4-2012

Overview of Economic Development

Don Macke
RUPRI Center for Rural Entrepreneurship, Lincoln, NE

Nancy Arnold
University of Montana - Research and Training Center on Disability in Rural Communities

University of Montana Rural Institute
ScholarWorks-Reports@mso.umt.edu

April 2012

State of the Science Report

Overview of Economic Development

Don Macke
RUPRI Center for Rural Entrepreneurship, Lincoln, NE

Nancy Arnold
RTC:Rural, University of Montana

The University of Montana Rural Institute
RTC RURAL
Research and Training Center on Disability in Rural Communities

Economic development is a vast concept with an abundance of meanings depending upon the audience. A widely accepted view of economic development is as follows:

> In the United States with our market economy focus, economic development typically centers on increasing private business activity as a way to increase new investment, job creation and tax base expansion. Economies and economic development should serve the needs of residents and society through the creation of meaningful work. (RUPRI Center for Rural Entrepreneurship, 2005)

Historically, rehabilitation worked to restore as much lost function as possible so that a person with a disability could engage what was seen as a stable, unchanging world. More recently, the new paradigm of disability emphasizes that disability is a natural part of the human experience and that people with disabilities shouldn't be treated as separate, as special, or as a commodity. With this change disability researchers, practitioners, and advocates recognize that disability occurs when the environment presents barriers to people's participation in the community. In the disability context, environment is understood as the communities in which we live. This new view challenges our understanding of the place human diversity plays within a community and the degree to which community ecology is designed to accommodate participation in economic and civic life–aspects of the environment that can be modified to accommodate the goals of people with a variety of functional limitations.

Although rural America is their home, living there can place those who experience disability at a disadvantage. Compared to their urban counterparts, rural Americans with disabilities experience higher rates of poverty, higher unemployment, and poorer health. One strategy for addressing these issues for rural residents is economic development.

RTC:Rural
52 Corbin Hall
The University of Montana
Missoula, MT 59812
Toll Free: 888.268.2743
Fax: 406.243.2349
TTY: 406.243.4200
rtcrural@ruralinstitute.umt.edu
rtc.ruralinstitute.umt.edu
Alternative formats available

The Value of Economic Development

There are two opposing views of the value of economic development. The con argument is best represented by the Austrian School of Economics and Austrian theories of economic development, which argue that government intervention into the economy (e.g., monetary, fiscal, regulatory, etc. policies) should be minimal and that the freest workings of the market should be left to determine economic outcomes.

The pro argument, which is the topic of this paper, is well represented by Reich in his book *After-Shock, The Next Economy and America's Future* (2010) who thinks that government needs to intervene into the market to ensure optimal social outcomes, including wealth creation and equitable distribution. As examples, he points to historic and beneficial economic development policies and their outcomes such as the post World War II GI Bill, the Interstate Highway System, and the research that led to developing the Internet.

Unfortunately, there is no comprehensive research that evaluates the impacts of local and area economic development. However, based on my 35 years of field work, I have observed that communities with smart, consistent, and aggressive economic development plans are healthier economically and socially when compared to those that have not invested in economic development. Stories from Tupelo, MS (e.g., The Tupelo Model of Community Development; Hand in Hand: Community and Economic Development in Tupelo) to the Redwood Coast, CA and even to tiny Rawlins County, KS provide evidence of what sound economic development can mean to a community's well-being and success.

Components of Economic Development

There are three interrelated and interdependent components of development: human development, community development, and economic development. Although dependent upon each other, in practice they are treated as separate disciplines and involve different sets of players.

The first and most important of these building blocks is human development, which is the capacity of leaders and residents in a community to vision, create, and sustain meaningful and desired economic development. Strategies such as leadership development and organizational development are very important within this building block.

The second building block, community development, is the development of and retention of the assets central to a viable community for both commerce and living. These assets include infrastructure such as water, waste water collection and treatment, road building and maintenance, power, and telecommunications, which are fundamental to a community's existence. Other community development assets include quality schools, health care, local retail, recreation, transparent government, housing, child care, and elder care.

Human development and community development form the foundation for economic development. The third building block directs policy and program efforts central to increasing economic activity and creates career, employment, and business opportunities.

