Rural Economic Development: Learning From Success

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This paper is designed to help local officials and business people interested in rural economic development learn from success. The Research Triangle Institute (RTI) conducted detailed statistical analyses of economic data on nonmetropolitan counties to select 12 counties that had successfully generated strong overall employment growth during the 1982 to 1986 period. Ten of these counties also ranked high in employment growth derived from small, local businesses. Excluded from consideration were any rural counties adjacent to large metropolitan areas and any counties that had large tourist attractions.

Both elected officials and business owners in these counties were contacted through site visits and telephone interviews to determine the steps they took to create employment growth in their counties. This paper presents these steps and the local characteristics that lead to successful rural economic development.

INTRODUCTION

Although individuals from both urban and nonurban areas recognize the need to establish strategies for future economic development, the challenges encountered in many small towns and rural communities are much different from those faced in larger population centers. The disparity between urban and rural America continues to grow, and yesterday's solutions to today's rural development concerns no longer suffice.

In this paper, we describe how 12 rural counties from across the United States boosted their local employment in the 1980s; we also present an action plan for promoting successful rural economic development. The growth reported here derived primarily from small, local businesses, with none of the counties being adjacent to a large metropolitan area. Our paper is based on a report prepared at the Research Triangle Institute (RTI) and funded by the Economic Development Administration of the U.S. Department of Commerce.[1] The report is designed to assist local public officials and business people working on economic development in rural counties.

IMPORTANCE FOR PRACTITIONERS

The purpose of our report is to identify policies, programs, and techniques that State and local officials have used successfully to promote the creation of new employment in rural areas. To achieve this goal, we had to accomplish several tasks, including:

- ❑ identifying a set of nonmetropolitan counties nationwide that have experienced relatively high levels of employment growth;
- ❑ selecting a subset of these high-growth counties, consisting of counties that have pursued a self-development strategy;
- ❑ conducting case studies of these selected counties to discover the critical elements and events in their developmental experience; and
- ❑ preparing action guidelines for State and local individuals and organizations to use.

First, we ranked all nonmetropolitan counties by growth in total employment between 1982 and 1986, which were the most recent data available at the time of the analysis.[2] We examined the top 25% in employment growth and eliminated rural counties adjacent to large metropolitan areas or major resort areas. These counties were not considered because we wanted examples of successful rural economic development unrelated to spillover from metropolitan areas or unique advantages that other rural counties cannot replicate.

Second, we identified the growing rural counties that had increasing employment because entrepreneurs had started new local businesses or expanded existing businesses.[3] Although extensive research has identified the reasons for manufacturing plant relocations and the factors that encourage plants to relocate to rural areas, little research has focused on the factors that help create new businesses in nonmetropolitan areas. By examining these "self-developing" counties, we could discover which policies, programs, and techniques have prompted successful self-development.

Based on this analysis we selected the 12 counties shown in Table 1, which include 10 self-developing counties and, for comparison, 2 counties that attracted large manufacturing plants. Of the 12 sample counties, 9 are not adjacent to a metropolitan area, and the other 3 counties are adjacent to relatively small metropolitan areas that have not created spillover employment. Table 2 shows the employment growth rates for these counties, and Table 3 presents a comparison of the selected counties with State and national employment averages.

We conducted case studies in the 12 counties to determine the specific actions and programs that local economic development officials and business leaders used to generate employment growth. Then we identified the effective steps that most of these counties took for successful economic development. In the next sections, we discuss the predictors of success, an action plan, and specific programs used in the 12 counties.

PREDICTORS OF ECONOMIC DEVELOPMENT SUCCESS

Several characteristics stand out as leading to successful rural economic development. These include: (a) leadership, (b) cooperation, and (c) commitment of key staff within local and regional agencies. These ingredients often work together in spurring change.

Leadership is difficult to define in general terms, but in the context of rural economic development it means that the business leaders and elected officials in an area collectively decide that action is needed to improve the local economy. In several of the 12 counties studied, the closure or departure of several businesses prompted this decision; in others, the lack of job opportunities for young people was a factor. Occasionally, an outside organization such as an electric utility or a State economic development agency played a major role in prompting local leaders to focus on economic development.

