

Measures and Methods: Four Tenets for Rural Economic Development in the New Economy

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In the volatility of today's economy, rural communities across the country are clamoring for development strategies that create jobs, businesses, and community wealth. Although nearly every town and village, county and countryside is hitching its future to the notion that it can compete in the new global economy, few are clear on the pathway to that success.

In the past, much of rural economic development relied on exploiting natural resources or recruiting industry, often marketing cheap land and labor as community assets. In an era of global competition, those old approaches no longer yield sustainable results. This article offers four tenets for rethinking methods and measures that promote effective economic development in the twenty-first century.

- Innovation is key to driving growth and prosperity in today's global economy
- Significant capital investments are required to put innovations to use
- Development efforts must seek to protect valuable natural assets
- Development is a "contact sport," best pursued through dense networks of personal contacts.

Local Governments and Economic Development: Today's Context

Today's elected officials often tout economic development as their first priority. However, although their words may sound the same, their meaning often varies. After all, "development" is a deceptively simple term for a remarkably diverse collection of strategies to stimulate private-sector investment. Indeed, development strategies are often responding to significantly different situations. Some rural communities, for example, continue to hemorrhage their historic job base of mining, farming, or low-wage manufacturing, while oth-

ers struggle with rapid growth that threatens to overwhelm traditional culture or destroy important natural amenities, or economic growth that fails to reach a broad spectrum of community residents.

The different contexts lead to different strategies. Much has been written recently about those rural communities that have successfully transformed their economies amid the challenges of lost factories and farms. These success stories are mainly places with economic bases in retirement, recreation, and trade centers and those near urban areas. Agri-tourism, heritage tourism, and eco-tourism are all popular economic development strategies in rural areas where the natural environment is the greatest distinguishing feature. In fact, recreation and retirement counties are consistently the fastest growing counties in rural America, concentrated in the mountain and coastal regions of the West, in the upper Great Lakes, in coastal and scenic areas of New England and upstate New York, in the foothills of the Appalachia's and Ozarks and in coastal regions from Virginia to Florida.¹

For other rural areas less blessed with these attributes, however, the challenge of creating and sustaining a vibrant economy can seem insurmountable. These tend to be communities focused on farming and manufacturing and those more remote from urban areas. They often suffer long-term underemployment and joblessness, high rates of school dropouts, poor health, and substandard housing.

Moving Beyond the Differences: Tenets for Promising Economic Development Strategies

There is no single recipe for prosperity. This is true for all rural areas, whether new economy winners or not. However, for any rural area to compete in the global economy, its development methods must explicitly address each of four pillars: innovation, investments, connections, and preservation.

Efforts must reflect the demands of the new economy—jobs, wealth, and prosperity built on innovations and investments—while valuing community connections and efforts to nurture the natural environment.

Increases in Innovation (Talent and Technology)

New ideas—innovations—are the hallmark of the knowledge-based economy. As such, on the most fundamental level, rural America's ability to garner its share of the global economy depends on the abilities of its old firms to do new things in new ways; its workers and entrepreneurs to capitalize on their knowledge, creativity, and skills; its educational institutions to teach 21st century skills; and its residents to access new technology. Entire nations are betting their futures on policies that promise wealth from educating, attracting, and retaining citizens who are able to work smarter and learn faster. Our communities must do the same.

To ensure the competitiveness of rural workers and entrepreneurs, communities must simultaneously prepare themselves for new-economy jobs while also strengthening their traditional bases, tasks often at odds with each other. Developers can little afford to ignore their existing enterprises on the assumption that they will be unable to compete long term in a global market based on low-cost labor or in commodity products. To the contrary, developers must help these firms differentiate their products through product design, production speed, logistics, the end-user experience, or superior marketing. For these firms to survive, their strategies must include business incubators (including specialized incubators for e-commerce), organized industry networks, and brokers operating between businesses and sources of specialized technical assistance. These services, coupled with considerable workforce training, can have a significant impact on the stability and expansion of local innovation in rural areas.