A local or regional economy can be thought of as a leaky bucket with water flowing into and leaking out through holes. The goal of economic development is to fill the bucket using two strategies. Using the first strategy, the community can simply try to pump more water into the bucket. This strategy, often called basic economic development, focuses on those enterprises that produce goods and services locally but sell them to consumers outside of the economy. The end result is that wealth leaks from the local economy. Using the second strategy, the community plugs or repairs the holes to stop or reduce wealth leaking from the local economy. This strategy often is called secondary economic development. Ideally communities focus their development efforts on both basic and secondary economic development strategies.

Rural Community Typologies: Relationship to Economic Development

The Center for Rural Entrepreneurship organizes rural North America into one of four classifications based on development history and prospects. Table 1 summarizes these four rural typologies and their unique development opportunities and challenges.

How to Assess a Community's Viability: The Tipping Point

The concept of the "tipping point" can be used when considering the viability and appropriateness of economic development activities a community can and should undertake. The tipping point was popularized by author and thinker Malcolm Gladwell in his book *The Tipping Point: How Little Things Can Make a Big Difference* (2000). In this book Gladwell defines a tipping point as "the moment of critical mass, the threshold, the boiling point" (Gladwell, 2000, p. 12). A more pedestrian definition might be the "accumulation of a number of factors and trends resulting in a fundamental and long-lasting change."

The tipping point is relevant to America's remote rural communities. As these communities decline and depopulation, poverty, and unemployment take root, become chronic, then severe, their very social fabric and economic relevance deteriorates. At some point these communities cease to exist as viable places to live and begin their transition to place names on a map. Tipping point indicators defining this transition from viable community to place name are described in Table 2.

Each tipping point is the result of the loss of or lack of community capacity or capital. Cornelia and Jan Flora (*Search for Solutions: The Future of Rural Kansas*) are the leaders

Table 1: Rural Typologies and Their Development Opportunities and Challenges

Remote Rural	Remote rural communities are the most isolated, often the smallest in size and face the greatest economic and social challenges. These are places with chronic and severe depopulation, unemployment, under-employment, and poverty. Typically these are communities where the social fabric is deteriorating and very survival is in question.
Urban Adjacent	Most of rural America as measured in population is urban adjacent. These communities are often undergoing profound transformation from rural to urban in character. Issues of gentrification including acreages, urban residential subdivisions, and industrial development are common.
High Amenity	Rural landscapes with amenities such as sea shores, mountains, lakes, or hunting grounds are attractive to seasonal, part-time, and permanent residents. Often these communities have increased economic activity, but rising costs of living can dislocate historic residents as gentrification pushes lower-income households out of urban neighborhoods.
Micropolitan Trade Centers	The Census Bureau defines areas across rural America as micropolitan. These are larger population trade center communities that serve a larger rural region, typically have a more diversified economy, are experiencing growth, and offer a broader quality of life. These communities have strong shopping and recreation and often host higher education institutions.

Table 2: Tipping Point Indicators That Define the Transition From Viable Community to Place Name

Local Education	Some communities can survive the loss of local schools through consolidation. However, for most rural communities, losing access to local schools (particularly elementary grades) begins a deterioration point from which the community never recovers full status.
Local Health Care	Access to basic local health care services is increasingly important to local residents, particularly for families with children, elders, and high-need health care residents. Local access does not require that a full-service hospital is in the community, but there must be local clinic services and a critical access hospital close by.
Local Basic Shopping	Most rural residents are accustomed to not having full lines of retail and services locally, but there must be basic services and retail. The community cannot become a "food desert." The ability to buy a gallon of milk locally becomes a defining point.
Leadership & Institutions	The concept of brain drain in rural areas is common in the literature. However, population loss does not equate to the loss of talented and educated persons. Rather, those leaving tend to be personalities more comfortable with risk and change. The loss of risk takers fundamentally impacts the ability of the entire community to have necessary visionary leadership and associated institutions such as development agencies and local governments.
Peers	Finally, the nail in the coffin is the loss of peers and peer groups (e.g., the lack of young families with children for play and sports). Erosion of peer groups and the lack of diversity undermine the very quality of life and can accelerate out-migration and relocation of remaining residents.

in community capacity theory that includes human capital, financial capital, environmental capital, and built capital (e.g., infrastructure, housing, etc.). All of the capitals are important, but it is likely that human capacity is the most important because strong human capacity (e.g., leadership, workforce, etc.) can address weaknesses in built or financial capital. The lack of human capital, however, can result in under-utilization of other available capitals (e.g., financial).

