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Annabel Kirschner Cook
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Student Involvement in Community Needs Assessment

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# TABLE OF CONTENTS

Vol. 24 No. 2 1993

## Research

Growth and Distribution of Producer Services: Metro/Nonmetro Differences .................................. 127

*Annabel Kirschner Cook*

Analysis of Community Retail Market Area Delineation Techniques: An Application of GIS Technologies .......... 141

*John P. Holden and Steven C. Deller*

The Rural Mystique and Tourism Development: Data from Pennsylvania ........................................... 159

*Fern K. Willits*

## Practice

The New Buffalo Hunt: Chasing the Service Sector .......... 175

*Cathy Kassab and A. E. Luloff*

Community Bonds: A New Approach to Community and Economic Development ...................................... 196

*G. F. Parsons*

Defining the Role of Nonprofit Corporations in Community Economic Development .................................. 213

*Keith Snavely and Roger Beck*

Religion, World View, and Community Development Practice ............................................................. 229

*D. Merrill Ewert and Paul R. Eberts*

Student Involvement in Community Needs Assessment ....... 249

*Glenn D. Israel, Denise L. Coleman, and Thomas W. Ilvento*

## Book Review

*Old Problems in New Times: Urban Strategies for the 1990s* by Oliver E. Byrum ........................................ 272

*Reviewed by Joseph Testa, University of Minnesota*
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25th Anniversary of Community Development Society
EDITORS’ NOTE

The *Journal of the Community Development Society* has a responsibility to disseminate information on the theory, research and practice of community development. To fulfill this function the *journal* needs to be read by more than subscribers. One way to ensure that the *journal* is widely read and cited in research is by having it adequately indexed and abstracted. This issue has been discussed by Society members and members of the Editorial Board. Research on where the *journal* is indexed was initiated by Phil Favero and completed by editorial staff. Opposite the inside back cover is the list of indexing and abstracting services that currently list or will list the *journal*. While we are working on being included in other important services, it is apparent that the *Journal of the Community Development Society* is still widely indexed. With the growth of electronic reference services indexing is an important issue that needs constant attention.

As we complete our second year, the editors want to express appreciation and to recognize the many people who have helped continue the excellence of the *Journal of Community Development Society*. One important group is the members of the Editorial Board, listed on the inside cover of the *journal*. Most of these Board members have been tireless workers who review several manuscripts a year and actively solicit articles. There is always a need for people to serve on the Board and to review articles. Readers interested in being considered for membership on the Editorial Board should contact the editors.

Another individual who is critical to the success of the *journal* is the Chair of the Publications Committee of the Community Development Society. Special recognition and thanks need to be given to Phil Favero who completed two years as Chair. Phil always was ready to give time to the *journal*. We will miss working actively with Phil on *journal* issues but his support continues as an active member of the Editorial Board. The editors look forward to working with his replacement, Neil Meyer from the University of Idaho.

The editors also want to thank past editor Jerry Hembd for his continuing support of the *journal*. He has been an important source of information. Jerry serves on the Editorial Board and is the co-editor of the 25th Anniversary Edition. And finally, recognition and thanks are given to the many *journal* readers and Society members who conducted thorough and thoughtful manuscript reviews when asked. Following are the most recent reviewers:
Douglas Bachtel
Harold Baker
Jnan Bhattachargya
Nan Booth
Timothy Borich
Ralph Brown
Sam Burns
Richard Cawley
Bev Ciglar
Sam Cordes
John Daley
David Darling
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John Priessing
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University of Nebraska at Omaha
GROWTH AND DISTRIBUTION OF PRODUCER SERVICES: METRO/NONMETRO DIFFERENCES
By Annabel Kirschner Cook

ABSTRACT
Producer services (i.e., services generally used more by businesses than by individual consumers) are increasingly important for the efficient production and distribution of products derived from natural resources and manufacturing. However, these services tend to be concentrated in large metro areas, and research has generally neglected nonmetro areas and whether difference between areas is growing or decreasing. Using data from County Business Patterns, this research considers whether the distribution of producer services changed among three types of areas: a) the dominant metro area, b) other metro and c) nonmetro areas in Washington State between 1979 and 1986. Particular attention is given to the recessionary period of the early 1980s. Although each of the three types of areas saw a shift in employment into these services, the total state share of producer services became more concentrated in the dominant metro area during this time. The recession exacerbated this concentration, and there was no evidence of dispersion of these services in the post-recession period. These findings indicate that businesses in nonmetro and in some small metro areas may be at an increasing disadvantage in accessing the expertise needed to perform effectively in advanced industrial societies.

INTRODUCTION
The rapid growth of employment in service industries in the U.S. and other industrial nations has attracted much attention in recent years. Research has shown that different types of services vary in their pattern of geographic distribution, in their rates and reasons for growth, and most recently, in their relationship to the growth and

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This research was supported in part by Project 0354 in the Agricultural Research Center of the College of Agriculture and Home Economics at Washington State University. This is a contributing project to the Western Regional Migration Project, W-118.
vitality of other industrial sectors and the economy of an area as a whole. This research focuses specifically on producer services—services that, in general, are used more by other businesses than by individual consumers. The research is guided by two theoretical questions.

First, although producer services have been highly concentrated in large metro areas in the past, some predict that the growing prevalence of computers and telecommunications enhances a more dispersed pattern of employment. Is there any evidence that this is happening to producer services? There are two ways of addressing this question. Most commonly, past research in the U.S. has compared changes in the proportion of the labor force in producer services by different types of areas. However, if one analyzes all sub-areas within a larger area—e.g., all counties within a state—it is possible to assess change in the overall share of producer services captured by each sub-area. This research addresses both perspectives and demonstrates that they do not always provide the same answer as to whether producer services have become more or less concentrated over time.

A second focus of this research is on the impact of the recessionary period of the 1980s on the distribution of producer services. One of the reasons given for the spatial concentration of producer services is that this is a response to uncertainty in the environment. A recessionary period amplifies such uncertainty and should thus increase the concentration of these services. Did the recessionary period of the early 1980s have this impact? After a review of the literature on the growth of producer services and their linkage to economic development, this research analyzes the changing distribution of these services for metro and nonmetro areas in Washington State.

Background

Producer services are sometimes referred to as intermediate or input services because they are often used to further the processing of raw materials and the production and distribution of manufactured goods (Singelmann, 1978; Stanback, 1979; Noyelle, 1984; Grubel & Walker, 1989). In this research the classification of producer services follows closely the typology developed by Singelmann (1978). The following industrial categories (including the Standard Industrial Classification, SIC, codes) were classified as producer services: finance, insurance and real estate (SIC 60-67), business services (SIC 73), legal services (SIC 81) and miscellaneous services (SIC 89, which includes engineering and architectural services, research organizations, and accounting services).

In 1990, 12.5 percent of the U.S. labor force was employed in
producer services using the above typology (Bureau of the Census, 1992, Table 633). Other research notes that between 1976 and 1984 employment in producer services grew more rapidly than employment in any other industrial sector, including other service sectors (Miller & Bluestone, 1987). Projections indicate that this will continue, with the most rapid employment growth occurring in business, legal and accounting services between 1986 and 2000 (Personick, 1987).

This rapid growth challenges earlier theorizing on the relationship of services to other industrial sectors (i.e., those involved in resource extraction and manufacturing) which contended that the service sector by itself could not generate economic growth in an area. Rather, the economic vitality of an area depended entirely on the export of natural resources or manufactured products to bring in income from outside the area. Services in an area grew only to the extent allowed for by the growth of income derived from the export of products from other industrial sectors. It is now recognized that services can be part of an area's export base (Gruenstein & Guerra, 1981; Gillis, 1987). Several recent studies from different geographic areas in the U.S. and in Canada have shown that services in general and producer services in particular provide products that are exported to nonlocal and sometimes foreign buyers (Beyers & Alvine, 1985; Smith, 1984; Stabler & Howe, 1988).

In addition, researchers contend that the increasing importance of producer services to the efficient operation of production oriented activities is one of the major reasons for rapid employment growth in this sector. Initially there was speculation that the rapid growth of producer services was due to what has been called "unbundling"—these were services that were once performed within other industrial sectors but had been outsourced to save money. Recently, researchers tested this and other hypotheses, and found that "unbundling" accounted for only part of the growth in this sector.

Also important to the growth of these services are factors representing a basic change in the way in which business is conducted in advanced industrial societies which make producer services increasingly crucial in all phases of production. First, the expanding size of markets leads to an increasing need for information in the development, production and marketing of goods and the processing of natural resources. With an increasing number of customers it is both worthwhile and necessary to design products to meet more specialized customer needs. Second the growth of many firms and the increasing number of large conglomerates require more management and coordination both for personnel and product development and for production. Also, new governmental laws and regulations increase the
need for specialized personnel who keep abreast of developments in this area and work directly with regulatory agencies. Finally, the internationalization of trade in both goods and services requires specific skills and up-to-date knowledge (Stanback et al., 1981; Stanback, 1979; Tschetter, 1987; Kutscher, 1988).

Thus researchers increasingly stress the interdependence between services and other industrial sectors (Guile, 1988; Grubel & Walker, 1989) and contend that the general economic well being of an area is tied to the vitality of its service sector (Riddle, 1987; Gershuny, 1978). In a study of major metropolitan areas in the U.S., Noyelle and Stanback (1984) concluded that four national nodal centers and an additional thirty-five regional and sub-regional centers were characterized by a variety and diversity of producer services that would enhance job growth in the future. Others have found a strong relationship between employment in producer services and employment growth (Kirn, 1987) and per capita income (Hansen, 1990) for U.S. metropolitan areas in general.

The growing importance of producer services both in export related activities, as support for existing firms in other industrial sectors and for the attraction of new firms, accentuates the influence of the differential location of types of services in the uneven economic development and growth of areas. Most research has found that, while other types of services are more evenly distributed geographically, producer services are concentrated in larger urban areas (Stanback, 1979; Miller & Bluestone, 1987; O'hUallacháin, 1989).

