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Local Economic Development in an Age of Devolution: The Question of Rural Localities*

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ABSTRACT There is limited recent research on the strategies that rural local governments are employing in the face of changing intergovernmental relationships, especially in relation to local economic development. This paper draws on data from a survey of local governments in the Ohio River Valley Region that includes a mix of localities on the urban-rural continuum, to empirically address three issues. First, we examined the extent to which county governments have undertaken local economic development initiatives as well as other, extra-economic activities designed to improve community well-being. Second, we assessed the extent to which rural county governments vary from urban counties in their activities and available resources. Finally, we employed logistic regression models of factors associated with use of development strategies to determine the relationship between rurality and local development policy activities. The results show that rural counties are less likely than urban counties to undertake various economic development activities, with observed urban-rural differences largely attributable to county socioeconomic disadvantages, such as poverty and education.

Introduction

Globalization is bringing about new social and economic restructuring and raising significant questions about the relative power and importance of local community decision makers. At the same time, changes in policy rhetoric and practice have ushered in new approaches to intergovernmental relationships, in some cases giving local governments greater control over local social and economic policy decisions. In this dynamic environment, local governments appear to have increased responsibility for local well-being in the face of macro structural changes. While there is a great deal of interest in the economic development activities of local community leaders in this new environment, there is a

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dearth of recent research on the policy tools that local governments are employing in the face of governmental devolution and how these tools may differ across the uneven economic landscape. This new policy environment may disadvantage local communities that lack skilled leadership or local resources. Conversely, local policy makers may demonstrate community initiative in the face of resource constraints.

This study examines the different economic development policy tools that are used by local county governments in the Ohio River Valley Region and explores the underlying factors that may be associated with the variable use of local policy strategies in different types of communities. Because both policy makers and researchers have an increased interest in the abilities of rural communities to compete within this new economic and policy environment, this study will focus on the use of different economic development policy tools across the rural-urban continuum. Motivating this study is the argument that rural localities may face multiple challenges in addressing the need for local economic development in an increasingly decentralized system. These challenges include fewer professional staff members, fewer resources to commit to development initiatives, and less experience managing such programs. On average, rural communities also experience higher poverty levels and lower educational levels than urban areas. Our research should be useful to the economic development practitioner interested in variations in the scope and qualities of local economic development policies across the rural-urban continuum. It also addresses the larger question of how rurality and local economic disadvantage may explain differences in the usage of economic development strategies among counties in two complementary ways. On a practical level, the quantity and quality of local development policy tools that are found in different types of communities will be examined. On a more abstract level, the question of community capacity and "community agency" will be explored. Thus, the overarching question is: How are local governments in different settings responding to increased responsibility for local economic development in the new economic and policy environment?

To accomplish these goals, this study uses a survey of local government officials in the Ohio River Valley Region to conduct an empirical examination of local economic development activities in relation to local community qualities. The Ohio River Valley represents a distinct economic and ecological region with a mix of localities along the urban-rural continuum (Brown et al. 1996; Lobao et al. 2003; Reid 1991). An analysis of the results of this survey will provide insights into the relationship between rurality and local development policy tools. We also explore the extent to which rural localities are engaging in economic development initiatives and whether they will have the capacity to compete in a new, decentralized policy environment. Finally, because there is also an increased interest in the position of socioeconomically disadvantaged communities in the new global economy and new policy environment, other factors associated with local community well-being will also be examined for possible relationships with variance in use of local economic development tools.

Conceptual Framework

Devolutionary and Local Governments

Recent trends in governance, including the devolution of federal programs, have important implications for rural economic well-being. Over the past three decades, responsibility for a broad range of policy activities has become increasingly decentralized, with local governments playing a growing role in policy formation and implementation. Changes in the organization and administration of several federal programs, including but not limited to the federal welfare system, has shifted responsibility to state and local governments and in many cases has reduced government regulation in favor of presumed market efficiencies. At the same time, globalization is bringing about a new social restructuring and new economic challenges to distressed areas (Kodras 1997). These and other factors have revived an interest in locality-based policies and the role of the local community in the face of macro structural changes (Luloff and Swanson 1995; Swanson 2000).

In the face of changing intergovernmental relationships and a new policy environment, local governments are taking on increasing responsibility for local finances and local economic development. Rural local governments are already more likely to face challenges to local fiscal well-being due to below average capacities to raise revenues through taxation and above average costs of providing services (Cigler 1993; Warner 1999). At the same time, research indicates that rural local governments are increasingly dependent upon state aid to ease local governmental fiscal burden (Johnson et al. 1995). In the face of changing intergovernmental relationships, rural localities may only become more dependent upon states' willingness to provide a redistributive function. The Urban Institute indicates that federal outlays for community and regional development, agriculture, energy, transportation, and defense will decline as a percent of Gross Domestic Product (GDP) between 1996 and 2002. Historically, this group of federal programs constituted a significant growth machine for many rural communities (Steuerle and Mermin 1997). Without the buffer of redistributive aid from federal and state sources, rural counties may find it increasingly difficult to take on new responsibilities associated with devolution (Warner 1999). Local development efforts and locally raised revenues will become increasingly important.

