual size of local funding is less important to the success of the project. It could be that outside funders demand better accountability than local financiers. Alternatively, outside funding may be associated with larger, more productive projects. Smaller projects may not receive Federal grants or loans as often. They may still have impacts, but these may be too small to be statistically identifiable.

Type of Project

We found a variety of types of self-development projects in our sample and grouped projects into three categories: community-based development, local industrial development, and cultural and tourism projects (see appendix for a definition of these categories). Our analysis suggests that cultural and tourism projects generate the fewest jobs and least amount of income among the three types. Local industrial development is positively associated with the number of jobs created in self-development efforts. Type of project is not statistically related to the amount of income generated.

One objection to our analysis may be that these three project types are significantly different from one another and that it does not make sense to compare the effectiveness of different types of projects. In an analysis not reported here, we examined the same set of variables for each of the three types of self-development projects. This analysis suggests that there are only a few interactions among the type of project and the other independent variables. For the most part, the estimates remained in the same direction, but were often nonsignificant due to a small number of cases within each type of project. This analysis did reveal that the effect of a plant closing became significant (and negatively related) with the number of jobs created or saved for community-based development projects. Outside funding became significant (and positively related) with the number of jobs created or saved for local industrial projects.

Discussion

As we began this study we were hopeful that the self-development projects would offer viable alternatives for rural communities. Although we remain encouraged by many of the grassroots efforts that are taking place, we are less optimistic that self-development activities can curb the structural forces shaping rural America today. Perhaps this is why industrial recruitment continues to be so attractive to small towns. Although the odds are often long, if an outside

industry comes, it holds the promise of bringing a large number of jobs in one shot without the need for community participation or organization.

There are several excellent examples of rural communities in our study that have effectively shaped their economic development to produce local benefits. The most successful cases appear to mobilize external resources and information to improve local development prospects. There are many sources of technical information and capital that seek to support grassroots efforts at economic development. These sources of sistance are essential to the future of self-development projects.

Much has been written recently in the economic development literature on the importance of public/private partnerships. Our research suggests there are both benefits and costs to involving the public sector in self-development projects. The benefits are rather obvious. Involvement by local government improves access to key resources and provides greater visibility and legitimation to the project. Public/private partnerships are most likely to develop in rural communities where there is a dominant group—usually the growth machine—that is willing to increase public expenditures (in order to stimulate private investment in the community). In this sense, development policies are directed toward the private sector of the community. It is assumed that benefits will trickle down to the rest of the community. Self-development projects without public/private partnerships tend to be adopted in communities where there is strong opposition to using the public sector to promote private interests.

There appear to be some important differences in the types of self-development projects that are promoted by public/private partnerships versus strictly private community-based groups. Because of the political context in which public strategies for organizing self-development occur, local government involvement is less likely to occur in community-based development projects than in local business/industrial, and tourism/cultural projects. (See **Type of Project** section in the appendix for an explanation of specific categories of self-development projects which are included in each type.) Thus, we would expect little local government support for projects like worker-owned firms, community land trusts, agricultural marketing organizations, and community finance institutions. Locally-controlled industrial development projects, retention and expansion programs, and incubators/small business development centers appear to be less threatening to the local power structure. The case study results were consistent with the survey results in this regard.

Policy Recommendations

Technical Assistance and Information

One of the most important findings is that rural communities have the ability to implement their own economic development activities, especially if missing tools, such as technical assistance, resources, and information, are provided. The most critical areas of need tend to be bookkeeping, grant writing, and market research. Community organizations face several problems with regard to technical assistance and information. First, most Federal and State agencies are accustomed to providing assistance to large firms, and, in many cases, this information is not appropriate for small, self-development projects. The particular needs of small-scale producers must be taken into account. One of the self-development projects involved a group of farmers

growing herbs. The organizers had difficulty finding information that was not designed for large corporate growers. Second, community leaders frequently faced obstacles in accessing existing organizations and institutions that provide technical assistance. We found that the information often exists somewhere, but it is difficult to find. Finally, community leaders must use the technical assistance and information in a way that enables them to maintain control of their project. A frequent tendency is for communities to rely too heavily on outside assistance that never empowers the participants in the project. Although self-development projects need help in these areas, they also must eventually be responsible for taking on these activities.