Several researchers have proposed that advances in computers and telecommunications and the transition to a service based economy with less dependence on the extraction and processing raw materials would lead to a dispersed work and settlement pattern (Hage, 1979; Kellerman, 1984; Bradshaw & Blakely, 1982). However, these developments may not have as much impact on producer services as on other industrial sectors for several reasons. Face-to-face interaction remains important even in a world of highly sophisticated, long distance communication technologies when there is the need to gather and assess information in rapidly changing environments, to solve unique problems, to establish relationships with new business partners and to carry on sensitive negotiations (Quante, 1976; Thorngren, 1977; McGranhan, 1987). Producer service firms have frequent face-to-face contacts with a wide variety of organizations and customers (Illeis, 1989). In addition, the space requirements for employees in producer services are often less than in other industrial sectors, and since their primary product is the transfer of information, housing
them in high-rise office buildings in a densely occupied urban core does not hinder and may even enhance the efficiency of this sector (Frisbie & Kasarda, 1988).

**CURRENT RESEARCH AND METHODOLOGY**

Although there is recognition that producer services are more geographically concentrated than other services there is little research on whether this is increasing or decreasing.¹ In addition, most research in this area has focused primarily on the metropolitan system of cities and there has been relatively little research on the change or lack thereof in the distribution of producer services by metro versus nonmetro areas. Finally, no research has focused on the impact of a recessionary period on changes in producer services by type of area. However, as producer services increase in importance for the overall functioning of businesses in other sectors and thus for area economies as a whole, these issues can have important implications for the uneven economic development between metro and nonmetro areas within the U.S. Economic and business development in nonmetro areas may be at a competitive disadvantage if these areas lack specialized expertise for operating in a more global economy.

This research uses data from County Business Patterns (Bureau of the Census, 1979, 1981, 1985, 1988), to examine these issues for Washington State during the 1977 to 1986 time period. However, it should be noted that there is a substantial amount of data suppression from this source for nonmetro counties because of their small size. This may be one factor in the neglect of nonmetro areas by research in this area. Data from the decennial census on employment by industry do not have the suppression problems encountered with County Business Pattern data. However, it is impossible to study trends during a decade and thus focus on the impact of a recessionary period with census data. And, employment in the census is reported by the location of an individual’s household while employment data in County Business Patterns are reported by the location of the establishment where a person works. With census data it is not possible to account for commuting across county lines while this is not an issue with County Business Pattern data.

For these reasons, County Business Patterns was the best source of data to address the research issues of interest here. To overcome the

---

¹ Noyelle and Stanback (1984) have found that some routine producer services which required relatively low skill were being decentralized.
problem of suppression, data for nonmetro counties were derived by subtracting the metro category totals from the state total. This may result in a slight overstatement of employment in nonmetro counties since a few firms have no fixed or no known location. These are included in the state totals and thus in the nonmetro category when it is subtracted from the state total.²

Focusing on the state as a unit allows not only an analysis of the impact of a recessionary period and its aftermath on the distribution of producer services within the employment structure of each area, it also permits an analysis of the overall state share of producer services captured by different areas. Generally, past research has neglected this issue and focused instead on changes in the proportional distribution of producer services in the employment structures of different types of areas (Kirn, 1987). However, the overall share of producer services captured by different types of areas has important implications for area economic development in the future. As producer services become increasingly critical for the economic vitality of an area, it is not enough that peripheral areas see a shift in their employment structure into producer services. This same shift will be occurring in metropolitan areas. Peripheral areas must at least maintain their share of producer services for their business sectors to continue to operate effectively in advanced industrial societies.

An economic recession may make it more difficult for this to happen. A recession should slow the growth of producer services as it does employment in general, but this impact may be less acute in a large metropolitan area. One of the reasons suggested for the centralization of producer services is that this is a response to uncertainty in the environment and the need to handle unstandardized problems (Illeris, 1989; Gillespie & Green, 1987). A recessionary period aggravates such uncertainty. The need to rapidly gather and exchange information, and readily access a technologically skilled labor force may encourage the centralization of producer services during a recessionary period. This research will examine whether or not such a process actually occurred in Washington State, and the effect of recovery from that recession on the geographic distribution of producer services.

To address these issues, the 1977 to 1986 period is divided into

² Data establishments without a county location are classified under the statewide category. Because of suppression in this category it is impossible to get exact figures for the industries studied. But an evaluation of data in this category indicated that they contributed at most to less than one percent of the producer services employment and less than half of a percent of total employment in the nonmetro category.
three phases: pre-recession (1977-1980), recession (1980-1983)\(^3\) and post-recession (1983-1986). Counties in Washington are classified by type from dominant metro to nonmetro. Washington is divided geographically from north to south by the Cascade Mountains with approximately one-third of the state’s land area lying to the west of the range and two-thirds to the east. The state’s most densely populated, highly urban county, the Seattle area, is located in the central, western portion of the state and contained thirty-one percent of the state’s population in 1986. This is classified as the dominant metro county in this research. Six additional metropolitan counties on the westside of the state are either adjacent to the dominant metro county and/or are bisected by Interstate 5, the major north-south freeway for the entire west coast. Thirty-five percent of the state’s population lived in these counties in 1986; they have been classified as westside metro for the purposes of this research. Eastern Washington has four metro counties, classified as eastside metro with fifteen percent of the state’s population. The remaining nineteen percent of the state’s population lived in twenty-eight nonmetro counties throughout the state. Figure 1 shows the distribution of counties within Washington by these four types.

**FINDINGS**

Table 1 compares change in the percent of total employment in producer services between 1977 and 1986 by area within Washington. As expected, employment in producer services was more prevalent in the dominant metro area than in other metro areas, and least prevalent in nonmetro areas. However, all areas saw a shift of employment into producer services. The difference between the dominant metro and nonmetro areas is particularly striking. But, by one measure, the gap between the two actually decreased slightly during this period. In 1977, persons employed in the dominant metro county were 2.8 times more likely to be in producer services than those in nonmetro areas, this decreased to 2.4 by 1986. The use of location quotients to assess the degree of each area’s specialization in producer services relative to the state produces a similar result. The changes are not striking, but as the second panel in Table 1 demonstrates, between 1977 and 1986, there was a slight reduction in specialization in producer services in the dominant metro county relative to the

state and a slight increase in nonmetro counties, the most peripheral areas.

It is the premise of this research, however, that focusing only on changes in the proportional distribution of producer services in employment structures by area (or using measures such as the location quotient which are based on these distributions) may not accurately reflect the changing concentration of these services throughout an area. This is demonstrated in the top half of Table 2 which shows the share of producer services captured by each area between 1979 and 1986. From this, it is clear that the state's share of producer services has become more concentrated in the dominant metropolitan area over time, increasing from 56.4 percent in 1977 to 59.2 percent in 1986. There was also a slight increase in the share of producer services captured by westside metro counties, while the share captured by eastside metro and nonmetro counties decreased.

The data discussed so far present what could be seen as two contradictory trends. Between 1977 and 1986, producer services were increasingly prevalent in the employment structures of all areas, but in the same time period they became increasingly concentrated in the dominant metro area. The bottom half of Table 2 demonstrates how these two trends could occur together. This shows the share of

Figure 1. Classification of Washington counties: dominant metro to nonmetro.
total employment captured by different areas between 1977 and 1986. Over time, the dominant metro county and to a lesser extent westside metro counties accumulated an increasing share of the state's employment. There was a slight decline in total state employment captured by eastside metro counties (from 15.8 to 14.5 percent) and a more substantial decline for nonmetro counties (from 15.8 to 12.8 percent). Although employment shifted into producer services in all areas, because there was a decline in the share of all employment captured by more peripheral counties, these services became more concentrated in the dominant metro county.

Table 3 shows the impact of a recessionary period on the concentration of producer services. The top of Table 3 shows absolute and

Table 1. Employment in Producer Services as a Percent of Total Employment, by Area, Washington, 1977–1986

<table>
<thead>
<tr>
<th></th>
<th>Dominant Westside Eastside Non-</th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Metro</td>
<td>Metro</td>
</tr>
<tr>
<td>Percent Employed</td>
<td></td>
<td></td>
</tr>
<tr>
<td>1977</td>
<td>16.6</td>
<td>10.2</td>
</tr>
<tr>
<td>1980</td>
<td>16.7</td>
<td>10.6</td>
</tr>
<tr>
<td>1983</td>
<td>17.8</td>
<td>10.7</td>
</tr>
<tr>
<td>1986</td>
<td>18.9</td>
<td>11.6</td>
</tr>
<tr>
<td>Location Quotient</td>
<td></td>
<td></td>
</tr>
<tr>
<td>1977</td>
<td>1.28</td>
<td>0.78</td>
</tr>
<tr>
<td>1980</td>
<td>1.28</td>
<td>0.78</td>
</tr>
<tr>
<td>1983</td>
<td>1.27</td>
<td>0.76</td>
</tr>
<tr>
<td>1986</td>
<td>1.26</td>
<td>0.77</td>
</tr>
</tbody>
</table>

Table 2. Share of Producer Services and Total Employment by Area in Washington, 1977–1986

<table>
<thead>
<tr>
<th></th>
<th>Dominant Westside Eastside Non-</th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Metro</td>
<td>Metro</td>
</tr>
<tr>
<td>Producer Services (percent)</td>
<td></td>
<td></td>
</tr>
<tr>
<td>1977</td>
<td>56.4</td>
<td>18.9</td>
</tr>
<tr>
<td>1980</td>
<td>57.1</td>
<td>19.1</td>
</tr>
<tr>
<td>1983</td>
<td>58.6</td>
<td>19.0</td>
</tr>
<tr>
<td>1986</td>
<td>59.2</td>
<td>19.9</td>
</tr>
<tr>
<td>All Employment (percent)</td>
<td></td>
<td></td>
</tr>
<tr>
<td>1977</td>
<td>44.2</td>
<td>24.2</td>
</tr>
<tr>
<td>1980</td>
<td>46.9</td>
<td>24.4</td>
</tr>
<tr>
<td>1983</td>
<td>46.2</td>
<td>25.0</td>
</tr>
<tr>
<td>1986</td>
<td>47.0</td>
<td>25.7</td>
</tr>
</tbody>
</table>

Note: Due to rounding totals may not equal 100.0.
Table 3. Change in All Employment and Employment in Producer Services in Washington, 1977–1986