The social consequences of increasing local control over economic development are widely debated. The major argument for positive impacts of local control is that government closer to the people may have greater flexibility in addressing local needs and preferences (Garkovich 1998; Wolman 1995). Other arguments focus on critiques of government at various levels (Mitchell and Simmons 1994). Substituting the government's monopoly power for market competition is seen as more efficient and cost effective, helping to reduce the federal deficit, debt service costs, and tax burdens. Arguments for negative impacts often see decentralization as a symptom of broader political—economic change (see Staeheli et al. 1997). As government at all levels has become more fragmented and dominated by market relations, this changed policy environment places ever greater responsibility on local governments to mediate the impacts of macro economic changes. This can lead to localities managing competitive economic development programs that bring about bidding wars with other locales over the attempt to recruit new businesses, ratchet down the local tax base, and create fiscal stress (Kantor 1995).

The Rural Context

Due to differential local capacity of rural areas and the economic and demographic trends that continue to negatively affect rural communities (Cigler 1993), analysts have widely assumed that rural areas will fall further behind urban areas in local capacity to undertake economic development initiatives in the face of globalization and changing governmental relationships. Furthermore, analysts assumed that the more rural the locality, the more disadvantaged it will be, partially due to low population density and remote location (Dillman and Tremblay 1977; McManus and Pammer 1990). Research on rural communities indicates that many local governments are staffed by part time or volunteer leaders with little professional training (Brown 1980; Cigler 1993; McManus and Pammer 1990; Seroka 1986). Professional staff members, especially grant writers and economic development specialists, are critical of successful local development efforts. Insufficient personnel, inadequate administrative capacity, and lack of experience in negotiating tax abatements and managing business recruitment are seen to disadvantage rural local governments (Brown 1980; Cigler 1993; McManus and Pammer 1990). Past research on implementing block grants show that rural areas find it harder to obtain and implement such grants (Reeder 1996; RUPRI 1995).

Many other forces work against rural economic well-being. Global labor markets continue to compete for "traditional" rural low wage rural manufacturing jobs (Drabenstott and Smith 1995). Out-migration of rural youth and the highly educated remain longstanding demographic trends in many rural communities (Fuguitt 1995; Lichter et al. 1992). Many rural communities are caught in a financial vise with limited population size and density to provide adequate local tax revenues (Cigler 1993). Other communities are restricted by state limitations on their authority to tap local resources.

While it is widely assumed that rural areas will fall further behind urban areas, few comparative urban-rural analyses have empirically assessed the extent to which spatial disparities in the use of local economic development strategies are occurring (Cox et al. 1991). Research on the decentralization of economic development initiatives has focused mainly on states and urban municipalities (Grant et al. 1995; Knapp and Simon 1994). As economic growth strategies expand at the local level, researchers have assumed small and rural communities will have to compete against other rural and urban regions in offering financial incentives to new and expanding businesses (Cox and Mair 1988). Although a growing literature acknowledges the increased role of local and county governments in economic development, empirical documentation remains sparse (Reese 1994). Research on counties in general is limited, and rural counties tend to be underrepresented in studies of local economic development. Strategies that appear to have increased in the 1990s, such as tax abatements, are not well studied in terms of recent incidence in rural areas.

Economic Development Strategies

According to a recent national survey, a majority of county officials rank economic development as one of the most important issues facing their jurisdictions, and rural areas were more likely to state that an inadequate amount of development was taking place in their county (Kraybill and Lobao 2001). Most researchers agree that participation in a wide range of economic development programs has become increasingly necessary (although not always sufficient) to promote local economic growth (Gabe and Kraybill 2003). Past research has found that most municipalities employ a range of economic development strategies that have been termed "traditional" development approaches (Bartik 1991). These strategies include use of tax abatements, investments in physical infrastructure, and other supply side activities designed to lure businesses to locate within local county borders. This approach to economic development has some liabilities associated with it, including the potential loss of tax revenues, the loss of "footloose" firms after tax abatements end in a county, and potential bidding wars with nearby counties. Many argue that tax abatements divert attention from more important factors affecting growth, including human capital investments, the quality of social and education resources in a community, and other quality of life issues (Donahue 1997; Gabe and Kraybill 2003). Tax abatements may also divert attention from existing businesses, the largest source of new jobs in most communities. Furthermore, it is possible that tax abatements may exacerbate the competitive disadvantage of depressed areas over time, including rural and small population areas (Gabe and Kraybill 2003). As tax abatement programs are quickly adopted by communities due to their relatively low start up costs, there is a diminishing advantage to such programs as they become more common. Economically depressed areas that already have fewer revenues for schools, hospitals, and other public goods and services may be pressured to provide a tax abatement program, but reap little benefit from it (Donahue 1997).