Spurring innovation cannot just focus on firms. The transformation of the world economy increasingly demands a more highly, and differently, educated workforce. Productive workers must be prepared to confront new complexities. Thus, economic development requires both significant, and continuous, investments in the practical knowledge, acquired skills, and abilities of individuals.² These abilities collectively reflect the potential productivity of a community and include both hard (technical) and soft (nontechnical) skills. In addition to economic benefits, greater human capital often yields social returns for a community. Good leadership, for example, evolves from individuals who can apply their education, insights, and skills to act as change agents, mobilize others, and spur action.

To capitalize on the new economy, communities must build the organizational capacity of education and training institutions, provide opportunities for on-the-job training, and foster mentoring at all levels. These strategies must target skill development, particularly for those at the lowest

rungs of the economic ladder and in sectors that can create opportunities for innovation.

Residents must also have access to technology. Despite incredible growth in personal computer ownership and Internet access, distinct disparities remain in technological literacy and access, especially in rural areas. This is a consequential matter, given that access to new technologies is crucial to the economic success of American businesses, communities, and individuals. Increasingly, Americans are using these digital technologies to find jobs, contact colleagues, locate public information, take courses, or otherwise prepare for the twenty-first century workplace. The competitive advantage (or disadvantage) of rural America will rest on its ability to drive innovations through talent and technology.

Rugby, North Dakota

Like many rural outposts on the Northern Plains, Rugby's economy is based in agriculture. As the county seat for Pierce County, North Dakota, the government sector also plays a significant role, employing about 15 percent of the town's workforce. Throughout the 1980s and 1990s, Rugby's economy struggled as the agricultural and government service sectors failed to generate new jobs. Gary Satern, the director of the Rugby Jobs Development Authority, took his position seeking to create jobs that could spur growth in the community. Satern quickly recognized, however, that many residents had limited experience with computers. This created several problems. First, technology-driven businesses, which were important for Rugby's growth, shied away from town. Second, Rugby's existing businesses that relied on computers were unable to fully use them and become more competitive. In the words of Satern, "We had to invest in our people first."

The Strategy

To enhance the computer skills of Rugby's workforce, Satern in 1999 partnered with Tara Holt from the Center for Technology and Business (CTB), a statewide technical assistance provider. CTB created a low-cost computer training program, which includes practical instruction in running a computer, using Microsoft Office applications, and navigating the Internet. Moreover, rather than dispersing a corps of teachers throughout the state to offer the training, CTB trains local residents, who then teach the courses in their hometown. Once a town has trainers, they are free to administer and manage the program themselves. Costs to participants range from \$30 to \$60 per course, though students unable to pay are subsidized. Course revenues cover textbooks and teacher pay. In Rugby, courses are held in donated meeting space at the local hospital. In the past six years, more than 400 residents, or about one-third of Rugby's labor force, have completed the program.

The Result

A computer-literate labor force has positioned Rugby as an attractive site for new businesses. The first of these was Verety, a Chicago-based business that uses a broadband network to take fast-food restaurant orders from remote locations. Given Rugby's established computer training course, Verety decided to locate in town because, according to Holt, "Verety saw that Rugby was a place where people had a good understanding of technology." Verety hires stay-at-home workers (including underemployed mothers) to take and send orders. The company provides free computers and broadband access to each employee. According to one local official, "the additional income and not having to travel to and from work has been a benefit to so many families in Rugby." Verety's business model, combined with Rugby's workforce development initiative, has allowed the unemployed and underemployed in this rural outpost to link into the local economy.

In addition, Rugby has caught the attention of several businesses. A pool cue manufacturer seeking a technology-proficient workforce settled in Rugby, as has a pole barn manufacturer from Canada. A local auto-body shop was about to close because of issues with its computer system until CTB sent a consultant. After a week of work on the system and some training for the workers, the body shop was up and running, and quickly became profitable. The same body shop later created a new business that designs signs for trucks and cars using a sophisticated computer graphics system. The company hired three Rugby residents to operate the graphics program. According to Holt, "It goes to show that when people stop fearing technology, they can begin to use it for their benefit."

Capital Investments in People, Products, and Places

New ideas alone do not determine a community's economic success. Innovations must be put to use, and this step almost always requires capital. For a community to be competitive in the new economy, it needs capital to support innovators, to invest in the community's infrastructure, including roads, water, sewer, and telecommunications, but also educational institutions.