<table>
<thead>
<tr>
<th></th>
<th>Dominant Metro</th>
<th>Westside Metro</th>
<th>Eastside Metro</th>
<th>Non-Metro</th>
<th>Washington</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Total Employment</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Absolute change</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Pre-Recession</td>
<td>142,473</td>
<td>66,429</td>
<td>35,631</td>
<td>18,210</td>
<td>262,743</td>
</tr>
<tr>
<td>Recess (1980–1983)</td>
<td>−31,235</td>
<td>−9,026</td>
<td>−14,438</td>
<td>−10,290</td>
<td>−64,989</td>
</tr>
<tr>
<td>Post-Recession (1983–1986)</td>
<td>92,534</td>
<td>54,975</td>
<td>19,811</td>
<td>9,807</td>
<td>177,127</td>
</tr>
<tr>
<td>Percent Change</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Pre-Recession</td>
<td>31.7</td>
<td>27.0</td>
<td>22.2</td>
<td>11.3</td>
<td>25.8</td>
</tr>
<tr>
<td>Recess (1980–1983)</td>
<td>−5.3</td>
<td>−2.9</td>
<td>−7.4</td>
<td>−5.8</td>
<td>−5.1</td>
</tr>
<tr>
<td>Post-Recession (1983–1986)</td>
<td>16.5</td>
<td>18.1</td>
<td>10.9</td>
<td>5.8</td>
<td>14.6</td>
</tr>
<tr>
<td><strong>Producer Services Employment</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Absolute Change</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Pre-Recession</td>
<td>24,310</td>
<td>7,966</td>
<td>5,903</td>
<td>2,757</td>
<td>40,936</td>
</tr>
<tr>
<td>Post-Recession (1983–1986)</td>
<td>23,657</td>
<td>9,225</td>
<td>3,670</td>
<td>1,824</td>
<td>38,376</td>
</tr>
<tr>
<td>Percent Change</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Pre-Recession</td>
<td>32.5</td>
<td>31.8</td>
<td>25.7</td>
<td>28.6</td>
<td>30.9</td>
</tr>
<tr>
<td>Recess (1980–1983)</td>
<td>1.0</td>
<td>−1.9</td>
<td>−10.5</td>
<td>−1.3</td>
<td>−1.6</td>
</tr>
</tbody>
</table>

Percent change in total employment for the pre-recession, recession and post-recession periods. Prior to the recession, employment grew substantially in all areas. During the recession, as expected, total employment declined in all areas then increased once more following the recession. In the post-recession period, all areas experienced employment growth, but the most substantial amount of growth occurred in the dominant metro and other westside metro areas.

The pattern of change in employment in producer services is shown in the bottom part of Table 3. Employment in producer services grew in all types of areas in the pre-recession period. During the recession,
however, employment in producer services declined statewide and in all areas except the dominant metro county. It is important to note that, although producer services continued to grow in that area, the growth rate was much slower than in the pre- and post-recession periods. Thus producer services were not immune to the effects of the recession, even in the dominant metro area. However, the impact of the recession was not enough to halt growth of these services entirely in that area.

During the 1983 to 1986 period producer services employment once again increased in all areas. The rate of growth was highest for westside metro counties and this could be seen as an indication that producer services were dispersing out of the dominant metropolitan county to other metropolitan counties during this post-recessionary period. However, percent changes are strongly affected by the base population (in this case, the number employed in producer services) at the beginning of the time period. Because the dominant metro county was the only county to experience an increase in employment in producer services between 1980–1983, its base for the next period (already large when compared with other areas) increased while the base for all other areas declined.

Considering instead the percent of growth captured by each area, Figure 2 shows that the dominant metro area increased its share of
the growth in producer services employment. In the pre-recession period, the dominant metro county captured 59 percent of all state employment growth in producer services. In the post-recession period this increased to 62 percent. Westside metro counties also increased the percent of growth they captured from 19 percent between 1977–1980 to 24 percent between 1983–1986. However this increase occurred at the expense of eastside metro and nonmetro counties, not at the expense of the dominant metro area.

So, throughout the 1979–1986 period, the dominant metropolitan area was the primary focus, and during the recessionary period the only focus, of employment growth in producer services. Following the recession, although producer service employment resumed growing in all other areas, there is no evidence of a dispersion of employment in this sector out of the dominant metropolitan area.

CONCLUSION

Past research has documented the growing importance of producer services in terms of overall employment. In addition, the expertise provided by this sector appears to be increasingly important in both the production and distribution of products from other industrial sectors. Past research has also shown that producer services are highly concentrated in large urban areas. On the other hand, some have predicted that the increasing importance of telecommunications and computers makes a more dispersed job settlement pattern possible.

This research has shown that in Washington between 1979 and 1986, producer services did become more prevalent in the employment structures of all areas. However the shift into producer services in nonmetro counties was smaller than that which occurred in the dominant metro county. An analysis of the share of all state producer services captured by different areas shows that a) the dominant metro area captured an increasing share throughout this period and b) this concentration of producer services in metro areas was exacerbated by the 1980–1983 recessionary period. During that time, the number of persons employed in producer services declined in the state and in all areas except in the dominant metro area. In the immediate post-recession period the dominant metro county and nearby westside metro counties captured nearly all of the growth in producer services. Although not conclusive, these findings support the hypothesis that one factor in the centralization of producer services is a response to uncertainty in the environment.

This research has focused primarily on differences between the dominant metro county and nonmetro counties. However, the data
indicate that the more peripheral eastside metro counties fared nearly as poorly as nonmetro areas. Because of these trends businesses in nonmetro and to a lesser extent some smaller metro areas may encounter difficulties in accessing the type of expertise needed to perform efficiently in advanced industrial societies.

It is important that efforts directed at economic and business development in nonmetro and small metro areas ascertain the extent to which these areas need access to information that is focused on such factors as product development, governmental regulation assistance, and in marketing products to a wider, particularly overseas market. If locally owned businesses do not have access to these services, they may find it increasingly difficult to compete. As a result, employment declines may be exacerbated and/or production and marketing of local products may be increasingly taken over by outside, urban based firms.

**REFERENCES**


ANALYSIS OF COMMUNITY RETAIL MARKET AREA DELINEATION TECHNIQUES: AN APPLICATION OF GIS TECHNOLOGIES

By John P. Holden and Steven C. Deller

ABSTRACT

Community development practitioners are often called upon to assist local merchants and community leaders to better understand their local retail markets. One set of tools many practitioners use is a family of gravity potential models to gather a sense of the spatial size and shape of the community's retail market. The most popular of these models is Reilly's Law of Retail Gravitation. Over the years, the family of gravity potential models, of which Reilly's is the simplest, has developed to the point where very realistic spatial representations of a market can be developed. Due to the computational intensity of these more complete models, they tend not to be used by community development practitioners. However, with the advent of new computer technologies, specifically geographic information systems (GIS), these computational barriers have been removed. The analysis reported here uses GIS technologies to compare and contrast Reilly's Law with Huff's probabilistic analysis. By using GIS as a tool, development practitioners can provide merchants and community leaders with a much more realistic representation of their retail market.

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INTRODUCTION

When a community is considering a set of development policies to enhance the local retail market, it is vital that local merchants, decision makers and development practitioners be fully aware of the social and economic conditions within that community's retail market. Effective retail market promotion requires not only information regarding the particulars of individual market segments and of competing markets, but also of the overall strengths and weaknesses of the community's market. A common set of analytical tools used by practitioners in gathering part of this information is Trade Area Analysis (Stone & McConnon, 1980; Hustedde et al., 1984). As useful as these tools have proven, they fail to provide a complete picture of the community's retail market.

As reported in this journal, gravity potential models may also be used for gathering additional information describing the community's retail market (Harris et al., 1990; Deller et al., 1991). The advantage of these gravity potential models is that they allow the practitioners to create a picture of the community's retail market by defining the spatial range of the market. Equipped with such a visual representation, the practitioner can develop a profile of the community's retail market in terms of social and economic characteristics.

Since its introduction in 1929, the most commonly used gravity model applied to community retail market area delineation and analysis of Reilly's Law of Retail Gravitation (Reilly, 1929). Researchers, however, have raised serious concern over the adequacy of Reilly's approach (Huff, 1963; Wagner, 1974; Batty, 1977; O'Kelly & Miller, 1989; Crihfield, 1991). Criticisms range from the deterministic nature of the method to the truly arbitrary way in which the market area is constructed. Despite these concerns and the availability of a variety of more complete models, Reilly's method continues to be the most referenced gravity model in the community market analysis literature (Hustedde et al., 1984; Harris et al., 1990; Crihfield, 1991; Deller et al., 1991). The primary reason for Reilly's continued popularity in the field, despite its serious shortcomings, is its ease of computation.

The large regional science and geography literature which has addressed a number of the issues surrounding Reilly's Law has not been widely reported or applied in the field of community retail market analysis and development. For example, one reformulation of Reilly's basic gravity model presented by Huff (1963) has not been widely used outside the geography and theoretical marketing academic literature. Huff's analysis, as do many of the other more "advanced" gravity models, requires much more tedious computations. To the development practitioner these computations require addi-
tional time and expense. Therefore, Reilly's method is often chosen over the latter models. Recent advances in computer technology, and in particular the growing use of geographic information system (GIS) technologies, are removing these computational barriers.

The applied research presented in this paper emphasizes the potential ease of generating much more detailed and realistic representations of community retail market areas using Huff's technique in a GIS environment. Using data describing the retail attraction of Maine communities and the network of roadways which represent the distances between communities, a GIS is used to delineate community retail market areas. By programming the GIS to conduct Reilly- and Huff-type analyses the strengths of Huff's more complete gravity model become evident. Perhaps more important to the community development practitioner, the computational and time constraints of using a more detailed spatial interaction model are eliminated. Thus GIS opens the door for more applied use of such models.