Rural localities may be uniquely positioned to work to avoid the bidding wars associated with inter-jurisdiction competition. In contrast to city governments, county governments have the opportunity to serve as regional governments and provide planning and coordination to reduce the costs associated with competition between municipalities (Cigler 1993). Regional cooperation efforts can increase the power of local governments in negotiating the demands of firms and interacting with the national government, and can provide economies of scale for training programs and other demand side activities, such as revolving loan funds and local business support programs. This is especially important for rural municipalities that lack the population size or economic resources to administer their own programs.

Despite the limitations to "traditional" economic development strategies, many counties continue to invest in industrial parks, speculative buildings, and other infrastructure in the hope of luring a firm to their community (Cox et al. 1991). A recent national survey of county officials revealed that about 60% of all counties use incentives such as tax abatements to promote business investment in their communities. According to this study, non-metropolitan counties are placing more emphasis on outside business attraction compared to the past five years (Kraybill and Lobao 2001).

In the past twenty years, counties have begun employing what Bartik (1991) terms "new wave" economic development strategies. These demand-side investments include activities designed to stimulate local entrepreneurial growth and strengthen the local workforce. Business incubators, revolving loan funds for local businesses, business management assistance, and worker training all fall into this category. A large number of jobs in the U.S. each year are created in small businesses, and "home grown" businesses tend to be more loyal to the local community (Winders 1997). Small firms are also credited with enhancing the skill levels of an area workforce and contributing to the resilience of the local economy (Shapero 1981). Therefore, investment in these approaches to job creation may have a more lasting effect on local economic development (Reese 1994; Eisinger 1988).

Rural county governments vary tremendously in administrative capacity and potentially possess other characteristics (such as a strong voluntary sector) that may offset apparent formal organizational deficiencies. Municipalities may demonstrate "community agency," or the ability of local community members to come together to address community-level issues (Luloff and Swanson 1995; Wilkinson 1991). As part of this, local governments and communities can partake in other "extra-economic" activities that are associated with community economic development. The literature on community social infrastructure and social capital suggests that a community with an active civic sector, involving service clubs, volunteer groups, and development foundations, tends to be more successful in development activities (Flora and Flora 1991; Luloff and Swanson 1995; Swanson 1996). Communities with an active civic sector may possess a high level of social capital that can be important for successful development efforts (Turner 1999).

While it is important to examine differences in local economic policy decisions across rural and urban counties, it is also useful to study patterns across the broader economic landscape. Such an exercise allows for the exploration of underlying patterns that do not relate to simple rural-urban geography and addresses the question of whether poorer communities with fewer resources are adopting economic development strategies at the same rate as those with greater resources. Local socioeconomic factors may be associated with different local policy approaches, either due to variable local resources or support for skilled leadership or local political-economic policy orientations (Giles et al. 1980; Wolman and Spitzley 1996). There is some evidence that cities that rank high on certain socioeconomic indicators are more likely to hire professional managers and employ progressive local policy approaches (Giles et al. 1980). Therefore, it is possible that local government capacity and local policy decisions are associated with socioeconomic factors such as education levels, poverty, and the economic base of the county, rather than simple geographic location.

Research Approach

While research has consistently found that most counties and municipalities commonly use "traditional" economic development strategies more frequently than "new wave" strategies, there is very little research on rural-urban comparisons of economic development strategies (Cox et al. 1991; Reese 1994). Many argue that rural counties will be less likely to actively pursue sophisticated development strategies, and the more rural the county, the more disadvantaged it will be (Cigler 1993; McManus and Pammer 1990). Others suggest that rural counties are very active in pursuing a broad range of economic development strategies (Kraybill et al. 1997).

This study contributes to the discussion of rural-urban differences in the adaptation of economic development strategies by addressing three main research questions. First, we examine the extent to which county governments have undertaken local economic development initiatives as well as other, extra—economic activities designed to improve community well-being. Second, we assess the extent to which rural county governments vary significantly from urban counties in their activities and available resources. Finally, we examine factors associated with the use of four different development strategies. Using a series of logistic regression models, we delineate factors in addition to rurality, such as county poverty and education levels, that could be associated with the economic development policies of local county governments.

Data and Methods

In this study of local development initiatives in the face of changing intergovernmental relationships, counties are the unit of analysis. Counties are a significant administrative unit, particularly for rural areas in the 1990s, and are the fastest growing general governments in the United States (Gold 1996; Kraybill and Lobao 2001). They are an important part of the nation's local government apparatus, spending billions of public dollars every year to provide basic service to millions of residents. Small population areas and rural jurisdictions with small population numbers make up the majority of governmental units in the U.S., and rural counties account for nearly 75% of all counties. Counties also cover the unincorporated U.S. population. Hence, county governments service the less densely populated areas that may face more obstacles to economic development.