Tryon, North Carolina

Typical of many remote rural communities, Internet access and digital literacy were challenges for Tryon, North Carolina. By the late 1990s, the only hospital in the county, St. Luke's, was unable to provide high-quality care for patients owing to a slow Internet connection, which prohibited sending X-rays

or other large medical files to regional medical institutions. New-economy businesses, including a nanotechnology business, also needed a faster network if they were to remain competitive. "We had very minimal bandwidth coming into town," said Jeff Byrd, owner/editor of the local newspaper. "We weren't even past dial-up. Businesses and schools were spending a fortune to patch together a faster Internet connection through their phone lines."

Town leaders approached several private Internet providers to explore the possibility of updating and expanding broadband coverage in their community. Each provider declined, claiming insufficient demand in Tryon. Tryon's leaders had three choices. They could subsidize a private company to upgrade the town's broadband infrastructure. They could provide a faster Internet service themselves. Or they could do nothing and wait for the private sector to react when demand was sufficient.

The Strategy

Tryon chose the second option—create a faster Internet service themselves by creating a premium fiber optic network for their residents, schools and businesses. The committee oversaw installation of a seven-mile fiber arc from downtown Tryon to neighboring Columbus and, to establish a customer base, the committee elected to run the arc past Polk County's government offices, the local high school, middle and elementary schools, several businesses, and the Polk Community College, all interested consumers. The schools purchased 6 Mb of bandwidth (or a few fiber strands) and connected their student management system with district offices and the Department of Public Instruction 265 miles away in Raleigh. Perhaps most important, Tryon's strategy resulted in widespread access to cutting-edge technology infrastructure, allowing its rural residents and public school students to compete on a level playing field with their urban neighbors.

The Result

Since incorporating, E-Polk has continued to operate as an all-volunteer staff and board. Unlike a traditional Internet provider, operating as a nonprofit allows E-Polk to pass savings on to consumers and sell their services at the lowest possible price. For a business in downtown Tryon, subscribing to the fiber network currently costs \$100 per month, roughly the same price as DSL. E-Polk, Inc. subsidizes the installation of the fiber optic infrastructure necessary to become a customer for their service.

The model appears to be paying off. E-Polk was awarded a combined \$1,040,000 in grants in 2006 to connect a neighboring county to the PANGAEA network. Moreover, Tryon's schools are saving considerable funds.

Communities can take two basic approaches to increasing access to capital: encourage the existing private market to make financial capital available and create alternatives to the private market. The primary regulatory avenue to increasing access to capital in underserved communities is the federal Community Reinvestment Act (CRA). Unfortunately, even with encouragement, private capital markets and traditional financial services often do not adequately meet the needs of low-income people, minorities, and small firms in distressed rural areas. The reasons for this are varied and include discrimination, suburbanization, and consolidation of the banking industry.³ For example, as rural banks are merged into larger regional enterprises or acquired by statewide and national bank-holding companies, lending to local businesses often suffers.⁴ Other traditional sources of capital—namely, traditional venture capital—are rare in rural areas, particularly poor areas. As a result, local developers must provide incentives for private financing or create new sources of capital beyond the private sector, such as special savings accounts, tax credits, and public venture funds.

Ord, Nebraska

Ord is the county seat of Valley County, a small rural town in central Nebraska located 60 miles from the closest stoplight. It sits along the picturesque Loup River and is surrounded by hundreds of miles of rich agricultural land and grain elevators. Recently, a massive ethanol production facility was constructed nearby.

The Strategy

In early 2001, Ord initiated two policies that spurred the community's turn-around. First, the City of Ord and Valley County, in partnership with the chamber of commerce, worked out an interlocal agreement under which each entity committed to work together and to share the costs of and revenues from community and economic development. The city, county, and chamber each agreed to contribute \$15,000 per year for a three-year contract to build a cohesive program. Second, residents passed a one-cent local option sales tax for economic development. Revenue from this tax could be used for business loans and other incentives or leveraged as matching funds for grants.

In an even more unusual financial strategy, Ord established a community endowment and a founders' club. Momentum for building the endowment was generated by an initial \$1.2 million gift from a pair of local residents. Interest earned on the endowment is being used to finance community and economic development projects. The fund is managed by the Nebraska Community Foundation, and the Valley County Economic Development Board of Directors

awards grants from the endowment. Among other things, earnings from the endowment are being used to provide relocation assistance as an incentive to attract young professionals to Ord. Ord's Founders' Club requires a minimum donation of \$1,000. The town has greatly exceeded its original registration goal, with 65 local residents currently members of the club.