**A REVIEW OF GRAVITY POTENTIAL RETAIL, MARKET MODELS**

Although Reilly's Law of Retail Gravitation has been previously outlined in the Journal, a more detailed review of the broader family of spatial gravity models is warranted.\(^1\) Gravity models, as the name implies, are rooted in physics where the level of agent (particle) interaction is dependent on the mass or attraction of the relevant agents, and the distance between them. The greater the mass of attraction of the agents, the greater the level of spatial interaction. Conversely, as distance between the agents increases, the level of interaction declines. Following Haynes and Fotheringham (1985) the level of interaction \((T_{ij})\) between the \(i^{th}\) and \(j^{th}\) agents can be expressed mathematically as:

\[
T_{ij} = kM_i^aM_j^bD_{ij}^c
\]

where:

- \(M_i\) = the mass variable of agent \(i\),
- \(M_j\) = the mass variable of agent \(j\),
- \(k\) = a "rate characteristic" used to adjust the level of interaction to an appropriate time frame,

\(^1\) There is a vast, and complex, literature focusing on the location of a specific individual retail establishment, as opposed to a community market analysis. While the overlap of the two literatures are striking, there are some fundamental differences. For an example of firm specific location models see Ghosh and Craig (1984).
\( \lambda \) and \( \alpha = \) estimated exponent to explain varying gravitational attraction of agents \( i \) and \( j \),
\[ D_{ij} = \text{distance between } i \text{ and } j, \]
\[ \beta = \text{distance decay function, expressed as a negative exponent.} \]

Within the framework of community retail market analysis, the agents of equation (1) are the communities themselves. The parameters of the model \((k, \lambda, \alpha, \beta)\) are theoretically allowed to vary according to the type of economic activity under consideration. One may reasonably expect \( \lambda \) and \( \alpha \) to be non-unitary due to agglomeration economies. The distance decay, or friction of distance parameter \( \beta \), is intended to capture the effect of transportation costs and will vary by the stock of transportation infrastructure within the region under examination. Despite a growing literature outlining methods to estimate these exponential parameters (e.g., Fotheringham & O'Kelly, 1989), in practice the values of the agglomeration exponents \((\lambda \text{ and } \alpha)\) and rate characteristic \((k)\) are most often set equal to one and the distance exponent equal to two (Shaffer, 1989). The use of these values perhaps follows from the original and often referred to specification of Reilly's Law of Retail Gravitation.

Reilly's Model

The earliest formation of the general model (equation (1)) as applied to retail market interaction was by Reilly (1929). His specific objective was to determine the spatial boundaries of a collection of community retail markets. Reilly hypothesized that when two spatially distinct communities (community A and community B) are competing to attract retail customers located in the hinterland between the communities, there will be a specific distance defining the respective community market boundaries. More specifically, customers located at some distance \( D_A \) from community A will be indifferent between

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2 It is important to note that gravity potential models should only be used in the analysis of non-convenience retail goods (clothing, shoes, automobiles, appliances, furniture, etc.) and not convenience items such as food or small hardware. Shoppers tend to buy non-convenience retail goods only after comparing prices and quality among stores and places. Shoppers buy convenience goods and services with a minimal amount of effort and usually at the most convenient and accessible store (see Converse, 1949; Shaffer, 1989; Holden, 1991; Leistritz, 1989).

3 It should be emphasized that there is a large academic literature surrounding the estimation of these exponential parameters (see Fotheringham & O'Kelly, 1989). In the practitioner literature, however, it is common to see the assumed values discussed here \((k = \alpha = \lambda = 1 \text{ and } \beta = -2)\).
shopping at either community. This distance (D_A) defines the market boundary, or break point in a spatial sense, for community A.

As shown by Carrothers (1956) and later by Haynes and Fotheringham (1985), Harris et al. (1990), and Deller et al. (1991), the market boundary between A and B measured from B (BP_B) is defined as:

\[
BP_B = \frac{D_{AB}}{1 + \frac{1}{M_A/M_B}}
\]

(2)

where all terms are defined as above and \( k = \lambda = \alpha = 1 \) and \( \beta = -2 \).

By computing the break point defining the market boundary for a set of competing communities around the study community, a visual representation of the community's spatial market can be derived.

Reilly suggested that the population of competing communities be used to measure the relative mass or retail attractiveness of the communities (i.e., substitute the population of A and B for \( M_A \) and \( M_B \), respectively). As mentioned, despite the simplicity of Reilly's Law of Retail Gravitation and the resulting market boundary formula, it has remained an important tool for retail market analysts (Hustedde et al., 1984; Blakely, 1989; Chicoine & Narayanan, 1989; Shaffer, 1989; Harris et al., 1990; and Deller et al., 1991).

Huff's Alternative Gravity Potential Technique

The "deterministic" nature and "very little theoretical content" explicitly contained in Reilly's Law motivated Huff (1963, p. 85) to reformulate the retail model. Recall that when using Reilly's Law a community's market can only be described by its outer boundary. Consumers located within the boundary are, by definition, determined to shop exclusively in the given market. Huff addressed the deterministic nature of the gravity potential concept by describing market areas in terms of the consumers' probability to gravitate towards a particular shopping center. Huff's refinement provides the analyst with a more theoretically intuitive, visually descriptive, and empirically useful model for development and planning purposes.

More explicitly, Huff's approach recognizes that shoppers consider and shop at numerous localities, a dimension of shopping behavior not captured by Reilly's model. In the discussion of Reilly's model above, the shopper in the hinterland is considering shopping at both communities A and B, as well as communities C, D, E and F and in all likelihood has shopped in all at one time or another. Huff's approach explicitly allows for this shopping behavior whereas Reilly's
approach assumes it away, hence providing the practitioner and community leaders with a distorted view of their retail markets.

By calculating a probability value for consumers in the region surrounding a given shopping center, the market area may be described by probability contours. A probability value for a particular consumer at location (i) describes the likelihood of consumers at i to be attracted to a particular shopping center (j) based upon the consumers’ attraction to all shopping centers in the surrounding region. Whereas a break point describes the boundary between two competing centers, the probability value measures the attraction of a given center relative to the attraction of all centers in a region.

Huff's adaptation of the gravity concept may be written as:

\[ PC_{ij} = \left( \frac{M_j}{D_{ij}^\beta} \right) \]

where \( PC_{ij} \) is the probability of a consumer located at a point i traveling to a given market located at point j. The distance between the consumer at i and each center j is given by \( D_{ij} \). \( M_j \) is the same as above, and \( \beta \), the distance decay parameter, is usually set equal to \(-2\). By applying this formula at various consumer locations (i) within a broad region, a market area probability contour map for the study community (j) can be constructed.

Defining market areas by use of probability contours allows for a more reasonable view of market size and attractiveness. That is, using equation (3) for various communities in a region we may find that consumers at a particular location (i) may have a .60 probability of shopping in A's market, a probability of .30 of shopping at market B, and a .10 probability of shopping at market D. Using the "deterministic" Reilly's Law, however, we would only be able to define the break point or market boundaries between markets A and B and A and D. Additional calculations, such as potential sales, and more detailed information regarding the market population are also derivable using this technique.

Huff proposed his technique to define and describe the retail market for particular shopping center locations. He suggested using the square footage of retail space available as the measure or mass of

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4 A more detailed discussion of the modification of Huff's model (equation 3) for application to community retail analysis may be found in Holden (1991). Here consumer locations (i) are individual towns and retail centers (j) are towns within the region examined that are predetermined to be shopping hubs. For the example reported here, there are 35 consumer towns and five retail centers, thus there are 35 consumers looking at five centers in which to shop. See Figure 1 for the five centers.
attraction competing centers hold on consumers. He hypothesized that a consumer would be attracted to a center that offered the greatest “number of different types of goods.” Martin (1990, p. 15) suggests that “people are (attracted to) community (village) shopping centers because (these) centers . . . offer a greater variety of goods and stores.” In customer surveys, Recker and Kostyniuk (1978) and Schuler (1979) found that the variety of goods available was of primary importance to consumer attraction. Using the total floor area of retail sales space, Huff reasoned, could best describe the attraction of a market based upon consumers’ demand for the greatest number and variety of goods.

While total floor area of retail space is an alternative measure for consumer attraction, it is often not available for a community-wide retail analysis. However, a substitute parameter was derived for this research to measure community market attractiveness, based upon Huff’s reasoning. The index of volume variety (VV) was derived to measure the “number of different types of goods” available in a community's retail market. The measure was based upon the volume and variety of non-convenience goods available at a given community center in relation to surrounding community markets. Non-convenience items (e.g., apparel and appliances) are used in gravity modeling to reduce to error attributable to consumers’ tendency to shop at the closest store for convenience items, such as food. The measure can be expressed mathematically as (see Holden, 1991):

\[
M_{j} = VV_{j} = \frac{\sum_{m=1}^{n} V_{mj}/\sum_{j=1}^{n} \sum_{m=1}^{n} V_{mj}}{\sum_{m=1}^{n} S_{mj}^{2}}
\]

where \(V_{mj}\) is the total retail sales volume in merchandise group \(m\) in town \(j\) relative to the sales volume in the total (state) market, and \(S_{mj}\) is the diversity of merchandise group \(m\)'s share of the total retail market in town \(j\).\(^5\) Data for the calculation of \(VV\) was available for four non-convenience item categories from the state’s bureau of taxation.

The numerator of equation (4) captures the volume of total regional retail activity that the community captures, while the denominator captures the diversity of shopping opportunities. A community with a higher index value reflects a larger, more diverse retail market than a community with a lower index value. This measure best reflects the

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\(^5\) The calculation of the town’s retail sales volume diversity (\(s_{mj}\)) is calculated by summing the sales volume (sales/number of stores) of all retail categories in town \(j\). The diversity measure is based upon the Herfandahl Index of industry diversity (see Stigler, 1968).
drawing power of a community’s retail sector based upon Huff’s reasoning.⁶

**GEOGRAPHIC INFORMATION SYSTEM TECHNOLOGIES AND GRAVITY MODEL APPLICATIONS**

One of the primary reasons for the continued use of Reilly’s Law of Retail Gravitation is its computational ease. Given a road map, a ruler and a calculator, a development practitioner can easily compute a community’s spatial retail market. With the advent of geographic information system (GIS) technologies, spatial analysis becomes relatively straightforward. GIS is a combination of computer hardware and software designed to collect, manage, analyze, and display spatially referenced data. The GIS approach to handling vast amounts of data while preserving spatial detail has been enthusiastically embraced by the scientific community.