This study draws on a survey of local governmental officials conducted in the fall of 1997. The 222 counties in this study represent a six state area that makes up the Ohio River Valley Region, representing parts of 11 Metropolitan Statistical Areas (MSAs) and 148 rural (non-metropolitan) counties. The Ohio River Valley begins in the west with the Paducah-Cairo MSA at the Mississippi River, and is anchored in the east by the Pittsburgh-Wheeling-Youngstown MSA. Stretching from southwestern Pennsylvania to the Mississippi, the Ohio River Valley has been recognized as a distinct region since the late eighteenth century (Brown et al. 1996; Lobao et al. 2003; Reid 1991). This study area was chosen because it represents a distinct economic and ecological region and includes major urban areas as well as smaller towns and remote rural communities. The rural-urban continuum is well represented in this region.

Local county officials in each of the six states were asked a variety of questions about recent economic development strategies and other county activities and resources. The survey was directed to county commissioners or to their equivalent, as administrative titles vary by state. The response rate for the survey was 67%, with 148 county officials participating. Rurality was measured using a three-point scale. Thirty percent of respondent counties were located inside a Metropolitan Statistical Area (MSA), as defined by their 1993 Office of Management and Budget, and were defined as "urban" counties for the purpose of this study. Thirty-five percent of counties were located outside an MSA but adjacent to an MSA, and were defined as "rural adjacent" counties. The remaining 34.5% were located outside an MSA, were not adjacent to an MSA, and were defined as "rural non-adjacent." This geographic breakdown of the respondent counties was very similar to the breakdown for the full population of counties in the Ohio River Valley Region, which has 33.3% metro counties, 34.2% rural adjacent counties, and 32.4% rural non-adjacent counties.

Analytic Procedures

The analysis proceeds in two phases. First, we conducted an investigation to examine whether urban counties differ from rural adjacent and rural non-adjacent counties in their activities and available staff resources. Specifically examined are county economic development activities, extra-economic activities, county staff resources, and patterns of county cooperation. Here we assess whether urban counties differ significantly from rural counties on key economic policy tools and extra-economic activities.

A second phase of the analysis involves a series of logistic-regression models of factors associated with probabilities of usage of key economic development strategies. It is possible that descriptive statistics hide the importance of county level economic factors in predicting the use of economic development programs and activities. Once other factors are controlled, it may be found that rurality has little impact on probability of adopting different approaches to economic development. While rurality may explain use of certain key development strategies, particular characteristics of counties, such as income levels, education levels, and the economic base or level of development of the county, may be better predictors of usage of local economic policy tools. In each model, the dichotomous dependent variable indicates whether local governments used a particular development strategy. There are five models, estimating the effect of rurality on the usage of tax abatements (two models), business incubators, revolving loan funds, and contact with leaders outside the state. In each logistic regression model, four independent variables are used: degree of rurality, percent of the population in poverty, percent of the population with less than a high school diploma, and percent employment in manufacturing. Rurality is measured on a three point scale, with metro counties coded with a 1, non-metro adjacent counties coded with a 2, and non-metro, non-adjacent counties coded with a 3. Poverty levels, measured as the percent of the population in poverty, and education levels, measured as the percent of the adult population with less than a high school diploma, are from the 1990 census. Also included is the percent of the labor force employed in manufacturing, a measure of the economic base of the community, and also a proxy for the level of development of the county. This measure is taken from the Regional Economic Information System for the year 1990.

We considered the potential for systematic state political differences that might affect findings. States within the region are seen as linked through political culture (Elazar 1994), but the more recent context of devolution may vary. Five of the six states are home-rule states for counties that constitutionally recognize devolution of authority over certain functions. With regard to the economic development strategies examined here, all six states permit counties to engage in these activities.

Findings

Local Development Activities: Rural-Urban Comparisons

The results of this survey appear to support earlier research on local economic development strategies (see Table 1). Tax abatement programs and industrial parks, representing "traditional" approaches to economic development, are found in the majority of counties in this study. The majority of counties have modified infrastructure to meet a firm's needs in the last seven years, and a majority of counties have an industrial park with water and sewer lines. Consistently, urban counties in this study appear more likely to report the use of these economic development activities. However, among the "traditional" economic development activities, the only statistically significant difference between rural and urban counties can be found in use of tax abatements. Urban areas are significantly more likely to report providing tax abatement in the past seven years, and are significantly more likely to report having a tax abatement program provided by the county government. There is also a statistically significant difference in the number of counties with sewer lines in their industrial parks, with rural adjacent counties displaying the highest percentage of parks with sewer lines.

Also supported by previous research, the use of "new wave" economic development activities is much less common among all counties (see Table 1). Barely half of the counties have a revolving loan fund for small businesses, and fewer than 50 percent of the counties have a business incubator or provide business management assistance. Rural non-adjacent counties were less likely to report use of new wave development strategies compared to urban counties, including revolving loan funds, business management assistance, and worker training. Rural counties were less likely to report having a business incubator in their county, with the most remote counties least likely to report such a program. This may be related to the lack of professional expertise or the greater cost of professional service provision for these types of activities, given the lower population density in rural areas and the lack of economies of scale.