The Result

The economic, environmental, social, and civic outcomes that can be attributed to Ord's strategy for economic development include:

- From 2000 to 2004, retail sales in Valley County increased 20 percent (compared to 16 percent statewide).
- From 2000 to 2003, personal income increased by 21 percent in Valley County (compared to 11 percent statewide).
- From 2000 to 2003, per capita income in Valley County increased by 22 percent (compared to 9 percent statewide).
- In 2005 the chamber of commerce held fourteen ribbon cuttings and three groundbreakings for new and expanding businesses.
- A 2005 random sample survey of Ord businesses revealed that economic development efforts had resulted in \$4 million in new investment, 25,000 square feet of expansion, and the creation of twenty-four new jobs.
- Ord attracted a \$75 million dry mill ethanol plant that opened in 2007 and provided thirty-five new jobs (two hundred during construction). The plant will provide \$50 million in tax revenue over the next ten years.
- As of 2006 the Ord Community Foundation had secured approximately \$7 million in bequests from local residents.
- Ord has witnessed a significant increase in residents' willingness to volunteer and devote time to public service. According to the president of the city council, "The whole community's attitude has changed in the last five years."
- There are discussions about establishing a satellite campus of the Central Nebraska Community College System in Ord. The campus will attract students from across the region and create additional revenue and investment opportunities that will benefit the town.

Preservation

Quality of life factors are increasingly important for stimulating private investment and creating jobs and wealth.⁵ Simply put, place matters, and rural America has benefited as retirees and others escape the downsides of urban living. Conserving an area's natural capital takes on additional significance for rural America where "ecology of place" is often the basis of the economy.⁶

The matter of developing and destroying natural assets is often divisive. Development is consuming family farms at alarming rates in some areas; in others, family farms are being replaced by large-scale meat, poultry, and dairy processors that create jobs but generate enormous amounts of concentrated and sometimes hazardous wastes. In recreation communities, lakes, rivers, forests and other wildlife habitats may face serious environmental concerns from increased use. Critics argue that a strategy of tying development with recreation opportunities is not sustainable. They also argue that recreation communities, which averaged 24 percent employment growth during the 1990s, result in seasonal, unskilled, low-wage jobs that depress local wages and income, thereby increasing local poverty rates. This critique, however, is not supported by existing data. Although with some variations by type of recreation, communities centered on rural tourism and recreational development have lower local poverty rates than other rural areas (13.2 percent versus 15.7) and they have seen improvements in other social conditions, such as local educational attainment.⁷

However, the concern about environmental degradation has merit and reinforces the reality that local development efforts must protect the very assets that are contributing to economic growth and lower poverty. Creative local development might involve investing in projects that preserve and connect natural areas like greenways, waterways, wildlife habitats, parks and open spaces in ways that support a community's quality of life.⁸

Cape Charles, Virginia

Sandwiched between the Chesapeake Bay to the west and the Atlantic Ocean to the east, Cape Charles has a long history as a trading post and fishing center. In the mid-1980s, food processors became an obvious and easy target for federal environmental regulators. Also, improvements in technology and transportation networks meant that the distance between processors and growers was becoming less important. In the late 1980s, three food processing plants in or near Cape Charles closed and 1,500 workers lost their jobs. At the same time, the fishing industry began to suffer from overfishing and pollution run-off. In addition, the only source of drinking water in the region began showing

signs of saltwater intrusion. According to one local resident, "These issues were like a storm out on the sea. It was lurking but everyone said it wouldn't be here for awhile. Then all of the sudden it became real and we were in trouble."

The Strategy

Cape Charles' strategy was to link environmental protection with economic development. One element of this strategy was to develop an eco-friendly industrial park. In 1992, Northampton's County Board of Supervisors received a grant from the National Oceanic and Atmospheric Administration (NOAA) to explore innovative ways to balance economic growth with coastal resource protection. In 1993, town and county officials partnered with NOAA and the Virginia Department of Environmental Quality to hire Timothy Hayes, the nation's first local sustainable development planner. Hayes created a volunteer citizen taskforce to identify "measurable, achievable tasks that build the economy and preserve the assets on which they depend."