Originally developed for use in natural resource and infrastructure planning, the technology has been adopted by many larger, and indeed some smaller, cities for tax assessment, zoning policy, and traffic design. GIS technologies have also been used to analyze the impact of infrastructure investments on business development, patterns in technology adoption, and patterns of urban sprawl into rural areas. Until recent advances in the computing power of personal work stations, the computer-intensive data analysis of GIS was cost prohibitive. Now, as the set of GIS users expands and computing costs continue to decline, the potential for community development practitioners to have access to GIS technologies for the type of analysis presented here is very real.

Given the spatial nature of gravity interaction models and the necessity to overlay socioeconomic data in a spatial environment, it is clear that GIS technology lends itself to such models. The ability to program spatial interaction models within a GIS environment allows the practitioner to experiment with model specification, to reference markets and to conduct “what-if” types of analysis. The intent of this research is to demonstrate the ability to construct spatial interaction models within a GIS environment and to use a GIS as a tool to compare and contrast Reilly- and Huff-type community retail market area models.

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⁶ This final step, the actual market delineation, is another theoretical and practical shortcoming of the Reilly method (see O’Kelly & Miller, 1989 & Holden, 1991).
A development practitioner choosing to delineate and conduct a community retail market analysis using Reilly’s Law would begin by selecting competing communities for which to calculate break points. Next, the road distances to each of these competing towns would be determined by consulting a road map or atlas. Following equation (2), the practitioner would then calculate the distance from each town to its respective break point ($BP$). The delineation of the community market area may then be completed by “connecting” the break points. While this approach is relatively simple and straightforward, when programmed into a GIS this methodology may be conducted with increased efficiency and reduced likelihood of error in the delineation of community market areas for any number of communities.

The delineation of a Huff-type community market analysis, as mentioned, is much more tedious and time consuming. Outside of additional data development necessary to derive the volume of variety index ($VV$) and travel time, consider the computation of equation (3) and the derivation of probability contours. The denominator of equation (3) requires that the practitioner measure and calculate the attraction/distance ratio ($S_i/D_i$) to every possible community retail market from each consumer location ($i$). In the example provided here this includes over 6,000 calculations. Next, the practitioner must delineate appropriate probability contour to fit the derived probability value field. Obviously, this methodology requires an exorbitant amount of the practitioner’s time and skills. Using the GIS as an analytical tool and data manager and using the algorithms developed for this research, a probability contour map may be derived within forty-five minutes.

In addition to the enormous time-savings involved in using a programmed GIS to conduct Huff-type analyses, the GIS allows for greater derivation of social and economic characteristics of the delineated market area regardless of the gravity model used. This additional social information is derived from the delineated market area maps using the GIS’s overlay capabilities. Space does not permit a detailed description of this process, but this further spatial analysis capability allows the user to describe the sum total social characteristic (such as population by age or sex) of the towns or sub-parts of towns that fall under the delineated market area. In essence, the GIS allows us to

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7 In a related study, this variable ($VV$) was compared with other measures of “community retail attraction” in the computation of Reilly-type market areas and was found to delineate statistically similar market populations. It is used in this study because of its greater theoretical connections to Huff-type models.

8 The algorithms are available from the authors.
lay data across a detailed map of the region being studied then "clip-off" all the data associated with a specific smaller region within the map. This type of information is of vital importance to retailers when designing marketing strategies.

**Data Requirements and Development**

An efficient GIS application requires up-front considerations of what data are needed and how best to collect and organize that data. The Arc/Info GIS (version 5.0) was used in this study. This applied research required spatial data describing the location of towns and roadways in Maine and non-spatial data, "tied" to the spatial information, describing the socioeconomic conditions of the towns. The spatial data requirements included the state and town boundaries, town center coordinates, and roadway locations. The socioeconomic data described the attraction characteristics of the community retail markets (i.e., population when using equation (2) and $V^V$ when using equation (3)). The roadway data contained records for all major primary and secondary state roads and were used, in conjunction with the town point locations, to determine roadway distances (miles) and time of travel between towns.\(^9\)

One assumption concerning the digital representation of the socioeconomic attraction data was necessary. Recall that the emphasis of this research was to compare community retail areas and not specific shopping areas (e.g., malls, downtowns) within a single town. Therefore, a point is used to define the location of the attraction parameter in the derivation of the market area for a town. The location of this point was defined as the intersection of the major roads in the town. We assume, therefore, that the "mass" of a town's market attraction is located at this intersection. Given the scale from which the market areas are delineated and the rural nature of communities under analysis this assumption seems justified. In a majority of rural regions inter-town consumers often identify the downtown village as the center of retail activity.

The non-spatial, socioeconomic data included population data for 484 towns in Maine. The derivation of $V^V$ required retail sales and

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\(^9\) Nearly all of the spatial data described here, such as roads, town boundaries, are readily available from the Census Tiger files and existing GIS databases. The only potential data problem is community specific retail sales. Many states report community level retail sales tax data, but not all. Other proxy measures might include number of businesses (e.g., ES202 files, or telephone directories) or retail employment levels. See Holden (1991) for a more detailed discussion of the data development required for this research.
establishment data. These data were available, by merchandise group, for sixty-five towns in Maine. These sixty-five towns, therefore, became the data set from which study towns and competitive towns (i.e., B towns in Reilly delineations equation (2) and j towns in Huff delineations equation (3)) were selected. The analysis illustrated here for Bangor, Maine, used only a sub-set of the complete data set.¹⁰

**Reilly and Huff Models Compared**

A visual representation of the retail market of Bangor, Maine, is provided in Figure 1. Bangor is the regional hub of northern and central Maine in terms of both retail and service activities. Thus, Bangor could be considered at the top of the hierarchy of central places for this part of the state. The Greater Bangor Area is the state’s largest metropolitan area after Portland. The Greater Bangor Area is composed of four larger communities and several smaller bedroom communities. To the immediate east is Brewer, a town approximately one-half the size of Bangor. To the north about five miles is Orono, where the University of Maine is located. An additional five miles north is Old Town, the location of a large paper mill. These three latter towns would be located directly below Bangor on the hierarchy of central places. The surrounding bedroom communities are much lower on the hierarchy of central places.

In Figure 1, Reilly’s break point formula equation (2) is used to describe the retail market for Bangor. It is readily seen that the market structure resulting from Reilly’s method is indeed rather oddly shaped. The deterministic structure of the method results in rather stark market boundaries that, in reality, are unacceptable. This oddly shaped spatial market is a product of the limitations of Reilly’s method outlined by O’Kelly and Miller (1989).

For comparison, a visual representation of Huff’s probability contours for Bangor’s market area is provided in Figure 2. These probability contours describe the likelihood of customers located in the region surrounding Bangor to shop in Bangor. The contours indicate that customers located near Bangor’s competing markets are less likely to shop in Bangor. The contours show depressions in the probability field for consumers located near Bangor’s two closest competing towns (Brewer and Old Town). Alternatively, the contours show that consumers directly surrounding Bangor’s retail center are most likely to shop within Bangor.

¹⁰ There are 35 consumer towns and five retail centers, thus there are 35 consumers looking at five centers in which to shop. See Figure 1 for the five centers.
A direct visual comparison of Bangor's market area using Reilly's and Huff's methods brings to light the advantages of the more complete probability contours (Figure 3). Specifically, prior knowledge of the Bangor shopping market suggests that shoppers located south

\[\text{Note that this is strictly a visual comparison and no statistical analyses between the models have been conducted.}\]
and east of Brewer will often travel through Brewer on their way to the larger Bangor market. This is demonstrated by the cross-sectional view of the Huff probability contours shown in Figure 4. The

\[\text{Figure 2. Retail probability contours for Bangor, Maine.}\]

*This "prior knowledge" is based on personal experience. Ideally, the models discussed here would be tested versus some measure of actual trade measures. Such actual measures, however, are not available here or in many rural areas.*
probability values along a line southeast from Bangor through Brewer are relatively low surrounding Brewer center, but as consumer distance from Brewer increases consumer probability to shop in the larger Bangor market increases. Huff’s method captures this important pattern while Reilly’s deterministic method does not (Figure 3).
One may reasonably argue that Reilly's method describes the dip in the probability contours as the market's boundary. Indeed, this interpretation is a direct result of the simple approach of the Reilly break point formula. Using Reilly's method results in the definition of an absolute boundary between two communities. Using Huff's
method, however, permits the effect of competing communities to be demonstrated without the absolute definition of a market boundary. Consider, again, the case of the competing retail attractiveness of Brewer (Figure 4). This community offers retail opportunities to consumers in the Bangor area. When using Reilly’s method these opportunities translate into a market break point between Bangor and Brewer (Figures 1 and 3). Consumers east of the this break point are excluded from the analysis of Bangor’s retail market. Huff’s method, on the other hand, demonstrates the retail attractiveness of Brewer by a depression in the probability of consumer attraction to Bangor. In this analysis consumers near Brewer center are less likely to gravitate to Bangor, but not excluded from the analysis of Bangor’s market population.

**CONCLUSIONS**

Retail market area analysis is an important function performed by community development practitioners. A communitywide market area analysis provides community leaders, as well as local retailers, with information regarding the structure of the community’s entire retail economy. The market delineation alone may provide local policy makers with a better understanding of the community’s role in the regional retail market. More directly, the social information regarding the community market population may be used by individual retailers to better target potential customers.

Traditionally, practitioners have used Reilly’s Law of Retail Gravitation to derive the spatial representation of a community’s retail market. Several researchers have expressed serious reservations about the validity of Reilly’s method. Suspicions range from its deterministic nature to the selection of appropriate measures of a community’s retail attraction. Despite apparent serious theoretical problems, Reilly’s Law remains a popular tool in the community retail market analysis literature.

One of the primary reasons for Reilly’s continued popularity is its ease of computation. A practitioner needs nothing more than a map, ruler and calculator to compute a market area using Reilly’s method. With the advent and rapidly expanding access to geographic information systems (GIS), the computational barriers presented by more acceptable methods are crumbling.

The research presented here demonstrates the superior representation of market areas which follows from the application of Huff’s probability contours method versus the traditional Reilly’s Law approach. Although Huff’s method has been available for many years,
few have applied it to the analysis of community retail markets due to its computational complexities. With the use of a GIS, however, practitioners at the community and regional level have no need to continue relying on the rudimentary Reilly's Law of Retail Gravitation and may begin to employ more sophisticated gravity potential models, such as Huff's model, for community retail market analysis.