Extra-economic activities

A community's economic infrastructure alone cannot fully explain its well-being. Communities that display high stocks of social capital, as displayed by volunteerism and an active civic sector, are more likely to undertake successful development efforts (Flora et al. 1993; Swanson 1996). Many activities that are not directly related to local government economic development programs still serve as a resource for improving rural community quality of life and self-development. An examination of the survey data reveals that a large majority of both rural and urban areas demonstrate a healthy civic sector, including active service clubs, downtown beautification clubs, community clean up activities, and even historic preservation committees. Although the majority of all counties report activities, there are some statistically significant dif-

Table 1. Activities and Programs of Local Governments (Percent of Counties Reporting)

	Metro	Rural Adjacent	Rural Non-adjacent	Chi-square
"Traditional" activities				
Question: Since 1990, has your county government done any of the following:				
Developed new industrial parks	66.67	57.14	62.50	.91
Developed existing industrial parks	63.64	60.78	46.94	3.11
Developed new speculative buildings	34.09	29.41	33.33	.28
Developed existing speculative buildings	34.09	31.91	24.00	1.29
Provided a tax abatement to new or expanding firms	72.73	54.90	48.98	5.76*
Modified infrastructure (roads, sewer or water) to meet a firm's needs	82.22	78.43	72.00	1.46
Question: Does your county government have any of the following programs?				
Tax abatement	73.33	60.00	45.83	7.29**
Industrial park	71.43	81.82	63.41	3.63
With 8 inch water lines or better	58.54	63.04	53.33	.88
With sewer lines	70.73	78.26	55.56	5.58*
With speculative buildings	33.33	31.11	27.27	.37
"New wave" activities				
Question: Does your county government have any of the following programs?				
Revolving loan fund	54.55	49.02	38.00	2.71
Business management assistance	39.53	33.33	33.33	.51
Worker training	60.00	52.94	48.94	1.16
Business incubators	33.33	22.92	12.24	5.98*

* $p < .10$; ** $p < .05$.

ferences among counties. Most counties report annual festivals and even county fairs, although urban counties were significantly more likely to report county fairs. The majority of counties have participated in a community visioning process, but rural counties were less likely to report this activity. Urban counties were more likely to have developed and maintained contacts with leaders in industry outside of their state, perhaps indicating better political connections for the urban county leaders or more sophisticated development specialists. Urban counties were statistically significantly more likely to have a chamber of commerce than rural counties. While the majority of rural counties reported having a chamber of commerce office, a notable number of rural counties do not have such an office.

Urban counties were significantly more likely to report certain types of local service organizations, including historical preservation committees and local industrial foundations/development organizations. This does not bode well for rural counties in the region given that pre-

Table 2. Extra-economic Activities within Counties (Percent of Counties Reporting)

	Metro	Rural Adjacent	Rural Non-adjacent	Chi-square
Question: Since 1990, have individuals or groups done any of the following in your county?				
Organized a committee to seek new industry or business	93.02	86.27	90.00	1.15
Developed and maintained contact with leaders in industry outside your state	79.07	58.00	58.00	5.82*
Applied for public funding from your county government	90.24	84.31	65.96	9.24**
Applied for public funding from your state government	90.91	86.27	85.71	.68
Participated in a community visioning process	90.91	79.59	72.00	5.34*
Organized a community clean up day	88.37	86.27	76.47	2.84
Question: Since 1990, has your county government developed a county strategic plan?	60.47	52.08	52.17	.83
Question: Does your county government have any of the following?				
Tourism Office	66.67	59.18	61.22	.59
Chamber of commerce office	95.56	76.92	82.35	6.64*
Downtown community beautification club	82.22	73.47	71.43	1.64
Service clubs	100.00	98.08	96.08	1.86
Historic preservation committee	100.00	84.31	96.08	10.30***
Annual festivals	97.78	94.23	100.00	3.32
County fair	95.56	84.62	80.39	4.94*
Industrial foundations/development organization	90.91	73.08	84.00	5.35*

* $p < .10$; ** $p < .05$; *** $p < .01$; df = 2.

vious research suggests that local industrial foundations are more critical to successful economic development in rural areas than in urban areas (Knapp and Simon 1994). Interestingly, rural adjacent counties were the least likely to report these types of service organizations. What is most surprising in these results, however, is the prevalence of community activities across the rural-urban continuum. Given the lack of variability among counties, it is difficult to assume that these factors can explain difference in development patterns over time. Although there are some differences between rural and urban areas, the majority of all counties display a broad range of civic activities.