Typically, a group of political and business leaders sets an agenda for action. These people cooperate to focus their efforts on that economic development agenda for a period of years, rather than weeks or months. Both elected officials and business owners can provide leadership but cooperation is essential. "Cooperation among the county leaders is the key to getting something accomplished," according to one of the county officials we interviewed.

The type of leadership we found in most of the sample counties was not one person telling everyone what to do, but a cooperative or team effort to achieve objectives established by group discussions and consensus. Success occurs when politicians and business people work together to benefit the county rather than only their political careers or their businesses. Leadership and cooperation complement each other and function jointly in rural counties that have successful economic development.

A key individual, however, can be a catalyst for an aggressive economic development program. In Bonner County, Idaho, a utility company official arranged for an economic development action plan to assess the strengths and weaknesses of the county and establish a strategy for economic development. The director of the local chamber of commerce credited this official as the major reason that public and business officials made a strong commitment to economic development. In Atkinson County, Georgia, the mayor of Willacoochee has played a pivotal role in securing State and Federal funds for infrastructure improvement in his town. Moreover, he has worked closely with a local banker to offer financing to new businesses, providing an example of both leadership and cooperation.

Organizations can also be the catalyst for stronger economic growth and increased jobs. In Windham County, Vermont, several local business people started the Brattleboro Development Credit Corporation (BDCC) as an independent volunteer organization after several companies in that county went out of business. The BDCC has become an important resource for new and existing businesses to find financial and technical assistance. One manager of a new business said that the BDCC "cemented it all together," and the president of

TABLE 1
12 Counties Selected for Case Studies

Region	County	State
Midwest	LaGrange	Indiana
	New Madrid	Missouri
Northeast	Lincoln	Maine
	Windham	Vermont
South	Atkinson	Georgia
	Chester	Tennessee
	Macon	North Carolina
	Perry *	Mississippi
	Wirt	West Virginia
West	Apache *	Arizona
	Bonner	Idaho
	Millard	Utah

* Comparison counties that attracted large manufacturing plants.

TABLE 2
Data for 12 Final Site Selections

		Employment Growth 1982-1986		Total Employment	BLS Unemployment Rate			New Business Employment Growth			Total Population	Change	
Region	County	Rate	Jobs	1986	1982	1986	1988	Rate	Jobs	Estabs	1986	1982-86	ERS Industrial Mix
SELF-DEVELOPING COUNTIES:													
MIDWEST	Lagrange, IN	14.9%	1,525	11,745	9.8	5.1	4.6	37.7%	944	110	27,933	7.4%	Manufacturing
MIDWEST	New Madrid, MO	11.7%	1,055	10,095	11.9	9.4	7.0	36.9%	835	71	21,912	-4.3%	Manufacturing
NORTHEAST	Lincoln, ME	18.4%	1,929	12,389	7.4	4.3	3.0	26.5%	823	164	28,580	8.7%	Retirement
NORTHEAST	Windham, VT	18.5%	4,248	27,218	8.0	5.9	2.8	27.9%	2,578	308	39.937	6.2%	Ungrouped
SOUTH	Atkinson, GA	19.1%	361	2,251	9.7	7.1	5.0	59.7%	191	14	6,470	6.1%	Farming, Poverty
SOUTH	Macon, NC	18.3%	1,568	10,128	9.0	5.5	4.0	44.1%	920	177	23,416	7.4%	Retirement
SOUTH	Chester, TN	19.2%	756	4,686	18.5	8.9	6.5	41.1%	443	51	13,059	4.5%	Poverty
SOUTH	Wirt, WV	14.0%	164	1,334	18.3	17.8	10.1	37.4%	137	13	4,582	-8.4%	Manufacturing
WEST	Bonner, ID	17.1%	1,522	10,412	15.3	12.0	9.3	47.7%	1,443	212	26,074	4.3%	Retirement
WEST	Millard, UT	39.9%	1,777	6,227	7.4	6.5	5.6	47.1%	513	68	14,682	41.2%	Farming
OVERALL GROWTH COUNTIES													
SOUTH	Perry, MS	38.7%	1,233	4,413	16.1	15.9	10.3	N/A	N/A	N/A	10,366	6.9%	Manufacturing
WEST	Apache, AZ	35.6%	5,486	20,916	25.6	19.2	15.5	N/A	N/A	N/A	57,160	8.9%	Retirement