By using the GIS's ability to manage vast amounts of data, it is also possible for the practitioner to develop detailed descriptions of the social and economic characteristics. By using the "clipping" ability of the GIS, layers of data for a specific geographic area can be extracted from the database and examined for key characteristics. In this case, the geographic area is defined by the gravity model used by the practitioner. The flexibility of the GIS also allows practitioners to play "what-if" scenarios by changing a key piece of data within the database. For example, the location of a discount mass merchandiser within a community's retail market can fundamentally alter the size and shape of the market. The GIS easily allows such experimentation. The profile of the community's market area before and after the location of the mass merchandiser can lend great insights into the potential impact.

Advances in new technologies have allowed practitioners to start adopting more complete models of spatial interaction. The comparison of Reilly's and Huff's methods is only one example of how practitioners can better use existing models and technologies. Rural and small town residents are becoming increasingly sophisticated in how they view the world and their communities. If we are to continue to help them plan for and enact community development policies, it is terribly important that we as practitioners continue to refine and advance the set of tools that we have at our disposal.

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THE RURAL MYSTIQUE AND TOURISM DEVELOPMENT: DATA FROM PENNSYLVANIA
By Fern K. Willits

ABSTRACT
Elements of popular culture, as exemplified in television, radio, books, and magazines, present images of rurality as wholesome and desirable. The extent to which these positive images are subscribed to by the general population was assessed using data from a statewide Pennsylvania sample. There was widespread acceptance of the mystique of rurality, with rural residents, older citizens and those with lower incomes and education somewhat more likely to endorse these images than their opposites. Moreover, belief in the rural mystique was related to various behavioral and consumer choices. The possible implications of these ideas for rural development strategies, especially rural tourism, are discussed.

INTRODUCTION
The need for economic development and social revitalization of many rural areas in the United States is increasingly recognized by government policy makers, local leaders, and the citizenry at large (Swanson & Luloff, 1990). The overall poverty rate is higher in rural than in urban areas, and the per capita income gap between rural and urban America has increased over the last decade (Barancik, 1990; Deavers & Hoppe, 1992). Unemployment rates outside metropolitan counties are now greater than those within (Swanson & Luloff, 1990). But jobs and income are not the only problems facing rural communities. Services and amenities are often also lacking and the rural infrastructure is frequently inadequate to meet the needs of the inhabitants. Economic and social inequality and personal/social disruption are widespread in rural America.

Nor are the current problems only reflective of recent instability.
and change. While today "many rural people are suffering, ... the same could be said about rural America [in other time periods]. Change and suffering are among the most enduring qualities of rural life in America" (Wilkinson, 1987, p. 3).

It is paradoxical that despite the documented plight of rural people, political rhetoric, art, popular writing, advertising, and other mass media presentations espouse a persistent theme that glorifies rural people, places, and things—"a rural mystique" which defines open country and small town living as good, wholesome, and beautiful, and views urban living as comparatively unnatural and undesirable. Indeed, some scholars have asserted that acceptance of the goodness of rurality is a basic element in American culture. They point to the prevalence of historical images linking rurality to the nation's heritage and to the molding of the American character, pastoral scenes imbued with Biblical interpretations and religious meanings and ideas glorifying the primeval wilderness. Their descriptions are informative:

Its always been a romantic landscape... on television today, in magazine articles, and in calendar photographs, the essential wilderness of the American landscape is reduced to attractive scenery... It is, in short, a magnificent garden, a colonial vision of paradise. (Lopez, 1989, p. 19)

This nation has always had a rather romantic, nostalgic view of life in the country. (Melton, 1983, p. 1)

[Rural life is seen as]... the repository of all that is stable, immemorial, harmonious, pleasant, and reassuring in the modern world. (Saunders et al., 1978, p. 63)

Aristotle saw rural life as moral, virtuous, and simple. This is a philosophy which continues to be remarkably strong in North America. (Bunce, 1981, p. 111)

[There is] a cultural tradition in western industrial societies that pictures rural village life in romanticized fashion as bucolic and idyllic. (Goldman & Dickens, 1983, p. 588)

However, the observations of these and other writers concerning the images of rurality held by Americans have been impressionistic, involving the enumeration of examples as evidence, rather than the collection of systematic empirical data. Indeed, the writer is aware of no research designed to assess public perceptions of rurality since that of W. A. Anderson (1947, 1949, 1952) carried out more than four decades ago. His work, while extensive, is dated in method and content, and much of it focused specifically on farming. More recently, rural sociologists have sought to measure the related, but narrower, concept of "agrarianism" or reverence for farming as an occupation (Carlson & McLeod, 1978; Craig & Phillips, 1983; Flinn
& Johnson, 1974), but the broader idea of a mystique surrounding rural life in general has not been similarly studied.

Purpose

This paper reports the findings of a statewide survey of Pennsylvania residents to obtain information on the public’s perceptions of rurality. The analysis addressed the following empirical questions:

1) To what extent do people in the general population hold positive images of rural life?
2) What personal/demographic characteristics are associated with differing images of rurality?
3) Do people make certain leisure and lifestyle choices congruent with their images of rurality?

The answers to these questions are of more than academic interest. If rurality is a treasured aspect of American life, that fact may have implications for the actions of people toward rural places, rural residents, and rural things—actions that may have implications for activities undertaken to foster the economic and social viability of rural communities. This may be true about both their support for legislation and public programs designed to maintain rural lifestyles and in their own participation in small town and country life by visiting or moving to locations that evidence the desired attributes. Communities desiring to promote tourism, in-migration, and/or population retention may profit by understanding the nature of the public’s perceptions of rural places and people and the characteristics of persons most likely to subscribe to positive (and negative) images of rurality.

While the current analysis is limited to a single state in the Northeastern United States, the study site was a particularly appropriate one. Over eighty percent of Pennsylvania’s population of almost 12 million people resides in Metropolitan Statistical Areas. At the same time, more than three million persons are classified as “rural” residents by the U.S. Census. Equally important, in Pennsylvania, as throughout the Northeastern region of North America, many rural settings are readily accessible from urban centers, and many others can be reached within a day’s drive. The relative proximity of rural and urban communities enhances the possibility of social interchange and visitation among residents of varying residential backgrounds and experiences.
METHODOLOGY

During the summer of 1988, a statewide telephone survey of Pennsylvania residents was conducted to obtain information on the images people hold of rural life. More than ninety percent of all households in the region are purported to have telephones (Thornberry & Massey, 1988). The survey used random-digit dialing to assure contact even with those households that had unlisted numbers. Within each household, one respondent eighteen years of age or older was randomly selected to be interviewed. A total of 2,729 households were contacted, and 1,881 subjects completed the telephone survey.

The telephone interview was designed to be brief (15–20 minutes) and sought information on the demographic characteristics of the respondent along with his/her answers to nine questions focused on positive images of rural living and rural people. These images, drawn from a review of popular commentary, included images of rural community life as satisfying, closeknit, neighborly, and accepting of the individual; with less stress, crime, and violence; and with more peace and quiet than other areas. Within the time and method constraints of the telephone survey, the use of a longer battery of items was not feasible.

To obtain more comprehensive data, each respondent was asked to participate in a follow-up mail survey. A total of 1,670 (89 percent of those interviewed) indicated their willingness to receive a mail questionnaire, and 1,241 of these actually completed and returned it. Respondents to the mail survey did not differ significantly from the total of those who participated in the telephone interview in regard to gender, education, employment status, income, residence location, or responses to the attitude items included in the interview, although they were more likely to be racially white.

The mail questionnaire sought respondents’ attitudes toward other ideas espoused in popular writing concerning the rural mystique. Often the positive images of rurality are juxtaposed with negative characterizations of urban areas as dirty, crowded, impersonal, artificial, corrupt, crime-ridden, and stressful. Seven items were included which focused on these anti-urban images. Drawing upon the work by rural sociologists on agrarianism referenced above and the tendency of much popular writing to present agriculture as an important component of rural life, a series of six items asked about the extent to which people believed that farming represented the natural, moral, and democratic occupational basis of American society. Finally, five items were included which focused on the perceptions of open country and wilderness environments as valuable, satisfying, and treasured aspects of our national heritage.
Date for this report were drawn from both the telephone and mail surveys and included responses to the items dealing with: 1) positive images of rural life, 2) anti-urbanism, 3) agrarianism, and 4) wilderness values. Respondents were asked whether they strongly agreed, agreed, were undecided, disagreed, or strongly disagreed with each item. For descriptive purposes, these answers were grouped into three categories—agree (including strongly agree), undecided, and disagree (including strongly disagree). In addition, the original five response categories for each item were scored from 5 (strongly agree) to 1 (strongly disagree). The mean score for the twenty-seven items included in each set was calculated for each respondent. Cronbach’s alpha for this composite scale was .89, indicating as acceptable level of reliability.

To determine the extent to which various personal characteristics were associated with attitudes toward rurality, the composite scale score was treated as the dependent variable in a regression analysis with six independent variables.

*Place of residence.* Each person indicated whether he/she lived in: 1) a large city of 500,000 or more, 2) a suburb of such a city, 3) a medium-sized city of 50,000 to 500,000, 4) a suburb of a medium-sized city, 5) a smaller city of 10,000 to 50,000, 6) a town of less than 10,000, or 7) the countryside outside a city or town. Categories 1, 3, and 5 were combined to designate “urban” residents, categories 2 and 4 were classed as “suburban,” and categories 6 and 7 were termed “rural.” These three categories were coded to form a set of two dummy variables with “rural” as the reference category.

*Age* of respondent was recorded in years.

*Education.* This was scored on a scale from 1 to 4 as follows: 1) less than high school graduation, 2) high school graduate, no further formal schooling, 3) some college, 4) college graduate.

*Total household income.* Income was indexed by six categories ranging from a low of less than $10,000 (coded 1) to a high of $50,000 or more (coded 6).

*Gender.* This was dummy coded with 0 = Male and 1 = Female.

*Parents’ residence.* If either one or both parents had lived in a rural area “all” or “most” of his/her life, this variable was coded 1; 0 meant that neither parent had lived in a rural area all or most of his/her life.