Scale of Activities

Self-development activities need to be kept at a workable scale. Some self-development projects grow too fast too soon. There exists a great deal of pressure in rural communities for economic development projects to create as many jobs as possible in order to replace jobs that have recently been lost. This is the same pressure that leads many local politicians to pursue industrial recruitment as their primary strategy for promoting jobs. Communities need to maintain a delicate balance between creating jobs and ensuring that the project has developed a solid market for its goods and services, a reliable work force that has the required skills and experience, and experience in managing the enterprise. Only when sufficient experience has been obtained while operating at a small scale is it appropriate to expand the size of the operation.

Pressure to get big, however, does not come exclusively from the communities. Two other forces push communities to take on too much at an early stage of their project. First, funding sources are often biased against small projects. That is because small projects entail the same amount of administrative costs for and supervision by the donor agency as do large projects. Federal and state governments are often guilty of preferring large economic development projects, but so are private foundations. Federal and state regulations also tend to work against small economic development projects. For example, the legal costs associated with establishing a corporation are basically the same for small and large firms.

Access to Credit

Access to credit was identified by respondents as their major obstacle. Self-development projects may be disadvantaged in traditional capital markets for several reasons. They are often viewed as risky investments by lending institutions. For some projects, such as community-owned firms, the lack of a single entrepreneur responsible for decision making may make lending institutions hesitate to make loans to them. Part of the problem in recent years has been that commercial banks have become more cautious in their lending due to banking deregulation and tighter scrutiny by regulators because of savings and loan crisis.

Because of the conservative lending practices of commercial banks, self-development projects have been forced to seek other sources of equity and debt capital. One important source of funding for these activities has been revolving loan funds. Establishment of other community/regional oriented credit institutions may facilitate self-development activities. Re-regulation of local financial institutions also may encourage lending for more risky activities, such as self-development (Green 1991).

Plant Closing Legislation

Many of the communities in our study had been devastated by a recent plant closing. Although there are several policies that should be directed at the causes of deindustrialization (see Bluestone and Harrison 1982), the policies most applicable to self-development projects are restrictions on economic development subsidies. Self-development activities could be promoted by two types of restrictions (see Kerson 1989). First, "clawback" laws, which demand a return of public subsidies from companies which relocate during the life of the subsidies, could be used to promote self-development activities. These funds could be used to set up a loan fund for home grown industry. A second possibility are public policy tradeoffs which require specific actions by private industry in exchange for public subsidies. For example, policies requiring advanced notice of plant closings would be very important for rural communities. Advanced notice is necessary to plan for the shock to the local economy and to attempt to create new jobs that are lost.

Conclusions

In this final section we attempt to answer two questions: (1) what should communities know before they pursue a self-development strategy? and (2) what is the role of self-development in a community's overall economic development strategy?

Communities pursuing self-development strategies face many of the same obstacles they would encounter if they were recruiting new industry. Market considerations, management, and financing are all essential elements to businesses, whether they are self-development projects or more traditional economic development activities. Credit, however, may be more problematic for some self-development efforts because lenders are hesitant to take the risk on these projects and are not fully aware of the degree of risk involved as there is little past lending/pay back data available for such enterprises.

Second, grassroots economic development efforts face an additional set of obstacles because they require local organizational efforts and control. As Pateman (1970) suggests, there are few opportunities in our society to develop democratic skills. Individuals involved in grassroots economic development efforts need training in how to organize projects to ensure participation and local control. Self-development projects, because they involve participation, require leaders to develop skills at achieving consensus and motivating participants. These skills are not used in most conventional organizations.

Third, outside funding appears to be a significant issue for self-development projects. Even though this is grassroots development, in the typical self-development project, only one-eighth of the funding is local. One major concern is that many funding sources prefer to fund larger rather than small projects. Our study suggests that most projects need access to funding, but they do not need to be a large amount. In fact, too much funding too soon can force a project to become inefficient and grow too fast.

Fourth, government involvement is another major consideration for self-development projects. Many local governments, for a variety of reasons, are reluctant to get involved in these activities. Yet, local government involvement is strongly related to the generation of income from the project.

Fifth, the success of a self-development project is partially dependent on its fit with the local economic and social structure. A conscious appraisal of the strengths and weaknesses of the local economy was evident in many of our cases. A few communities went through a strategic planning process; others informally identified local strengths and heritage, and initiated projects consistent with these elements. In general, the better the goal setting and resource assessment, the more successful the project.