TABLE 3
Comparison of Case Study Counties with National and State Averages

		Overall Employment Growth 1982-1986		New Establishment Employment Growth 1980-1984	
		Rate	Jobs	Rate	Jobs
National Metropolitan Average	N=704 *	9.3%	11,512	24.4%	10,694
National Nonmetro Average	N=2335 *	4.5%	596	22.6%	627
INDIANA:					
Metropolitan Average	N=30	11.2%	6,236	20.0%	3,898
Nonmetro Average	N=62	8.1%	1,102	17.4%	634
LaGrange County		14.9%	1,525	37.7%	944
MISSOURI:					
Metropolitan Average	N=17	12.7%	12,186	24.3%	7,545
Nonmetro Average	N=98	6.6%	596	21.3%	444
New Madrid County		11.7%	1,055	36.9%	835
MAINE:					
Metropolitan Average	N=3	14.5%	12,695	15.8%	49,165
Nonmetro Average	N=13	11.2%	2,783	20.2%	1,354
Lincoln County		18.4%	1,929	26.5%	823
VERMONT:					
Metropolitan Average	N=2	13.6%	5,178	40.0%	2,436
Nonmetro Average	N=12	12.2%	2,060	19.9%	1,167
Windham County		18.5%	4,248	27.9%	2,578
GEORGIA:					
Metropolitan Average	N=38	17.4%	9,525	37.5%	16,429
Nonmetro Average	N=121	9.8%	877	20.2%	450
Atkinson County		19.1%	361	59.7%	191
NORTH CAROLINA:					
Metropolitan Average	N=25	12.7%	11,021	17.6%	4,230
Nonmetro Average	N=75	10.5%	1,754	20.6%	797
Macon County		18.3%	1,568	44.1%	920
TENNESSEE:					
Metropolitan Average	N=27	10.4%	6,927	21.2%	4,338
Nonmetro Average	N=68	9.1%	941	25.7%	534
Chester County		19.2%	756	41.1%	443
WEST VIRGINIA:					
Metropolitan Average	N=10	2.1%	611	28.8%	2,447
Nonmetro Average	N=45	0.6%	(21)	21.8%	558
Wirt County		14.0%	164	37.4%	137
IDAHO:					
Metropolitan Average	N=1	14.4%	13,929	25.8%	8,728
Nonmetro Average	N=43	3.1%	423	23.5%	544
Bonner County		17.1%	1,522	47.7%	1,443
UTAH:					
Metropolitan Average	N=4	12.9%	17,537	27.7%	12,460
Nonmetro Average	N=25	4.5%	374	25.1%	424
Millard County		39.9%	1,777	47.1%	513
ARIZONA:					
Metropolitan Average	N=2	21.5%	118,438	N/A	
Nonmetro Average	N=12	17.8%	3,974	N/A	
Apache County		35.6%	5,486	N/A	
MISSISSIPPI:					
Metropolitan Average	N=7	8.2%	2,842	N/A	
Nonmetro Average	N=75	5.2%	556	N/A	
Perry County		38.7%	1,233	N/A	

* Does not include Alaska, Hawaii or county equivalents. All data are from NPA Data Services

another company that located in Windham County credited BDCC's personal approach as the reason he moved to the county.

Leadership, cooperation, and the *commitment* of several key individuals and organizations form a solid base for successful rural economic development. With this foundation, a county has the potential to succeed in developing programs to enhance the local economy.

A 12 STEP ACTION PLAN FOR SUCCESSFUL HOMEGROWN RURAL ECONOMIC DEVELOPMENT

Our analysis of successful rural economic development indicates that local officials in the sample counties took 12 key steps to boost employment. Every county did not take all 12 steps but most of the counties followed most of these steps. We do not offer this action plan as a guarantee for success but as a reliable method to increase a county's prospects for growth.