In addition to the analysis involving demographic characteristics of the respondents, it seemed relevant to ask whether those persons who subscribed most strongly to the rural mystique were also those most likely to engage in behaviors and express other opinions congruent with these feelings. The following leisure and lifestyle variables were available for analysis:
1) Five variables measured the frequency of participation in leisure activities that are generally viewed as rural-related—gardening, camping or hiking, hunting or fishing, picnicking in rural areas, and sightseeing in rural areas. The frequencies of each of these activities were measured by scale values from 4 to 1 as follows: 4) frequently, 3) sometimes, 2) rarely, 1) never.

2) Two variables assessed a liking of specific television shows—The Waltons and Little House on the Prairie—which focus on nostalgic pictures of rural life. These two variables were assessed in terms of the following scores: 3) liked this show very much, 2) liked this show somewhat, 1) did not like this show at all.

3) Separate variables measured a preference for country/western and bluegrass music. The three-category scale used for the television shows also assessed the respondent's liking for each of these two types of music.

4) A variable assessed respondents' reading one or more of the rural-focused magazines Country Journal, Harrowsmith (Country Life), Mother Earth News, or New Farm. This variable was indexed by a two category scale: (1) read one or more of these magazines often and (0) read none of these magazines often.

5) Respondents' habits of buying fresh produce direct from the grower was measured in terms of the reported frequency of such buying in the last 12 months: 4) often, 3) occasionally, 2) a few times, 1) never.

6) Opinions about shopping in small towns were indexed by scoring the five-category responses (strongly agree, agree, undecided, disagree, strongly disagree) to the following eight items. A high score meant that the person "liked" shopping in small towns. Cronbach's alpha for the scale was .72, indicating an acceptable level of reliability:

   I enjoy shopping in small town stores.
   There are many bargains to be found in small towns.
   Small towns often have things which cannot be found in shopping malls
   or city stores.
   It's too difficult to travel to small towns to shop.
   I seldom buy things in small town stores.
   Small town stores do not like to serve strangers.
   The variety of things to buy in small town stores is very limited.
   Prices in small town stores are too high.

Thus, a total of twelve indices were derived to assess leisure and lifestyle choices and opinions. To determine the extent to which belief in the rural mystique related to these behaviors and opinions, twelve separate regression equations were analyzed, using the attitude scale measuring acceptance of the rural mystique and the respondent's
demographic characteristics as independent variables, with each of the above variables, in turn, as the dependent variable.

**ANALYSIS**

The data analysis was carried out in three stages, corresponding to the three research questions. Frequency distributions of responses to the items provided information on the extent to which respondents held positive images of rural life (Table 1). Overall, these data indicated high levels of agreement with positive notions of rurality, anti-urbanism, agrarian, and wilderness values.

People were more than twice as likely to indicate support for the ideas associated with a rural mystique than they were to reject them. Thus, these respondents were likely to agree that rural life was more peaceful and quiet, more wholesome, less stressful, and more neighborly; rural areas had less crime and violence than elsewhere; and rural people were friendlier and more likely to accept you as you are. Cities were seen by a majority of the respondents as dirty, noisy, crowded, artificial, corrupt, crime-ridden, and stressful.

A sizeable minority of the respondents were undecided about agrarian images. However, even for these items people were more likely to agree than to disagree that farming was the natural and good life and the basic occupation upon which all other occupations rest; the family farm was the backbone of a democratic society; the farm is the ideal place to raise a family; and farmers are independent and self-sufficient.

Respondents overwhelmingly accepted the ideas that the wilderness areas are an important part of our nation's heritage; open country and wilderness areas are beautiful and inviting; and they bring peace and serenity to those who visit. Taken together, these observations are congruent with the suggestions of those observers who have asserted that reverence for and a belief in the goodness of rurality is widespread.

Although rural people and places were generally viewed in highly positive terms, a minority of the respondents failed to completely endorse these favorable images. Even those holding positive attitudes differed in the strength of their feelings. To determine the extent to which various demographic and lifestyle characteristics of the respondents were associated with differing perceptions of rurality, a multiple regression analysis related the six personal/demographic characteristics delineated above to the composite score measuring acceptance of the rural mystique (Table 2).

All of the independent variables were significantly related to the
<table>
<thead>
<tr>
<th>Items</th>
<th>Number of Cases</th>
<th>Agree</th>
<th>Undecided</th>
<th>Disagree</th>
</tr>
</thead>
<tbody>
<tr>
<td>Positive images of rural life</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Rural life brings out the best in people</td>
<td>1,240</td>
<td>54.8</td>
<td>24.1</td>
<td>21.1</td>
</tr>
<tr>
<td>Rural families are more close-knit and enduring than other families</td>
<td>1,239</td>
<td>67.2</td>
<td>12.3</td>
<td>20.5</td>
</tr>
<tr>
<td>Because rural life is closer to nature, it is more wholesome</td>
<td>1,241</td>
<td>79.0</td>
<td>7.6</td>
<td>13.4</td>
</tr>
<tr>
<td>Life in rural communities is less stressful than life elsewhere</td>
<td>1,240</td>
<td>65.2</td>
<td>8.4</td>
<td>26.4</td>
</tr>
<tr>
<td>Rural communities are the most satisfying of all places to live, work, and play</td>
<td>1,240</td>
<td>54.0</td>
<td>15.1</td>
<td>30.9</td>
</tr>
<tr>
<td>There is less crime and violence in rural areas than in other areas</td>
<td>1,240</td>
<td>70.9</td>
<td>9.1</td>
<td>20.0</td>
</tr>
<tr>
<td>Rural people are more likely than other people to accept you as you are</td>
<td>1,241</td>
<td>58.6</td>
<td>13.7</td>
<td>27.7</td>
</tr>
<tr>
<td>Neighborliness and friendliness are more characteristic of rural communities than other areas</td>
<td>1,240</td>
<td>72.0</td>
<td>10.0</td>
<td>18.0</td>
</tr>
<tr>
<td>Rural places have more peace and quiet than do other areas</td>
<td>1,241</td>
<td>92.3</td>
<td>2.3</td>
<td>5.3</td>
</tr>
<tr>
<td>Anti-urbanism</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Urban living is complex, fast-paced, and stressful</td>
<td>1,224</td>
<td>61.0</td>
<td>9.0</td>
<td>30.0</td>
</tr>
<tr>
<td>Cities are crowded, dirty, and noisy environments in which to live</td>
<td>1,229</td>
<td>68.3</td>
<td>9.4</td>
<td>22.2</td>
</tr>
<tr>
<td>The relationships among people in urban areas are impersonal and uncaring</td>
<td>1,227</td>
<td>26.3</td>
<td>15.6</td>
<td>58.0</td>
</tr>
<tr>
<td>Political corruption is a fact of city life</td>
<td>1,232</td>
<td>53.2</td>
<td>20.0</td>
<td>26.8</td>
</tr>
<tr>
<td>Cities are artificial settings which separate people from nature</td>
<td>1,230</td>
<td>57.5</td>
<td>12.4</td>
<td>30.1</td>
</tr>
<tr>
<td>Crime and violence characterize city life in America</td>
<td>1,234</td>
<td>66.7</td>
<td>12.1</td>
<td>21.2</td>
</tr>
<tr>
<td>Urban life is too centered on the quest for money and status</td>
<td>1,225</td>
<td>43.2</td>
<td>16.7</td>
<td>40.2</td>
</tr>
<tr>
<td>Agrarianism</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Agricultural life is the natural and good life for people</td>
<td>1,226</td>
<td>45.3</td>
<td>26.0</td>
<td>28.7</td>
</tr>
<tr>
<td>The family farm is the backbone of a democratic society</td>
<td>1,228</td>
<td>43.5</td>
<td>28.1</td>
<td>28.5</td>
</tr>
</tbody>
</table>
Table 1. Continued

<table>
<thead>
<tr>
<th>Items</th>
<th>Number of Cases</th>
<th>Agree</th>
<th>Undecided</th>
<th>Disagree</th>
</tr>
</thead>
<tbody>
<tr>
<td>A farm is an ideal place to raise a family</td>
<td>1,230</td>
<td>51.5</td>
<td>25.8</td>
<td>22.7</td>
</tr>
<tr>
<td>Farming is the basic occupation upon which the rest of the economy</td>
<td>1,229</td>
<td>60.9</td>
<td>18.6</td>
<td>20.5</td>
</tr>
<tr>
<td>Farmers embody the virtues of independence and self-sufficiency</td>
<td>1,227</td>
<td>69.8</td>
<td>16.7</td>
<td>13.4</td>
</tr>
<tr>
<td>Farmers and farming provide the moral core of our society</td>
<td>1,222</td>
<td>35.5</td>
<td>29.1</td>
<td>35.4</td>
</tr>
</tbody>
</table>

Wilderness values

<table>
<thead>
<tr>
<th>Items</th>
<th>Number of Cases</th>
<th>Agree</th>
<th>Undecided</th>
<th>Disagree</th>
</tr>
</thead>
<tbody>
<tr>
<td>People need to experience the serenity of the countryside to balance</td>
<td>1,234</td>
<td>84.9</td>
<td>7.6</td>
<td>7.5</td>
</tr>
<tr>
<td>the hectic pace of the city</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Being close to nature makes people better</td>
<td>1,232</td>
<td>55.5</td>
<td>16.2</td>
<td>28.3</td>
</tr>
<tr>
<td>Open country and wilderness areas are beautiful and inviting places</td>
<td>1,237</td>
<td>95.6</td>
<td>2.5</td>
<td>1.9</td>
</tr>
<tr>
<td>The solitude that is possible in the open country and woodlands</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>brings peace to people who go there</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Wilderness areas are an important part of our nation's heritage</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

\* Number of cases varies due to missing data.