Finally, leadership plays a role in determining the success of self-development projects. Involvement by women and newcomers to the community brings new perspectives and expertise to the self-development effort. Given that many of the self-development projects were tourist and cultural, it was not unexpected to find women actively involved in these activities. Research on tourism in rural areas has found women to be very involved in these activities (Smith 1989). We found that women tend to be less involved in many of the other types of self-development projects, although there were several exceptions, such as the worker-owned business in Caswell County, NC.

How does self-development fit into the overall economic development strategies of communities? Our data suggest that self-development is not appropriate in all communities. Community size appears to be a critical factor. Self-development is most suitable in small communities because these activities demand considerable interaction and participation among local residents. The benefits to participation also must be apparent. In large communities these benefits may be more dispersed and less visible.

Self-development appears to be most likely to be adopted in communities that are experiencing a crisis in their local economy. An economic crisis, such as a plant closing, reveals to local residents their dependency on external institutions and organizations and promotes efforts to seek community-based economic development.

Self-development strategies are typically not the primary economic development activity in most communities, but tend to complement other programs to promote the local economy (for example, retention and expansion of existing businesses, creation of new businesses, capturing local dollars, and increasing State and Federal transfers). None of the communities we studied relied solely on self-development activities as their economic development strategy. Communities need to be sensitive to a wide variety of options and opportunities for economic development, and therefore need to consider the most appropriate strategy for their situation. Self-development is sometimes a useful development tool, among others, for communities to use to promote a viable local economy.

Our model of self-development success was unable to explain more than one-third of the variation in either the creation of jobs or income. Obviously, we need to know much more about the factors influencing the success of these activities. The analyses does suggest, however, that many of the factors traditionally influencing economic development are not as influential in self-development activities.

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Appendix: A Model of Community Economic Development

Our model employs regression analysis of survey data collected from the 103 self-development projects to examine the factors related to the number of jobs saved and/or created and the income generated from these activities. We consider several community characteristics, such as size, proximity to an urban area, and income. Two measures of funding are included--amount of local and outside funding. We also consider the involvement of local government and the involvement of other actors (state and federal government and public-private organizations). Finally, we included in the regression analysis the type of self-development project, effort to recruit new industry, and whether a plant closing had occurred in the community.

Population Size and Population Change

County population size (1988) and population (percent population change from 1980 to 1988) are used in our analysis. Population data are drawn from local population estimates from the Bureau of the Census (1990). We argue that self-development projects in small towns will create more jobs and income than projects in large towns because of the broad based support and participation required of self-development. Similarly, communities that experience rapid population decline may be able to organize more easily than communities not losing population.

Market Potential and Market Access

Market potential measures the extent of local resources available to the community. Market access is a feature of the vertical linkages of communities with the larger society. Market potential is defined as the per capita income of the county population in 1987 and market access is measured by the adjacency to a Metropolitan Statistical Area. A score of 0 was assigned to counties not adjacent to a metropolitan area and 1 was assigned to those counties adjacent to a metro area. Income data were obtained from the Bureau of Economic Analysis' (1990) local area personal income files. We anticipated that projects that are in communities not adjacent to a metropolitan area and in communities with high per capita income should create more jobs and income than projects in lower income areas and more isolated communities.

Plant Closing

Informants were asked in the questionnaire to indicate whether or not a plant closing initiated the self-development effort. This measure is coded as a dichotomous variable: 1=yes; 0=no. We hypothesized that communities experiencing a plant closing would place additional pressure on self-development projects to produce more jobs and generate more income than in projects located in communities not experiencing an economic crisis.

Local and Outside Funding

Ability to secure local funding was measured as the amount of local funds (private and public) devoted to the project as given by the respondents. The ability to secure outside funding is measured by the total funds employed by the project that come from sources outside the community. This value is computed by adding together outside private funds employed in the project and outside funds from government or quasi-government sources. Given the importance

of funding, we expected both local and outside funding levels to be related to success of self-development projects.

Local Government Involvement

Local government involvement is assigned a value of 1 if there is involvement of any local government units in the project (for example, city/town government, county government, or other local government unit, such as school district, conservation district, and so forth), and a value of 0 if there is no local government involvement.[3] A positive relationship is hypothesized between the involvement of local government and the success of a project.