Recognize the Problem.

A rural community first needs to recognize that it has the problem of a stagnant or declining economy. Local business and government leaders must then make a commitment to seek solutions to their problems. In some rural areas, local business or government officials want to keep things as they are even though the county is in economic decline. To get something done, the people who own or manage local businesses and the elected officials must meet and decide that they want to work for a stronger local economy.

Assess Strengths.

The second step is to assess the strengths and weaknesses of the county or region. Local leaders should critically evaluate the pluses and minuses of their area and decide what the county can and cannot offer. New types of agriculture, labor-intensive manufacturing, or tourism, for example, may or may not be realistic options for improving the local economy.

Create a Plan.

Many of the people we interviewed emphasized the importance of creating an economic development plan tailored to the strengths and weaknesses of the county. The process of developing the plan is very important. A series of public meetings can involve a large portion of the community, create interest in economic development, and allow public officials and business leaders to gain insights from a large number of people. In several counties we visited, local officials hired economic development experts to do an analysis of the community and draft an economic development plan. Electric utility companies and State universities often have economic development experts who can provide this service.

Identify Infrastructure Deficiencies.

Identifying deficiencies in the local infrastructure and schools is an important next step. It is difficult for businesses to expand—and it is difficult to attract new businesses—without an adequate infrastructure. Many of the counties we visited did not have interstate highways, but they did have secondary highways in good repair, a good supply of water, and excess sewage capacity. In addition, quality schools can be a decisive factor in successful rural economic development. Entrepreneurs are more likely to pick a rural area to start a business if the area has good schools.

Look for Funding.

Finding funds to correct these deficiencies is the next local process. A key step for several counties was the decision to issue bonds to upgrade the local school system. Some of the counties we contacted have been innovative in finding Federal and State funds to finance a large portion of the cost of improving their infrastructure. Discussing and organizing ways to make these improvements can change people's attitudes and expectations for a stronger local economy.

Establish a Development Commission.

At this point, many counties find it useful to move from an informal to a formal organization and establish a countywide economic development commission. Several counties started with an economic development commission for one town and then expanded the commission to cover an entire county.

Make a Long-term Commitment.

Political and business leaders need to commit resources to economic development for a minimum of 3 years. Businesses will not start, expand, or enter the county overnight, and the process of successful economic development will require several years. Most of the counties we studied either hired a full-time director of economic development or shared an economic development director with other counties. Although sharing an economic development director might cause some disagreements among counties, this less expensive alternative has often worked surprisingly well.

Collect Data That Businesses Need.

One of the key first steps for an economic development director is to collect data and information on the county and region that businesses need. For example, a community profile would include information on the county's labor force, population, finances, taxes, transportation, schools, housing, health services, utilities, climate, and leisure activities. Many counties find that a printed brochure containing these data is useful for new or expanding businesses, as well as for outside companies. Some States have county profiles for all of their counties.

Organize Volunteers for Business Support.

A related step is to organize groups of volunteers to work with start-up companies and to tell existing companies that are interested in the area about the advantages of locating in the county. Several counties emphasized the importance of giving personal attention to prospective business owners and managers and helping them become acquainted with the community.

Identify Sources of Business Assistance.

It is important to identify ways to help new local companies get started and expand. Local or homegrown businesses tend to be more stable; several of the counties we visited had to depend on the growth of homegrown businesses when subsidiaries of large, national corporations severed their ties with the county. Homegrown businesses need both financial and technical assistance.

Include Existing Businesses.

An economic development program must not ignore existing businesses in the county. Several counties in our sample focused on assisting existing businesses because a large portion of all new jobs are created by existing companies. One county surveyed local businesses to determine what problems or requests they had and then took follow-up action to remedy a number of the problems identified. This approach encourages local businesses to grow and remain in the county.

Attract Outside Companies.

Only in conjunction with these other steps should the county try to attract new companies from outside the area. Successful rural economic development typically involves a three-pronged effort to (a) assist the start-up and expansion of homegrown companies; (b) reduce or eliminate problems facing existing businesses; and (c) try to attract businesses from outside the area. Some counties tried to attract one large company, but most preferred to attract small companies of fewer than 100 employees. Several counties aimed for a diversified economic base combining agriculture and tourism, or manufacturing and retailing, in marketing their communities. Marketing is not limited to advertising in national publications, but can also include regional shows or conventions.