County Resources

The literature on rural local governments suggests that rural governments should have fewer resources available to them when managing the new responsibilities associated with devolution. Rural county gov-

Table 3. County Resources (Percent of Counties Reporting)

	Metro	Rural Adjacent	Rural Non-adjacent	Chi-square
Question: Does your county have:				
Access to a grant writer	91.11	94.23	86.00	2.03
Grant writer on staff	41.03	33.33	39.02	.63
Access to an economic development professional	95.56	82.69	84.00	4.18
Economic development professional on staff	54.76	48.89	35.90	3.01
Access to a land use planner	88.89	51.02	50.00	30.13***
Land use planner on staff	52.78	36.00	34.69	1.75
Question: Has your county adopted a land use plan?	66.67	41.18	14.29	26.86***
Question: Have any of the incorporated areas in your county adopted a land use plan?	83.33	64.00	40.43	17.46***

*$p < .10$; **$p < .05$; ***$p < .01$ df = 2.

ernments are more likely to be made up of part time or volunteer staff and tend to have fewer professional staff members such as grant writers and planners (Brown 1980; Cigler 1993; McManus and Pammer 1990). This study finds some support for this argument. While a majority of rural and urban counties reported access to grants writers and economic development officials, rural counties were less likely to report having these professionals on staff (see Table 3). Rural county leaders were more likely to indicate that they had access to such professionals from outside sources, including area development districts, state departments of economic development, or community groups. This lack of on-site staff may be associated with lower participation in economic development planning. As can be seen in Table 2, rural counties were less likely to have participated in some of the activities that are associated with local economic development planning, including the community visioning process and the development of a county strategic plan.

The results of this study indicate a disparity in access to and use of land use planning professionals in the Ohio River Valley region. While land use planning may not be directly related to local economic development success, local planning activities can help preserve local community historical or natural resources, address water quality issues, and facilitate the effective organization of local economic activities (Diamond and Noonan 1996). Rural counties were less likely to have access to a land use planner, and to have a land use plan. This is somewhat surprising considering that rural adjacent counties may be dealing with land use issues related to urban sprawl. This finding may reflect some

Table 4. County Cooperation and Competition (Percent of Counties Reporting)

	Metro	Rural Adjacent	Rural Non-adjacent	Chi-square
County reports being involved in a bidding war for new business with other adjacent counties	72.73	67.31	51.02	5.23*
County reports bidding wars between communities within the county	28.89	11.76	10.20	7.23**
County has cooperated with other counties in the region to provide economic development programs or services	55.81	38.89	50.00	2.92

* $p < .10$; ** $p < .05$.

of the anti-planning sentiment that is common among rural counties and may also be due to the fact that rural counties are less likely to impose land use restrictions on their residents due to local political pressures and low population density (Cigler 1993).

County Cooperation and Competition

Regional cooperation efforts can increase the power of local governments in negotiating the demands of firms and interacting with the national government. They can also enhance economies of scale for training programs and other demand-side activities, including revolving loan funds and local business support programs. This is especially true for rural municipalities that lack the population size or economic resources to administer their own programs. In contrast, bidding wars with other municipalities can pit communities against one another and increase the size of concessions granted to outside firms. Results from this survey indicate that there is little cooperation among counties in the Ohio River Valley Region. The majority of counties report involvement in a bidding war with other adjacent counties in the last five years (see Table 4). There was a statistically significant difference between rural and urban counties, with urban counties far more likely to report bidding wars than rural adjacent or rural non-adjacent. Urban counties were also far more likely to report that bidding wars had occurred between communities within their county. This is not surprising given the settlement patterns within urban counties.

A small majority of urban and rural non-adjacent counties reported cooperation with other counties (since 1990) to provide economic development programs or services, but only a minority of rural adjacent counties reported such activities. This indicates that there may be a need for increased coordination among counties in the face of increasing competition between localities for economic development. Without such coordination, such county programs as tax abatements may provide a diminishing advantage as more and more counties adopt them and compete against one another for business.

Multivariate Analysis

Although there appears to be statistically significant differences in the utilization of key economic development policies between rural and urban counties, it is possible that there is an underlying cause to these differences that does not relate to simple geography. In this section, multivariate models are used to examine whether the differences between counties are due to socioeconomic or population factors rather than degree of rurality.

We use a series of logistic-regression models of factors associated with probabilities of use of key development programs. In each model the dichotomous dependent variable indicates whether the respondent county used the development program. Three economic development strategies are chosen for further study because bivariate analysis revealed significant differences between rural and urban counties. Tax abatement programs (assessed with two measures), business incubators, and contact with outside leaders are examined with multivariate analysis. The revolving loan fund program is also examined because it represents a promising strategy that appears to be underutilized by rural counties. For the independent variables, three factors that are associated with community well-being and economic development are used, as well as a measure of rurality. The effect of county poverty, education levels, and the percent of the labor force employed in manufacturing, a measure of the economic base of the county, are all examined.

Table 5 displays the results of logistic regression models for five dependent variables. The impact of rurality alone on the use of particular economic development models is tested in a main effects model. On a second run of each logistic regression model, other independent variables that are associated with economic development are added. The logit coefficients for each of the independent variables measuring poverty, education levels, and manufacturing provide an estimate of each factor's independent effect on the probability of adopting an economic development strategy, holding all other factors constant. This helps to determine whether the geographic measure of rurality is important in predicting the adoption of particular strategies or whether adoption of certain programs may be better predicted by such factors as poverty, education levels, or the economic base of a community.