The development or erosion of capital is generally a long-term process. Some would argue that it is generational. However, significant events such as a hurricane or major industry closing can wipe out capital quickly and undermine the prosperity and development prospects of a community (e.g., the loss of timber mills in Oregon or the impact of Katrina in the Gulf).

Measuring capitals can be challenging: built environment cannot readily be measured and measuring human capital is even harder, but the tipping point framework can be helpful as a guide to evaluate the development capacity of a community or region. As the tipping point indicates, poorer communities tend to have less community capital and therefore less capacity for development. One way to view capital of any kind is the capacity to do work. The more capital a community has, the greater is its capacity to engage in development that makes a difference.

World War II: Implications for Economic Development

Drawing again on Malcolm Gladwell's premise, it is fair to say that World War II was a profound tipping point in American history. Four significant turning points in America's development inform economic development in the early years of the 21st Century. Table 3, developed by the author of this paper, summarizes each of these four turning points. Following World War II and the remarkable industrial development that occurred in the United States, the majority of Americans went to work for larger employers such as

Table 3: Turning Points in America's Development That Inform Economic Development

Industrialization	World War II created the need for and the environment where American society, industry, and government were fundamentally reorganized. The first and second industrial revolutions created the technology for industrialization and large scale organizations. The war effort drove this scale-up to new levels and moved the US to the head of class internationally for 30 to 40 years. The US was the only major country that exited World War II stronger rather than weaker.
How We Make A Living	A direct result of industrialization and larger scale organization accelerated by the war effort fundamentally changed how most Americans make a living. Pre-World War II most American lived and worked in somewhat isolated regional economies and societies. They either worked for themselves or for a local employer such as a retailer, local government, or area manufacturer. Following World War II a majority of Americans for the first time became "wage and salary" employees working for regional and national corporations, government agencies/institutions, or non-profits. The share of Americans working for large employers peaked in the 1990s.
Industrial Relocation	As the war effort drove economic development in the US, ranging from resource extraction to manufacturing to logistics, there was also an intentional policy of decentralizing production to rural America. Fear of attack of coastal cities and other urban areas moved manufacturing and associated logistics to rural areas at record levels. This introduced corporations to rural America and its 1940s assets of surplus workforce, available land, and the feasibility of non-urban locations. This trend rooted and led to rural business attraction during the 1940s through the 1980s. Business attraction became the predominant economic development strategy throughout this period with lasting policy and programs to this day.
Rural to Urban Migration	The rural to urban migration has been long-term and associated with changes in natural resource industries such as agriculture. Increased investment in mechanization reduced the need for physical labor on the farm and ranch. Coupled with larger families, a massive workforce was liberated from the land and freed to take up work in manufacturing and other industries. The 1930s and Great Depression signaled a turning point where rural to urban migration accelerated, and region after region moved from rural to urban population dominant. Even the most rural states like South and North Dakota now have more urban residents than rural residents. However, this trend while continuing is softening. The emptying out of rural areas has reduced its capacity for significant further rural to urban migration. Today, massive movement from rural areas to the cities is stabilizing and even declining, but within rural regions there continues to be movement from smaller communities to larger rural towns.

corporations, non-profits, and government agencies. This was a great change from how people worked before World War II where they largely made their living as self-employed or as employees of locally-owned ventures. Beginning in the 1990s and particularly during the decade of the 2000s, large employers began to shed legacy workers in favor of technology and outsourcing. Two recessions—early 2000s, March 2001 to November 2001 and late 2000s, December 2007 to June 2009—compounded these trends. The RUPRI Center for Rural Entrepreneurship employing research from the Edward Lowe Foundation estimates that over the past decade America shed 10 million legacy jobs but created 10 million entrepreneurs. The structural shift from legacy employment to entrepreneurship has huge economic development policy and program implications. The economic development system is slow to change to these new trends and realities.

Economic development—federal, state, and even local—is still largely focused on the kinds of development opportunities that predominated during the World War II through 1990s time frame. Table 4 highlights the major employment shifts.

Past and Current or Traditional Economic Development Practices

In much of rural America, economic development traditionally has focused on four key development opportunities.

Natural Resources. The foundation of most rural economies is the natural resources indigenous to each locality. Farming and ranching is king in America's heartland. Fishing, forestry, minerals, and energy shaped the economies and societies of many rural areas. Although these resources and industries remain important, they no longer provide the level of economic opportunity necessary to sustain most rural communities or regions.