In most cases, the rural counties in our study received substantial support and assistance from the State department of economic development. In other cases, local officials needed to make economic development officials at the State level more aware of business opportunities in rural counties. Several States we visited have innovative rural development programs that provide training, guidance, financial assistance, and marketing expertise. Any rural county focusing on a new or expanded economic development program should meet with its State economic development officials to discuss the type and amount of support that the State can offer.

IMPLEMENTING SUCCESSFUL RURAL ECONOMIC DEVELOPMENT

An economic development program that actually increases the number of jobs in a county can involve a variety of programs. In our sample counties, the economic development programs typically divided into these categories:

- ❑ financial assistance,
- ❑ technical or managerial assistance,
- ❑ job and/or technical training,
- ❑ location assistance such as industrial parks,
- ❑ innovative programs including regional marketing and enterprise zones, and
- ❑ infrastructure.

Financial Assistance

All the counties in our sample provided financial support for local businesses either through local, State, Federal, or private sources. The evidence from our interviews indicates that financial assistance for small business does create jobs and improve the local economy. Capital is the lifeblood of a small business and is essential for the development of homegrown businesses. In many cases, counties combine State and Federal money with private financing to minimize risks and encourage private-sector support. Other counties generate financial assistance funds internally.

The most successful approach to providing financial support for small businesses is to tap a combination of sources:

❑ Local banks - Many of the business managers we interviewed were able to obtain loans directly from local banks. Business and public officials interested in improving an economic development program should establish and maintain a good working relationship with local banks.

❑ Local tax revenues - Small increases in local taxes can generate enough money to serve as leverage for bank loans or as grants to start up, relocate, or expand businesses.

❑ State and Federal programs - The State department of commerce and a regional economic development agency can provide useful information about the array of State and Federal programs for business loans and the best way to apply for these loans. Much of the Federal assistance is channeled through State agencies.

Examples of financial assistance include a development fund, a revolving loan fund, and innovative State programs.

Local Development Fund

Chester County, Tennessee, set up an Industrial Development Fund 10 years ago. The county voted to increase the local sales tax slightly (0.25%) and use this fund for brick and mortar improvements to local businesses. The total sales tax now is 5.5% with 2.25% going to county and local governments primarily to support the education systems. The Industrial Development Fund gets 0.25% of this 2.25% tax.

A business that wants to get a grant from the Industrial Development Fund submits a business plan indicating the number of jobs it will generate either by starting or expanding operations. County and city officials then analyze the business plan; if it meets their criteria the business is eligible to get $1,000 for each job paying at least $7 per hour and $500 for each job paying less than $7 per hour. Companies can use these funds for construction, repair or expansion.

The county and city provided $70,000 to a box company for building improvements when it needed more production space when moving into Chester County. The county executive was able to quickly offer financial assistance because of the flexibility afforded through the Industrial Development Fund. Although the fund is not large enough to meet all the financial needs of local businesses, it can supplement other sources and offer support at critical times when businesses are relocating or expanding.

Revolving Loan Funds

Rural counties use revolving loan funds more extensively than direct grants. Businesses repay the loans over time, replenishing the fund and allowing more loans to be made. Often the source of the original pool of money is a combination of Federal and/or State and local money.

Banks are often reluctant to make loans to new or small businesses because of the high risk involved. Some banks are much more likely to participate in this type of loan with a local economic development organization. Rural counties should include local banks in their economic development program, understanding that a bank must maintain strict loan underwriting criteria. Local officials can reasonably approach banks to participate jointly in loans to small businesses.

Several counties secured funds from their State's Department of Commerce or Economic Development Division. The county loans these funds to local businesses, and the loans are repaid into the revolving loan fund. The counties ask banks to lend a certain percentage of the project costs, usually close to 50%, and then provide the remainder of the loan from the revolving loan fund. Because the loans are used to purchase fixed assets, the bank will get first lien or deed of trust on the assets involved and it can take additional security if necessary. Because most businesses come to a bank first for loans to buy fixed assets, banks are in a good position to identify projects suitable for the revolving loan program.