Table 5. Use of Selected Economic Development Programs for Counties in the Ohio River Valley

	County Has Tax Abatement Program		County Offered Tax Abatement for New Business in Last 5 Years		County Has a Revolving Loan Fund		County Has a Business Incubator Program		County Maintained Contact with Leaders Outside State	
Variable	Model 1	Model 2	Model 3	Model 4	Model 5	Model 6	Model 7	Model 8	Model 9	Model 10
Intercept	1.59***	4.17***	1.35***	4.68***	.56	1.33	–.03	2.00*	1.54***	2.42***
Rurality [a]	-.59***	–.10	–.49**	.13	–.33	–.43*	–.62**	–.27	–.45***	–.25
Percent without a high school degree		–.11***		–.15***		–.10***		–.11***		–.03
Percent of population in poverty		.00***		.02		.16***		.05		–.00
Percent employed in the manufacturing sector		1.5		1.57		.60		.56		.56
–2 log likelihood	185.7	164.67	190.26	159.43	197.82	183.37	145.46	136.41	182.01	178.78
Chi-square	7.40***	28.4***	5.34**	36.17***	2.62	17.08***	6.07**	15.12***	4.30**	7.53
Degrees of freedom	1	4	1	4	1	4	1	4	1	4
Number of cases	143	143	144	144	145	145	142	142	143	143

* $p < .10$; ** $p < 0.05$; *** $p < 0.01$.
[a] (1 = urban, 2 = rural adjacent, 3 = rural non-adjacent).

Models 1, 3, 5, 7, and 9 are main effects models of the odds that rurality decreases the use of various economic development programs. Consistent with the contingency table findings, the logistic regression models show that rural counties are less likely to use tax abatement programs, business incubators, and have contact with leaders outside the state. Also consistent with the contingency tables, model 5 does not reveal any significant difference in use of revolving loan funds. Once the other independent variables are included in the logistic regression models, (models 2, 4, 6, 8, and 10), the rurality coefficients are reduced in four out of the five models. Models 2, 4, 8, and 10, show that county geographic location is not significant after controlling for other factors associated with economic development. The level of education in the county appears to be the most important factor in predicting the use of these strategies, with the poverty rate in the county also important. Lower levels of education in counties appear to decrease the likelihood of use of tax abatement programs and business incubators. In contrast, rurality seems to have a significant negative relationship with the use of a revolving loan fund after controlling for the other covariates.

The percent of the labor force employed in the manufacturing sector, a measure of a counties' economic base, is not significantly related to use of different economic development strategies. This suggests that program use is not easily differentiated by the economic base of this region, which still retains a higher proportion of manufacturing than nationally (Lobao et al. 2003), and may be related to other factors such as the policy environment and qualities of local leadership (Pratt and Rogers 1992).

Another way of addressing urban-rural differences is to compare the odds ratios for different variables. The odds ratio for each independent variable provides an estimate of the change in the odds of employing a particular economic development program for each one-unit change in each independent variable. In Table 6, the odds ratios for adopting particular economic development strategies are examined. For each economic development strategy, the first column shows the coefficients of a multivariate model that includes only dummy variables for the two rural county classification levels. Essentially, this shows the extent to which the probability of use of the group of programs is higher or lower than the urban counties. The second column shows the odds ratios for these same rural counties, but from a multivariate model that includes other determinants of usage (county education level, county poverty level, and manufacturing).

This approach provides the opportunity to examine the relative effect of rurality. In the first column for each program, the data confirms relationships found in the earlier analyses. Rural counties have a

Table 6. Odds Ratio of Use of Select Economic Development Strategies

	County Has Tax Abatement Program		County Offered Tax Abatement for New Business in Last 5 Years		County Has a Revolving Loan Fund		County Has a Business Incubator Program		County Maintained Contact with Leaders Outside State	
Variable	Location only	With predictors	Location only	With predictors	Location only	With predictors	Location only	With predictors	Location only	With predictors
Rural adjacent	.55	.22	.46*	1.06	.80	.72	.60	.96	.37*	.46
Rural non-adjacent	.31***	.91	.36**	1.18	.51	.42*	.28**	.55	.37*	.52
Model chi-square	7.41**	28.81***	5.93*	36.39***	2.73	17.14***	6.14**	15.42**	6.13**	8.86
(df)	(2)	(5)	(2)	(5)	(2)	(5)	(2)	(5)	(2)	(5)
Number of cases	143	143	144	144	145	145	142	142	143	143

* $p < .10$; ** $p < .05$; *** $p < .01$.

lower probability of adopting all the different economic development programs, and the equation for revolving loan funds is not significant. Table 6 also supports that argument that the more remote rural counties, those not adjacent to metropolitan areas, were slightly less likely to adopt programs than rural adjacent counties, excluding contact with leaders outside the state. What is most interesting about this table, however, is that when other factors associated with economic development are controlled, the effect of rurality either disappears or reverses slightly. In the case of tax abatements, the probability of offering a tax abatement appears to be higher in rural adjacent and rural nonadjacent counties than in urban counties once poverty levels, education, and manufacturing employment are controlled. However, it is worth noting that the odds ratio for the rural measures is not very large in any of the models. The odds ratios for the other variables are what would be expected from the previous equations, with education and poverty displaying smaller odds ratios than other variables.