Manufacturing. Larger rural communities attracted industries that moved out of core cities starting early in the World War II industrial build-up cycle and into the 1950s through the 1970s. This movement from urban to rural areas occurred by design as America moved and developed industry in the country's interior as part of its national defense strategy. This pattern, once started, continued and accelerated following WWII and only began to abate after corporations began moving manufacturing off-shore to countries with lower labor, tax, and regulatory costs. A second wave of urban to rural activity occurred with the location of back-office centers (telemarketing shops) during the 1990s and 2000s.

Logistics. America's cities are connected by corridors that route through rural areas. These corridors provide transportation, energy, and other essentials to the mature industrial economy. Developing and supporting this infrastructure has created a large logistics industry throughout corridors in rural America.

Tourism & Recreation. Selected parts of rural America continue to be home to America's playgrounds for tourism and lifestyle recreation. This industry has grown and has huge footprints in specific landscapes and communities. Seashores, lakes, mountains and national parks are obvious places for tourism and recreation, but less obvious areas also support this industry (e.g., South Central South Dakota where bird hunting is significant). Unfortunately, this industry is often seasonal and creates marginal economic development.

Implications of Traditional Focus. All four of these areas of focus continue to be important, but it is also increasingly clear that these economic sectors are no longer sufficient to create the kind and quality of economic activity sufficient to meet the economic development

Table 4: Major Employment Shifts From Pre-World War II to Today

Pre-World War II	Most Americans worked for themselves, locally-owned small businesses, or governments. Local and regional entrepreneurship was significant. A majority of people lived in rural areas and were tied to natural resource and production industries.
WWII into the 1990s	The United States was the only major country in the world to emerge from World War II stronger economically. Vast industrial and infrastructure development shifted Americans to working for larger corporations and government agencies.
1990s to Today	Beginning in the mid-1990s America's larger employers replaced workers with technology and outsourcing. These trends eroded legacy employment and increased rates of self-employment and entrepreneurship. Unemployment, under-employment, and dislocation have become a huge challenge.

needs of most rural communities and regions. Singular dependence on one or more of these traditional industry groupings provides inadequate prosperity, diversity, and resilience. Patterns of mini-booms with prolonged busts destroy a community's social fabric and create chronic unemployment, underemployment, or depopulation. These conditions undermine the very ability of communities to provide necessary community development essential for competitive economic development in the 21st Century.

A New Paradigm?

The evolving model of economic development reorders the likely priorities for a community with respect to development focus. Today, there is growing recognition that effective economic development should be supporting existing and local entrepreneurs as means to create investment, jobs (& careers), and tax base. A strong plan focused on entrepreneurs enables a community to more effectively support existing business through both retention and expansion. Finally, depending upon community assets, business attraction may be an option to top off development.

Additionally, most economic development is focused on stimulating and supporting private and for-profit ventures. Increasingly important to the American economy are non-governmental organizations (NGOs) and government ventures. In most rural areas these ventures provide 20% to 30% of all employment and an even higher percentage of legacy wage, salary, and benefited employment. A small but growing number of economic development initiatives are targeting these ventures, as well as for-profit businesses, through their entrepreneur-focused economic development policies and programs.

Opportunities for creating local, regional, and even national prosperity by supporting existing and new entrepreneurs are substantial. The following paragraphs describe types of entrepreneurs, business stages, and the role and types of support provided by economic developers.

Types of Entrepreneurs. *Necessity entrepreneur* is a term popularized by Jay Kayne, director of the Institute for Entrepreneurship at Miami University's Farmer School of Business and former Vice President of the Kauffman Foundation. Generally speaking, necessity entrepreneurs are those who would prefer a career and job but for various reasons cannot find such a position. In rural areas, a close association between a persons' choice to live in a particular area and the lack of suitable careers/jobs typically results in necessity entrepreneurship. Also, individuals become necessity entrepreneurs because they do not agree with their current employer or employment, they are tired of commuting long distances for work, or they need a more flexible work environment. Typical outcomes for necessity entrepreneurs are failure, survival entrepreneur (e.g., getting by, but not doing well), lifestyle entrepreneur (e.g., doing well & generally happy), or opportunity entrepreneur.