An economic development commission considering a revolving loan fund needs to consider several issues:

❑ What will be the source of money? Local, State, and Federal programs should be investigated.

❑ What is the objective of the fund? A typical objective would be job creation through expansion of small businesses.

❑ Who will be eligible? Eligibility usually depends on the size of the business.

❑ What will be the criteria for loan limits? The dollar amount of loans could be based on the number of jobs being created, on whether private funds will be used for a portion of the project, and on demonstration of ability to repay.

❑ How may funds be used? Usually, such funds are used for purchase of land, buildings, or equipment, for renovation and expansion of buildings, and for site improvements; revolving loans are not usually used for salaries or operational expenditures.

The best types of projects for revolving loans are those that are not financially feasible without the loan, but that still show reasonable potential to repay the loan. It should also be clear that the project will create new jobs for local residents.

State Programs

A good example of a State program that provides local assistance is the Vermont Industrial Development Authority (VIDA), which operates three loan programs for land, buildings, equipment, and working capital:

❑ VIDA's Loan Guarantee program offers loans up to $10 million per project to banks at negotiable terms and interest rates. The banks, in turn, lend to operators of manufacturing, assembling, research and development and pollution control facilities.

❑ The Industrial Revenue Land Program makes loans of up to $20 million, also with negotiable rates and terms, to businesses eligible for tax-exempt financing.

❑ Probably the most popular program, the Direct Participation Loan Program, makes 4% loans up to $400,000 with 15-year terms for land and buildings and 7-year terms for machinery and equipment.

According to the owner of a panel company in Windham County, Vermont, these 4% VIDA loans are the real incentive for coming to the area." Other businesses in the county have gotten 4% VIDA loans, including a precision instrument company that received a $200,000 loan.

Technical or Managerial Assistance

Technical or managerial assistance can be the key to survival for small businesses. Financial assistance is necessary but often not sufficient to ensure successful business operations. We visited a number of rural counties that emphasize technical assistance as well as financial assistance.

One of our sample counties found that a coordinated effort of technical assistance through local, State, and Federal agencies played an important role in generating a new industry within a rural economy. This type of intensive technical assistance will not always be successful, but a careful feasibility study will enhance the prospects for success.

Counties in Vermont, Idaho, Tennessee and other States mentioned small business centers associated with a local community college or State university as a key source of technical support. Regional offices of the State department of commerce or economic development also sometimes provide this type of technical assistance. Small Business Education Centers assist start-up and existing small businesses by providing information on how to operate a business. They offer counseling, training, seminars, referral services, and business publications and videos.

The key point is that economic development officials in rural areas should focus on *technical* assistance for small businesses as well as *financial* assistance. Technical assistance can often ensure that the financial support is money well spent. This assistance is often free or inexpensive to obtain through State and community colleges or regional cooperatives.

Job and/or Technical Training

Job training can be an important tool in attracting new or expanding companies. For example, Indiana has a State program called Training for Profit that provides a direct grant to companies for training new employees. Training for Profit reimburses the cost of instruction, materials, and travel (up to $500 per employee). To receive the funds, a company must be a new or expanding company making a capital investment. Local community colleges do most of the training.

New businesses often require flexibility in job training. In one rural county we visited, one business was quite satisfied with the training for its employees at a local community college, while another has yet to receive the specialized training it requested several times. It is very important for economic development officials in rural areas to focus on meeting job training needs to avoid the risk of a company leaving the county.

Location Assistance

Economic development officials can assist companies to find appropriate space by keeping an inventory of available properties. Sometimes companies will not visit an area that has no available buildings. Occasionally, companies are seeking a specific type of building and decide to locate in an area even though they do not rent or buy the first building they consider. Therefore, officials in several counties emphasized the importance of having some space to show a company interested in the area. Some businesses we interviewed said that having such facilities is vital for attracting new companies.