Growth-Machine Involvement

Sokolow (1990) contends that local governments cannot accomplish the objectives of development programs alone. Increasingly, public-private partnerships are emerging as the lead actors in local economic development efforts (Squires 1989). The influence of public-private partnerships on the success of self-development projects is measured by their involvement in the project which is a dichotomous variable indicating whether or not other local organizations are involved in the project.

Involvement of only three community actors are considered: local development corporations, committees or coalitions of private businesses (for example, Chamber of Commerce), and local newspapers. A positive relationship is expected between the involvement of the local growth machine and the success of a project, that is, if the growth machine is involved in the project, the greater is the chance for the project to be successful. Thus, a value of 1 indicates involvement by any of these actors, and a value of 0 indicates no involvement by the growth machine.

Vertical Linkages

We operationalize state and federal Government involvement as a dichotomous variable. Government involvement is assigned a value of 1 if there is involvement in the project by either the State or Federal government, and a value of 0 if there is no involvement by either of the two levels of government.[4] Thus, participation by Federal or State Governments should increase the likelihood of project success.

Type of Project

We introduced type of project as control variables. All three types are described below. See our previous report (Flora et al. 1991) for fuller definitions of these types of projects.

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[3] The question was phrased as follows: Self-development strategies often involve local government activities. What local government units have been involved in the project?

[4] Based on the respondents checking "State Government" or "Federal Government" in response to the question: Which of the following groups were most active in initiating and implementing your self-development project?

(1) Community-based development projects. This type of self-development includes community financial institutions (for example, revolving loan funds, community credit unions, and so forth), community land trusts, community-owned enterprises, worker-owned enterprises, community based service firms (for example, health facilities, cable TV systems, and so forth), agricultural marketing organizations (including farmers' markets), value added businesses (processing locally-produced agriculture, forestry, petroleum, or other mineral products), and school-based businesses. One example of a community-based economic development effort is the Community Store in Frederick, South Dakota. The community residents were closing their only grovery store and decided to form a for-profit corporation with approximately 200 people to purchase the building and inventory.

(2) Local Business/Industrial Development. These are firms which are a product of conventional economic development or they are means for fostering conventional economic development. They involve locally-controlled industrial development (individual firms, industrial parks), programs for retention and expansion of local business, and business incubators/small business assistance centers. These self-development projects consist of both for-profit and not-for-profit enterprises and may be in the public or the private sector. An example of a local business/industrial development project is the Atmore, Alabama, Small Business Incubator, which provides assistance to new businesses in the form of office space to reduced rents, shared services and equipment, and equal access to a wide range of professional, technical and financial services.

(3) Tourism/Cultural Activities. These projects include various types of tourism activities, including recreational development, arts and cultural festivals, crafts fairs, and other income-generating cultural activities. The fact that the projects generate income does not necessarily mean that they are for-profit firms. In fact, usually they are not. They are frequently community enterprises, organized by a local governmental unit or, more likely, by a nongovernmental community organization or local committee organized expressly to carry out the tourism or historic development effort. An example of a tourism/cultural activity is the Annual Piedmont Summer Berry Festival in Dobson, North Carolina. The festival promotes and markets Northwest Piedmont-grown blackberries, blueberries, and raspberries.

Dependent Variables

We consider two dependent variables: the number of jobs created and/or saved by the project and the gross sales generated by the project. The number of jobs created and/or saved by the project is measured by the actual number of jobs created and/or saved by the project as reported by respondents. Income generated is measured as an estimate of the direct gross sales generated by the project for the most recent year available. These data were reported by the respondents completing the survey. It should be noted that all cases in the data base were successful in that they generated some jobs and/or income. In other words, we did not include data on failed self-development efforts, nor on communities which had not attempted self development. Descriptive statistics for the variables are reported in appendix table 1.

Results

Results of the regression analysis of jobs created and/or saved are reported in table 2, and with income generated as the dependent variable in table 3. Because a few variables were found to have highly skewed distributions, they were transformed into their log forms. Our model generally explains more of the variation in jobs (R^2=.306) than in income (R^2=.214). Only two variables (amount of outside funding and city government involvement) are statistically related to income created through the self-development project. Outside funding is positively related to the amount of income created. Also tourism and historic preservation projects create less income than other types of project. Population size (log) was negatively related to the number of jobs created. No other variables were significant.