Opportunity entrepreneur is another term coined by Jay Kayne. Opportunity entrepreneurs are those who like being an entrepreneur and typically are good at entrepreneurship. Generally speaking, opportunity entrepreneurs have more development opportunities and make significantly greater impacts than necessity entrepreneurs. Opportunity entrepreneurs create a few dozen to a few hundred jobs. No comprehensive research is available, but based on my field experience, 10% to 15% of all business owners in rural areas could be defined as opportunity entrepreneurs. The rates of opportunity entrepreneurship tend to increase in stronger economies where business opportunities are significantly greater.

Business Stages. *Tire kickers* is a term that Sharon Gulick, director of Community Economic and Entrepreneurial Development at the University of Missouri-Columbia, coined several decades ago. Tire kickers refers to those individuals who constantly explore business ideas and consume development resources, but who rarely create a business. In strong support environments tire kickers are screened early and blocked from additional assistance.

Pre-venture is a common term used within the U.S. Small Business Development Center world and refers to those actively exploring starting a business. Based on research, fewer than 50% in pre-venture mode move to start-up phase. Field experience strongly suggests that in strong support environments the quality of pre-venture outcomes improves. Typically these outcomes include prevention of start-ups more likely to fail, reduced start-up failure, lower rates of catastrophic failure, and higher transition rates to successful entrepreneurship.

Start-ups include new ventures and typically do not include existing businesses expanding into new products/services or markets.

Breakouts are when entrepreneurs experience sustained growth over a multi-year period. A very small percentage of entrepreneurs achieve breakout. Breakout entrepreneurs create new national and international corporations that create thousands of jobs.

High Growth typically is defined as 15% per year growth for five years. Nationally, 4% to 5% of entrepreneurs achieve high growth.

There are some rules-of-thumb for the percent of entrepreneurs who progress from a necessity entrepreneur to an opportunity entrepreneur and on through the business stages. Of the 10 million new necessity entrepreneurs in America, 10% or 1 million will transition to opportunity entrepreneurship, and 10% or 100,000 of the opportunity entrepreneurs will achieve breakout status. With reasonable support this level of transition has historical foundation and is theoretically feasible.

Many communities struggle with the ability to recognize emerging entrepreneurs, to provide support for entrepreneurs as they start businesses and achieve their optimum level, and to develop policy and programs to support entrepreneurs. As entrepreneur-focused economic development takes on more importance, quality of life related development also increases. The vast majority of entrepreneurs can live and grow their ventures anywhere. This is particularly true of growth entrepreneurs that create the basic businesses. However, entrepreneurs often seek a certain kind of quality of life. Places with public lands and with wonderful urban amenities are obvious choices for many entrepreneurs, but others seek a more rural or small town quality of life. Whether located urban or remote rural, entrepreneurs still require housing, schools, health care, and other quality of life amenities.

Local Responsibility for Economic Development. The United States is unique when compared to other mature and industrialized nations, economies, and societies where place-based development[1] is a national priority.

Place, in place-based development, refers to a specific geography where there is a community of place in which there are cultural, social and economic inter-relationships. These communities can be a rural village with surrounding rural environs or a neighborhood in a larger metropolitan area. Place-based development focuses on ensuring the economic and social viability of a geographic community. Development can range from stimulating job providing businesses to infrastructure to quality of life issues like housing, recreation and schools.

Europe's, Japan's, and other economies' national policies and programs focus on place-based development and redevelopment. The

[1] i.e., sustainable local economy is planned and developed in response to the place's possibilities and limitations; see *From a European cohesion policy to a sustainable European place-based development policy*.

United States, in contrast, considers place-based or community/regional development primarily the responsibility of the locality (e.g., municipalities and counties). When compared to its international peers, the US has much weaker regional development mechanisms and institutions. Although federal, state, and private policies and programs are focused on development, they are best described as supporting or supplemental tools. For example, HUD provides programs and tools for affordable housing, but the development of affordable housing is up to the locality.

This reality is very important and material. The implications for smaller, isolated, or challenged communities and regions are huge. The smallest community has the same responsibilities for its development as do the largest and those with the most resources. When Mullen, Nebraska (population 500 in the heart of the Sandhills ranching country) is compared to Omaha (population one-half million) the capacity for development is profoundly different, but the responsibility is the same.