Many counties opt to build an industrial park and/or a business incubator to make certain that space is available. In Chester County, Tennessee, local officials stated that industrial parks are expensive, but they are wise long-term investments; this county has three industrial parks. Speculative buildings in industrial parks can remain empty for years, so this option should be carefully considered. Industrial parks and business incubators are long-term commitments and are not formulas for quick success.

Innovative Programs

We encountered a number of innovative programs designed to implement successful economic development in rural areas, including enterprise zones, regional marketing conventions, and State training in economic development. For example, in New Madrid County, Missouri, three businesses with 50 to 100 employees each moved into the county's enterprise zone during a recent 4-year period. The enterprise zone increased New Madrid's ability to attract companies, and some of these companies stated they would have located only in an enterprise zone.

The State of Missouri designates an area for enterprise zone status at the request of a local government. Missouri has assigned 33 enterprise zones within the State and has set three requirements for enterprise zone designation:

- ❑ population under 20,000 within the zone;
- ❑ unemployment of at least 8.14% within enumerated districts inside the zone; and
- ❑ minimum of 65 % of population within the zone at poverty level.

Many of these zones are in rural areas. An official from the Missouri Department of Economic Development said that enterprise zones work better in rural than in urban areas, even though much of the publicity about enterprise zones has been associated with large cities. Economic development officials in rural areas should consider enterprise zones as an option and work closely with the State department of economic development on the structure and specific guidelines for an enterprise zone.

Another example of innovation is in marketing a rural county to prospective companies. Rural counties usually do not have the financial resources to compete with the marketing efforts of large metropolitan areas. LaGrange County, Indiana, has found a way to deal with this problem by participating in a regional marketing convention. LaGrange County is very rural, yet it has had one of the highest population growth rates in the State of Indiana.

A number of reasons can be cited for this trend, but one is the success of the Indiana Northeast Development's regional marketing convention. Each of the nine member counties sets up a booth to draw interest from the companies attending the 2-day trade show held each June. Indiana Northeast Development invites 2,500 to 3,500 manufacturers; leads come from advertising responses, referrals of realtors and bankers, and State trade shows. This regional trade show costs about $20,000, and a recent show produced 30 company prospects. Rural county leaders may find joining a regional organization of this type to be a cost effective method to market their area.

Infrastructure

Our work also highlighted the importance of the underlying structure for successful rural economic development. Many of the local business people and public officials we interviewed emphasized the importance of good schools, highways, hospitals, water and sewer systems, and cultural activities. A rural county does not need to have its own college, interstate highway, or large hospital for successful economic development, but it should develop good schools and roads and have access to a nearby hospital. In several counties we visited, the decision to upgrade the local schools was the key step in initiating an economic development program. Opportunities for cultural and recreational activities also play an important role in a favorable business environment.

CONCLUSION

Our analysis of successful economic development in rural areas indicates that rural counties should use a combined strategy that:

- ❑ encourages the growth of homegrown businesses,
- ❑ seeks to retain existing businesses, and
- ❑ recruits new businesses to the area.

Assuming that existing businesses will automatically remain in a county or that the county can easily attract a large company is a mistake. Rural economic development officials should aim for small businesses as well as large ones and keep in mind that new businesses that develop locally are likely to remain in the community when they become large businesses.

FOOTNOTES

[1]Sam H. Leaman, Thomas J. Cook, and Leslie S. Stewart, *Rural Economic Development: Learning from Success* (Research Triangle Park, NC: Research Triangle Institute, 1991).

[2]We used data for employment by county for 1982 and 1986 from the National Planning Association Data Services' *Key Indicators of County Growth 1970-2010*. National Planning Association, Washington, DC. These data are based on Bureau of Labor Statistics (BLS) and Bureau of Economic Analysis (BEA) data and are updated annually.

[3]We used the Small Business Administration's (SBA's) *U.S. Establishment and Enterprise Microdata* from 1980 and 1984, Small Business Administration, Washington, DC. These data identified new businesses that were small (under 20 employees) and that were not branches or subsidiaries of other firms. We used the 1980 to 1984 SBA data to allow for a time lag before new business employment would impact the National Planning Association Data Services (NAPADS) data.

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