Summary and Conclusions

The ongoing devolution of federal government programs represents a potentially challenging environment for the fiscal well-being of local governments, especially local governments that possess limited staff resources and lack experience with local economic development policy. At the same time, the increasing globalization of the economy is resulting in a restructured economic marketplace where local communities face greater competition in the attraction of capital. Many argue that numerous local governments, especially rural local governments, will not be able to compete in this new policy environment because they lack the capacity to develop and manage local initiatives. Furthermore, it is assumed that the most isolated rural localities will be the most disadvantaged in this new environment.

The results of this study indicate that there is some support for this argument. Rural local governments are somewhat less likely to have access to local economic development professionals and grants writers, although the only statistically significant difference is found in access to land use planners. More interesting is the finding that rural local governments differ significantly in the use of some economic development policy tools, including tax abatements and business incubators. Given that the literature suggests that there are different outcomes associated with the degree of usage of different types of development policy tools, this has some implications for the well-being of rural counties. However, further analysis of the data on economic development approaches has implications for all localities marked by socioeconomic disadvantage. Multivariate analysis suggests that program usage is better predicted by county education and poverty levels than by geographic location. Once these variables are controlled, the effect of rurality diminishes or disappears. Given the fact that most measures of rurality are correlated with poverty and lower education levels (with the most remote rural counties typically displaying high poverty levels), this finding still holds implications for rural communities.

These implications are positive and negative. Rural counties with skilled leadership, lower poverty levels, and higher education levels appear to have a chance to mediate the effects of geographic isolation and macro-level economic change by using innovative economic development policy tools. However, it appears that rural counties with high poverty levels and few local resources are less likely to aggressively pursue the same quantity and quality of economic development strategies and will continue to face challenges. More importantly, however, these findings hold implications for all socioeconomically disadvantaged counties. The finding that high poverty levels and low education levels in counties are associated with less use of certain types of economic development strategies reveals that economically challenged counties may fare poorly in an environment of increased local fiscal responsibility and increasing global competition. Economically depressed counties that already have fewer revenue sources for local services may find it difficult to invest resources in economic development strategies to work against the larger forces of economic restructuring.

As found in previous studies, more progressive, "new wave" strategies appear to be less common than "traditional" approaches to economic development in all counties. Rural counties in the Ohio River Valley Region, especially rural non-adjacent counties, report little use of "new wave" programs such as business incubators or revolving loan funds. This may be due to the cost associated with the start up of such programs or the lack of access to professional expertise. Given the potential benefits from these more progressive "new wave" strategies, this may be an area where all local governments, especially rural county governments, need to invest resources. Also interesting is that there appears to be a lack of inter-county coordination and cooperation in economic development activities. This is an area where all county governments, especially rural county governments, can work to improve. In the face of increasing competition between localities, this may be an essential strategy for effective participation in the new economic environment.

Rural and urban counties display only small differences when it comes to extra-economic activities. Most counties appear to demonstrate community agency and engage in a wide range of activities related to community improvement such as organizing community clean up days, annual festivals, and fairs. In fact, the lack of variability across counties suggests that these activities may not be the best indicators of community capacity, at least as measured by these unidimensional quantitative assessments.

This study suggests several directions for future research. While this study clearly demonstrates that most communities are actively pursuing economic development strategies and displaying community agency, and that local policy activities differ across geographic space, it provides no information about the actual impact of community initiative and the success of different strategies over time. Future research should address the question of whether community agency leads to better local economic fortune, or whether larger economic forces are the ultimate correlates to economic well-being. The nature of the devolutionary policy environment also needs to be explored. Different state approaches to policy decentralization will empower local communities in different ways. State initiatives will ultimately shape local policy decisions. This may result in the use of different policy tools and different success rates across space. This topic should be addressed in future research projects.

Results from this study portend a mixed future for rural counties in the face of changing intergovernmental relationships. Most rural counties appear to have a healthy civic sector and display a great deal of community agency and the ability to mobilize local actors to seek answers to local problems. Most counties have at least some access to economic development professionals and other professional staff. A majority of rural counties in the Ohio River Valley Region, both adjacent and non-adjacent, report "traditional" activities related to economic development, including developing industrial parks and tax abatement programs to attract new business.

While there is some good news in these findings, there is also some cause for concern. The high incidence of competition between counties revealed in this study indicates that there might be diminishing returns to the "traditional" types of economic development approaches that lead localities to compete against one another for firm location. Also important is the finding that more progressive, "new wave" strategies were much less common in rural counties, suggesting an area of need for these communities. While the more prosperous rural areas appear to be taking initiative in economic development strategies, rural areas that are disadvantaged by a low tax base, low education levels, and a depressed economy may continue to struggle to compete in this new policy environment. While there is certainly evidence that localities are attempting to take an active role in determining their future well-being in the face of increasing local responsibility and macroeconomic changes, the variation in the types of policies being used raises questions about local capacity and local prospects for success.

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