Smaller and rural communities are also at a greater disadvantage than metropolitan communities when competing for assistance and entitlements. Metropolitan communities

Table 5: Key Attributes of Successful Leaders of Community Economic Development

Visionary Leadership	There is capacity and engagement in looking at the big picture and the longer term. Visionary leaders are able to help their community understand trends and the necessity for proactive development actions. Chronic challenges such as outmigration and poverty tend to reduce the ranks of abstract thinkers in rural communities. The loss of leaders who can engage in abstract thinking undermines a community's capacity to vision possible futures. Rebuilding the ranks of abstract and visionary leaders is essential for development success.
Consistent Leadership	There is robust and continuous positive leadership within the community. A key element within consistent leadership is depth and diversity of leaders. Leadership in many rural communities is very thin in terms of numbers and quality of experiences. The loss of one or two key people can create a void or gap in leadership. These gaps can result in inconsistent leadership and undermine development efforts and impacts.
Empowering Leadership	There is an embracement of the principles of community coaching and enablement of other leaders and community members to engage, contribute, and assume ownership of development activities. Command and control leaders can be effective, but they tend to reduce community engagement. In these situations communities become dependent upon strong leaders and do not assume ownership. This in turn reduces the overall leadership capacity of a community.
Leadership Transition & Development	Development is a long-term process, and continuous leadership transition and development is needed. Communities that intentionally and effectively undertake development and transition tend to do better than those that do not. Alpha leadership groups (e.g., World War II and Korean area leaders) tend to dominate leadership ranks. Although they want to help and volunteer, they are often unwilling to share decision making. This pattern can create a leader void as the alpha leadership group ages and passes away.
Effective Organizations	Strong leadership attributes tend to be manifested into robust, efficient, and effective development organizations. These organizations become the vehicles in which development strategies are created and enacted. Unsuccessful development efforts are often rooted in dysfunctional or ineffective development organizations. Good leadership builds organizations that create impactful ways of doing business and are robust (funding, staffing, and volunteers) and sustainable.

Table 6: Top Five Economic Development Opportunities and Challenges

Opportunities	Challenges
Core Industries. Every community has core economic activity rooted in unique competitive advantage. Building on the assets and strengths of the existing economy generally represents the strongest starting point for expanded economic development.	**The Past.** The past can prevent rural communities from embracing necessary change to succeed in the future. The status quo, even when it is not working well, can be a power barrier to needed change. Simple issues such as allowing women in leadership roles can block development.
Regional Economy. Rural communities need not be isolated economic and social islands. They exist within the context of a larger regional economy. Generally, communities do not focus on the development opportunities existing within the larger regional economy. Connecting local economic development with regional growth trends represents a potentially smart strategy.	**Bad or Weak Leadership.** Weak or bad leadership can undermine development and ensure continued community decline. Preserving power can often trump progress, development, growth, and prosperity. Poor leadership can block needed collaboration within and external to a community. Such collaboration is essential for success today.
New Residents. Attracting and welcoming new residents can be a key development strategy impacting underlying demographics and providing new energy to the community. Overcoming fear of outsiders and people who are different can energize a community and create rooted development opportunities.	**Conservatism.** Natural resource based rural communities have survived boom and bust economics in part by being conservative. Taking risk can actually lead to greater decline. However, conservative values and behavior that blocks and negates desired and necessary change can reduce a community to chronic decline.
Reset Opportunities. The national and international economies are resetting. In the reset environment there are new market opportunities for entrepreneurs. Identifying and focusing on reset opportunities can provide foundations for new economy relevant development.	**Lack of Outside Support.** There is wide variation in the quality and quantity of outside support. For example, regions with high performing foundations tend to do better than those without. Lack of outside support leaves the community to bootstrap itself to success. Often times bootstrapping is inadequate to overcome development challenges and return a community to prosperity.
Marginalized Human Talent. Finally, a key opportunity is identifying and supporting groups within our communities who have historically been marginalized for various reasons. In rural areas marginalized groups can include women, minorities, new residents, disabled persons, and younger adults. New economy and development can be stimulated by recognizing and supporting historically marginalized groups.	**Chronic Decline.** Communities that have experienced chronic and often severe decline have experienced erosion of fundamental development capitals. The inherent capacity of the region or community to engage in meaningful development is weakened and may be inadequate to overcome challenges. In these cases there must be either regional collaboration or external assistance.

receive federal assistance as entitlements with much greater predictability, and they have greater flexibility in receiving and using those resources. Non-metropolitan communities, on the other hand, are much less successful at obtaining federal assistance resources. The situation is similar at the state level where the larger communities often enjoy special treatment with respect to local authority and taxing. These discrepancies create a very different playing field among rural and non-rural communities.

These differences are a material contributing cause for economic and social decline in rural areas and for less capacity to enable revitalization over time.