Through a series of public meetings over 18 months, the taskforce agreed on six economic sectors they believed could promote job growth. One was to recruit new "low-emission" industries, which would have a limited impact on the environment and local waterways. The citizen taskforce recommended that Cape Charles create a new type of industrial park designed to reduce water and resource use while also allowing businesses to take advantage of all the traditional benefits of a park. The major advantage of such a strategy was that it would allow Cape Charles and Northampton to create new jobs without consuming precious resources and adding more waste to the local waterways.

In January 2000, the first phase of the Cape Charles Sustainable Technologies Industrial Park (STIP) opened to much fanfare. It was the first industrial park of its kind in the United States. The 31,000 square foot manufacturing/office building featured solar panels, protected wetlands, low-energy light and water fixtures, and native landscaping. In addition, an innovative water recycling system protected local water resources. The system recycles water from each company and redistributes it to businesses.

The Result

In the first few years after opening, STIP leveraged another \$8 million from private companies locating there and created more than 65 new jobs. Unfortunately, some of the businesses have since closed, and the county has struggled to replace them. According to local officials, federal and state officials developed a rigorous list of sustainability criteria for businesses operating in the park. These criteria are so stringent that it limited the already small pool of potential

green businesses able to locate in the park. In addition, county officials attribute miscommunication between state and local leaders over who would lead in recruiting businesses to the park as a major factor in its downturn. Despite this, county officials and the chamber of commerce are talking with a nearby community college about locating in the unused space. Even though Cape Charles' eco-industrial park was not an immediate success, the forces that led to its creation and the reasons for its continuing struggle underscore lessons for similar initiatives.

Connections (People, Institutions, and Places)

The fourth tenet of economic development recognizes the social and physical components in economic relationships. Such social connections (or social capital)—curiously missing from many economic development strategies—refer to relations among individuals, organizations, communities, and other social units that result in tangible economic benefits. People in communities endowed with a rich stock of social networks are in a stronger position to “develop the capacity to address the problems of poverty, to rebuild their communities, and to achieve a measure of control over their lives.”⁹

Helena–West Helena, Arkansas

In 2005, Helena and her sister city West Helena became a single, consolidated town, now referred to as Helena–West Helena. Prior to consolidation, Helena (population 6,300) was a Mississippi river town with a historic Main Street and a deep cultural history in the Blues and a strong Civil War heritage. West Helena (population 8,600), separated from Helena by six miles of rolling hills, was the commercial sister to Helena, with strip malls, big-box retailers, and several manufacturing facilities. After decades of bitter rivalry and dispute, local residents voted in March 2005 to merge into a single town. The merger was a watershed event in the town's history and one that symbolizes the community's commitment to moving beyond its troubled past.

Helena today is the county seat for one of the poorest counties in Arkansas, with a poverty rate of 30 percent and an unemployment rate approaching 15 percent. Phillips County ranks last in the state in virtually every indicator of economic and social well-being. Nearly 40 percent of its residents lack high school degrees, and the county leads the nation in out-of-wedlock births. A majority of its wealthy residents left town long ago. Indeed, between 1965 and 2005, Phillips

County lost 40 percent of its population. These economic and social challenges are rooted in a culture of mistrust across racial lines and unaccountable local government.

The Strategy

Recognizing that substantial investments were having little impact on quality-of-life indicators, Southern Financial Partners and the Walton Family Foundation initiated the Delta Bridge Project. Southern is a nonprofit community development organization affiliated with Southern Development Bancorp, the largest and most profitable rural development bank in the United States. As a development lender and technical assistance provider, this highly respected local organization has a certain amount of clout in and around Phillips County.

The Delta Bridge Project is a countywide, comprehensive, intensive, and long-term effort to bring all community- and economic-development entities under a single umbrella and to make each one accountable to a locally representative steering committee. As a process-driven strategy, Delta Bridge strives to “break the silos” that normally divide development activities, including those in the areas of economic development, housing, education, leadership development, and health care. This strategy integrates and coordinates local resources and links local efforts to state, regional, federal, and philanthropic resources that are dedicated to the Delta region. The local committee approves or denies all funding decisions for community- and economic-development projects. Ultimately, the project aims to transform Helena into an economic hub community for the Delta region of eastern Arkansas and western Mississippi.