Appendix table 1--Mean and standard deviation for all variables

Variable	Mean	Std. Dev.
Number of jobs created or saved (full-time)	48.21	67.23
Income (000) generated	418.18	444.37
Population size	37133	51037
Percent population change (1980-88)	1.44	10.20
Adjacent to MSA (1=yes)	.30	.46
Per capita income (1987)	8917.5	1492.07
Plant closing (1=yes)	.20	.40
Local funding ($000)	190.19	279.76
Outside funding ($000)	1233.33	798.04
Local government involvement (1=yes)	.74	.44
Growth machine support (1=yes)	.54	.50
State or Federal government involvement (1=yes)	.24	.43
Community-based development (1=yes)	.37	.49
Local industrial development (1=yes)	.22	.42

*N=84.
$=1,000.

Appendix table 2--Multiple regression of number of jobs created or saved (log) on independent variables

Variable	b	SE	t	STB
Constant	4.928	1.605		
Population size (log)	-.433	.172	-2.519**	-0.337
Percent population change	.017	.016	1.090	.126
Adjacent to MSA	.981	.359	2.734***	.338
Per capita income	.188[a]	.114[a]	1.644	.201
Plant closing	-.646	.390	-1.657	-.192
Local funding	.001	.001	1.587	.182
Outside funding	.189[a]	.226[a]	.838	.097
Local government involvement	.154	.370	.417	.047
Growth machine support	-.381	.305	-1.248	-.139
State or Federal government involvement	.107	.364	.294	.032
Community-based development	.208	.337	.618	.075
Local industrial development	1.079	.399	2.748***	.334

R^2 = .306
Adjusted R^2 = .183
F = 2.497***

(N=84) *p<.10 **<.05 ***p<.01 ****p<.001

[a] Multiplied by 1000.

Appendix table 3--Multiple regression of total income generated (log) on independent variables

Variable	b	SE	t	STB
Constant	4.814	1.985		
Population size (log)	.097[a]	.213[a]	.000	.065
% Population change	-.022	.020	-1.088	-.134
Adjacent to MSA	.119	.444	.267	.035
Per capita income	-.079[a]	.141[a]	-.561	-.073
Plant closing	.332	.482	.689	.085
Local funding	-.299[a]	.898[a]	-.334	-.041
Outside funding	.565[a]	.280[a]	2.018**	.248
Local government involvement	1.208	.458	2.638**	.316
Growth machine support	-.230	.377	-.611	-.073
State or Federal government involvement	.448	.451	.993	.114
Community-based development	.350	.417	.840	.108
Local industrial development	.741	.486	1.526	.198

R^2 = .214
Adjusted R^2 = .075
F = 1.540

(N=72) *p<.1 **<.05 ***p<.01 ****p<.001

[a] Multiplied by 1000.

Appendix table 4--Correlation analysis

	1	2	3	4	5	6	7	8	9	10	11	12	13	14
1. # Jobs (log)	1.000													
2. Income (log)	-.079	1.000												
3. Population (log)	.141	.050	1.000											
4. % Population change	.437	-.108	.373	1.000										
5. Market access	.154	.063	.472	.289	1.000									
6. Adjacent to MSA	.370	.114	.437	.243	.269	1.000								
7. Per capita income	-.151	.184	.058	-.123	.186	.174	1.000							
8. Local funds	.087	.052	.050	.063	-.108	-.118	-.150	1.000						
9. Outside funds	.097	.243	.097	.096	-.129	.150	-.175	.342	1.000					
10. Local government involvement	.142	.294	.006	-.014	.181	.087	-.153	.211	.089	1.000				
11. State/Federal government involvement	.112	.032	.185	.073	.058	.157	.084	-.126	-.159	.029	1.000			
12. Growth machine	.039	-.086	-.132	-.115	.200	.104	.149	-.122	-.243	.210	.127	1.000		
13. Community-based development	-.300	.021	.067	.078	.091	-.067	.188	.108	.060	-.173	-.155	-.043	1.000	
14. Local industrial development	.459	.138	.274	.134	.186	.285	.148	-.082	.008	.087	.084	.075	-.397	1.000

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