Economic Development Leadership Roles. For the past 35 years, the Heartland Center for Leadership Development has conducted extensive field research throughout rural America related to leadership and community development. Heartland has found that leadership is a cornerstone factor impacting community success (Luther and Wall, 1987/1998).[2] Our field experience confirms and supports this conclusion. Table 5 summarizes some of the key attributes of leaders of successful community economic development.

For many smaller communities, there is a basic lack of leadership—people to organize and lead community and economic development programs. Yet, people with disabilities often are overlooked for these opportunities by others, and disability advocates may not see their role as leading such efforts for the community. Nonetheless, RTC:Rural research has demonstrated that people with disabilities are local entrepreneurs who risk capital to start businesses, serve as elected leaders with responsibility not for basic social service programs but for basic community infrastructure (e.g., water and waste water treatment), and serve as leaders of community economic development.

Historically, rehabilitation worked to restore as much lost function as possible so that a person with a disability could engage what was seen as a stable, unchanging world. In the future, people with disabilities will play increasingly important roles in helping to design communities that can accommodate broad human variation. Similarly, it may be that the individuals filling those roles were supported by rehabilitation agencies who stepped out of their traditional model to respond to need and opportunity. For example, a VR Supervisor in Eastern Utah stepped way out of the well worn path to serve as a catalyst of an economic development project for his region that produced 72 new businesses and 115 new jobs, one of the most significant booms in the rural region in decades.

Development Opportunities & Challenges Typology

Table 6 describes the top five economic development opportunities and challenges that we commonly address as we work with communities. The contents of this table are based on and spring from the perspective of entrepreneurs and entrepreneur-focused economic development.

Gaps/Recommendations

1) Explore models of involving disability service providers and advocacy groups in local and regional economic development activities.

2) Explore models for involving economic development leaders in disability service programs.

3) Evaluate the economic contribution of people with disabilities to small communities.

[2] Copies of *Clues to Rural Community Survival* can be obtained from the Heartland Center. A related book from Heartland is *Your Field Guide to Community Building*, Luther and Emery, 2003.

4) Assess the value added contribution of designing accessible communities to promoting economic activity.

5) Explore cost effective approaches to ensuring community infrastructure is designed and built with access in mind–universal design.

6) Develop an access monitoring program that parallels the ASCE model of infrastructure assessment, reporting, and advocacy.

7) Evaluate the effects on tourism of a certified accessible communities program.

8) Compare communities, counties, and regions with high rates of employment of people with disabilities to those with low rates of employment to identify potential causal mechanisms.

9) Explore alternative business operating/ownership models (e.g., cooperative businesses) in very small communities at risk for dying.

10) Assess the potential benefit on employment of people with disabilities of a local investment fund where VR participates as a partner in a regional economic development program.

11) Engage disability agencies in leadership development–both as provider and recipients–to build human capital.

12) Design and evaluate a program model for VR to support the growth model of entrepreneurs with disabilities. Conduct an economic assessment of the value added contribution of VR.

13) Develop and evaluate training for rural schools to prepare students transitioning from school to work for business ownership/contracting opportunities.

14) Refocus RSA standards and indicators to reflect changes in employment opportunities such as contracting, business ownership, limited career opportunities, or limited or no available employer-paid insurance. VR should do this because VR clients will likely be contract workers, not full-time employees. By default they need to understand how to price, deal with risk, and purchase their own benefits.

References

Gladwell, M. (2000). *The Tipping Point* (p. 12). Boston: Little, Brown and Company.

Luther, V., & Wall, M. (1998). Clues to Rural Community Survival. Lincoln, NE: Heartland Center for Leadership Development. (Original work published 1987)

Reich, R. (2010). *Aftershock: The Next Economy and America's Future.* New York, NY: Alfred A. Knopf.

RUPRI Center for Rural Entrepreneurship, 2005

For additional information please contact:

Research and Training Center on Disability in Rural Communities
The University of Montana Rural Institute
52 Corbin Hall, Missoula, MT 59812-7056
888-268-2743 or 406-243-4562; 406-243-4200 (TTY); 406-243-2349 (FAX)
rtcrural@ruralinstitute.umt.edu; http://rtc.ruralinstitute.umt.edu

 Our research is supported by grant #H133B080023 from the National Institute on Disability and Rehabilitation Research, U.S. Dept. of Education. The opinions expressed those of the author and are not necessarily those of the funding agency.