The first step in Delta Bridge was to complete a baseline study of the county's economy, evaluate past development efforts, and create an asset map of the region's social, civic, and economic infrastructure. The project invested more than 8,000 hours in this initial effort, whose results convinced Southern and Walton that Phillips County had a sufficient base of assets and population on which to build. The project then initiated a community strategic-planning process. Over an 18-month period in 2003–2004, 300 residents participated in more than 500 meetings to develop the Strategic Community Plan for Phillips County.

The plan, which was ratified in January 2005, includes 46 strategic goals (e.g., expand the Delta Arkansas Health Education Center to allow for greater impact and improved health education and awareness) and more than 200 action steps (e.g., expand physical facilities at the Delta health center). The plan has become the blueprint for Delta Bridge. Although the Phillips County plan is not unique in its content, the process for implementing the plan—Delta Bridge—is.

The Results

As of October 2006, 36 strategic goals from the plan are at some level of implementation. Ninety-eight action steps have been completed or are in the process of implementation. The Delta Bridge project is driving development in Helena.

The economic, environmental, social, and civic outcomes that can be attributed to the Delta Bridge project include:

- Funding of a pre-feasibility study for a biodiesel facility in Helena, which the community used to attract a biodiesel production facility—the “biggest investment in Phillips County in over 25 years,” according to Joe Black, Southern Financial Partners. An estimate 50-60 new jobs have been created.
- Developing a plan and funding for a sweet potato storage and distribution facility that will allow local farmers to supply distributors and grocery stores throughout the year.
- Expanding the Delta Arkansas Health Education Center from 4,000 square feet to 25,000 square feet, including a community exercise facility.
- Expanding the local KIPP School from middle school (Grades 5–8) to high school (Grades 9–12).
- Increasing affordable housing with the Southern Place Apartments, which will give residents an alternative to the town’s neglected properties and encourage other property owners to clean up.
- Funding construction and operation of a new Boys and Girls Club in downtown Helena, which is projected to attract 400–500 children from across the county.
- Increasing cooperation in an effort to lobby for a four-lane highway bypass to route traffic around Memphis, which would substantially increase traffic into Helena.
- Renewing optimism and hope among local residents and energizing civic engagement. This year, both the Chamber of Commerce and the Main Street program had record fundraisers. Conflict within the city government has eased considerably and record numbers of residents attend public meetings.

Within economies, social networks provide access to critical supports. A young mother may depend on social relationships to find child care while she works; an aspiring entrepreneur may rely on a relationship with a community development financial institution to secure a first loan; or a company may leverage a relationship with one of its suppliers to expand its business venture. All are economic uses of social networks. However, the geography of rural places provides unique challenges in creating and maintaining these dense social networks. Thus, the emphasis on social connections in rural places must be on linking people, businesses, and institutions to wider regional economic networks and opportunities.¹⁰

As a practical matter, rural connections must also be physical. If rural communities are to leverage their connections to their neighbors and the world, they must be connected by roads, rail, airports and telecommunications. Rural areas in proximity to urban areas and those in proximity to small towns already experience greater growth than those in more remote areas. The difference is physical connections. In fact, as a class, rural counties that adjoin urban areas experienced moderate growth between 1990 and 2000, while those not adjacent to urban areas experienced population loss. These opposite patterns suggest a need to reduce both the actual and perceived distance between more remote rural areas and more densely populated places. For too long, some rural towns and counties have approached economic development as a zero sum competition. In today’s highly competitive global economy, rural communities will achieve more when they pool resources, identify common assets, and work together to develop the regional economy.

The Challenge: Putting It All Together

Today, a community’s economic prospects depend on a flexible, well-trained workforce, access to technology and capital, cultural and natural amenities, and a strong civic infrastructure, including relationships that foster problem-solving and collective action within the community and greater region. Federal and state governments can help build these fundamental pillars of development, but it is local creativity that will determine whether innovation, investment, preservation, and connections guide development toward new industries and markets, generate high-value, higher-paying jobs, and fuel more widely shared wealth and prosperity. As local governments consider their community’s unique circumstances amid the global forces and trends, they would do well to be guided by these tenets.

Endnotes

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