Notes: Percents may not equal 100.0 due to rounding.
Table 2. Multiple Correlation-Regression Analysis for the Relationship of Selected Demographic Characteristics to Attitudes Toward Rurality

<table>
<thead>
<tr>
<th>Characteristic</th>
<th>Bivariate r-value</th>
<th>Multiple Correlation-Regression b-value</th>
<th>Part Correlation</th>
</tr>
</thead>
<tbody>
<tr>
<td>Residence</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Urban</td>
<td>-.14***</td>
<td>-.19***</td>
<td>.18***</td>
</tr>
<tr>
<td>Suburban</td>
<td>-.13***</td>
<td>-.17***</td>
<td></td>
</tr>
<tr>
<td>Age</td>
<td>.16***</td>
<td>.00**</td>
<td>.06**</td>
</tr>
<tr>
<td>Education</td>
<td>-.22***</td>
<td>-.05***</td>
<td>-.10***</td>
</tr>
<tr>
<td>Income</td>
<td>-.19***</td>
<td>-.03**</td>
<td>-.09***</td>
</tr>
<tr>
<td>Gender</td>
<td>-.02</td>
<td>-.06*</td>
<td>-.06*</td>
</tr>
<tr>
<td>Parents' residence</td>
<td>.16***</td>
<td>.07*</td>
<td>.06*</td>
</tr>
<tr>
<td>Constant</td>
<td></td>
<td>3.80</td>
<td>.34***</td>
</tr>
</tbody>
</table>

* Significant .05.
** Significant .01.
*** Significant .001.

Part correlations (semi-partial correlations) are calculated by taking the square root of the increase in R-Square which occurs when a variable is added to an equation containing all of the other variables in the model. The Part Correlation for residence measures the combined effects of the urban and suburban dummy variables.

attitude scale in the multiple regression, although gender was not significant in the bivariate analysis. Rural residents held significantly more positive images of rurality than did urban or suburban residents. Older persons had higher scores than younger respondents. Educational level and income were both negatively correlated with acceptance of the rural mystique. Males had slightly more positive attitudes toward rurality than did females when the effects of the other variables were controlled. Persons who had parents who had spent all or most of their lives in rural areas had higher scores than did those whose parents had not done so. The multiple R-value of .335 was statistically significant at the .001 level.

To ascertain the extent to which acceptance of the rural mystique found expression in individual leisure and other lifestyle choices, separate multiple regression analyses were carried out relating the score on the rural mystique acceptance scale and the respondent’s demographic characteristics to each of the lifestyle choices (Table 3).

In every instance, the attitude scale was positively and significantly (.001 level) related to the rural lifestyle choices. That is, even when respondent demographic characteristics were controlled, as the degree of subscription to the rural mystique increased, participation in gardening, hunting or fishing, camping or hiking, picnicking in rural
<table>
<thead>
<tr>
<th>Leisure activities</th>
<th>Attitudes about Rurality</th>
<th>Residence</th>
<th>Age</th>
<th>Education</th>
<th>Income</th>
<th>Gender</th>
<th>Parents' Residence</th>
<th>Multiple R</th>
</tr>
</thead>
<tbody>
<tr>
<td>Gardening</td>
<td>.13***</td>
<td>.08*</td>
<td>.21***</td>
<td>-.01</td>
<td>.07*</td>
<td>.08**</td>
<td>.13***</td>
<td>.35***</td>
</tr>
<tr>
<td>Hunt/fish</td>
<td>.12***</td>
<td>.10**</td>
<td>-.15***</td>
<td>-.09**</td>
<td>-.01</td>
<td>-.34***</td>
<td>.08***</td>
<td>.43***</td>
</tr>
<tr>
<td>Camp/hike</td>
<td>.18***</td>
<td>.09**</td>
<td>-.22***</td>
<td>.01</td>
<td>.01</td>
<td>-.09**</td>
<td>.09***</td>
<td>.34***</td>
</tr>
<tr>
<td>Picnic in rural areas</td>
<td>.18***</td>
<td>.05</td>
<td>-.11***</td>
<td>-.02</td>
<td>-.03</td>
<td>.04</td>
<td>.12***</td>
<td>.29***</td>
</tr>
<tr>
<td>Sightseeing in rural areas</td>
<td>.17***</td>
<td>.07</td>
<td>.11***</td>
<td>.02</td>
<td>.03</td>
<td>.02</td>
<td>.11***</td>
<td>.29***</td>
</tr>
<tr>
<td>TV shows</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Waltons</td>
<td>.12***</td>
<td>.03</td>
<td>.13***</td>
<td>-.03</td>
<td>.00</td>
<td>.18***</td>
<td>.00</td>
<td>.27***</td>
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<tr>
<td>Little House</td>
<td>.13***</td>
<td>.05</td>
<td>.13***</td>
<td>-.12</td>
<td>-.01</td>
<td>.18***</td>
<td>-.02</td>
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<tr>
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<td>.11***</td>
<td>.05</td>
<td>.18***</td>
<td>-.16***</td>
<td>.01</td>
<td>.03</td>
<td>.11***</td>
<td>.41***</td>
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<td>Bluegrass</td>
<td>.14***</td>
<td>.01</td>
<td>.07*</td>
<td>-.05</td>
<td>.04</td>
<td>-.07*</td>
<td>.11***</td>
<td>.25***</td>
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<td>Magazines</td>
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<tr>
<td>One or more rural type</td>
<td>.11***</td>
<td>.04</td>
<td>.07*</td>
<td>.01</td>
<td>.04</td>
<td>.01</td>
<td>.05</td>
<td>.17***</td>
</tr>
<tr>
<td>Buy from farmers</td>
<td>.11***</td>
<td>.02</td>
<td>.07*</td>
<td>.01</td>
<td>.05</td>
<td>.08**</td>
<td>.04</td>
<td>.17***</td>
</tr>
<tr>
<td>Attitudes toward</td>
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<td></td>
</tr>
<tr>
<td>small town shopping</td>
<td>.20***</td>
<td>.05</td>
<td>.04</td>
<td>-.02</td>
<td>.00</td>
<td>.05</td>
<td>.07*</td>
<td>.26***</td>
</tr>
</tbody>
</table>

* Significant .05.
** Significant .01.
*** Significant .001.

* Part correlations (semi-partial correlations) are calculated by taking the square root of the increase in R-Square which occurs when a variable is added to an equation containing all of the other variables in the model. The Part Correlation for residence measures the combined effects of the urban and suburban dummy variables.
areas, and rural sightseeing also increased. Liking of the television shows: *The Waltons* and *Little House on the Prairie* and of country and bluegrass music were all positively related to favorable images of rural life. Reading rural-type magazines, buying produce directly from farmers, and holding positive opinions about small town shopping were also associated with acceptance of the rural mystique. Moreover, for six of the twelve analyses (picnicking in rural areas, rural sightseeing, liking bluegrass music, reading rural magazines, buying direct from farmers, and opinions about small town shopping), the attitude scale was the most important variable in explaining variation in the dependent variables.

Only age outranked the belief in the rural mystique in predicting participation in gardening and camping/hiking. The strength of the net relationship between gender and liking *Little House on the Prairie* outranked that of the attitude scale. Both gender and age were somewhat more strongly linked to hunting/fishing and liking *The Waltons*. Age and parents' residence were slightly more predictive of liking country music than was the rural attitude scale. Overall, however, across the twelve dependent variables, belief in the rural mystique was the most consistent predictor of the behaviors and opinions analyzed, clearly outranking place of residence, education, income, and, in most instances, age, gender, and parents' residence.

### SUMMARY AND IMPLICATIONS

What can be concluded from these data? First, it appears that there exists a reservoir of warm feelings and positive images about people, places, and things called rural. While other writers have commented on this idea, they have focused attention on providing examples from the mass media, art, literature, and popular culture, rather than examining relevant empirical data. The results of this analysis document the widespread acceptance of this rural mystique among persons in the general population. Second, while these favorable perceptions of rurality are pervasive and dominant, there is, nevertheless, some variation among persons about the extent of subscription to these ideas. Residence, age, education, income, gender and rurality of parents' residence were related to acceptance. Third, positive images of rurality are associated with selection of lifestyle choices and consumer products that embody or reflect rurality.

While these observations may interest social scientists concerned with understanding human values and the impact of values on action, one could ask, "so what?" So what if rural is a hallowed element, how
is this information relevant and important to rural people and rural communities in contemporary American society?

The widespread acceptance of rurality as a valued aspect of American society could mean that programs designed to promote the viability of rural areas would be likely to receive widespread grassroots support, especially from those groups which view rurality most positively. To the extent that rural areas are seen as in jeopardy of depression and decline, policy makers might seek to provide government-sponsored activities to promote economic development of rural areas and to enhance the well-being of rural areas. However, it also could be the case that popular acceptance of the rural mystique focuses attention on the desirable images of pastoral scenes—neighborly, friendly, community relationships, and wilderness settings—and blinds people to the many problems of rural life. If so, acceptance of the rural mystique could lead to resistance to any program which might be seen as altering the status-quo. The extent to which each of these patterns occurs is not known, but it is possible that the rural mystique is a two-edged sword when considering public support for government rural development efforts. More research is needed to understand this relationship.

Less problematic is the potential for rural communities to capitalize on the positive imagery of rurality held by people to draw visitors into their midst. Advertisers have long recognized the market potential of the rural mystique and have utilized it to sell a wide range of products and services. Many of these have no association whatever with rurality (Goldman & Dickens, 1983). These images—of close-knit, friendly communities, pastoral agrarianism, and untainted wilderness—are attractions that currently attract visitors and tourists to rural areas. Folk festivals, country fairs, and farmers' markets bring outsiders to partake of the flavor of rural and small-town activities. Entrepreneurs have built folk museums, blazed hiking trails, developed picnic areas, set up ski slopes, and opened their homes to farm vacationers and bed-and-breakfast visitors (Willits & Willits, 1988). These activities have contributed to the economies of some rural areas through the sale of local products and serving the hospitality needs of visitors. However, many communities have not maximized their potentials in this regard.

Perhaps rural residents fail to understand the degree to which belief in the rural mystique pervades American culture and the extent to which rurality can be taken as an economic good. Perhaps they assume that tourism development is appropriate only for exotic places with spectacular natural or man-made sites. However, people also travel to visit more mundane locales, particularly if these are nearby and if
there are multiple things to see and do at the destination (U.S. Con­
gress, House, 1989, p. 100; Smith et al., 1986). By strengthening
rural amenities, creating recreational opportunities, and actively pro­
moting these to potential customers, tourism may provide a viable
economic development option. Of course, not all rural areas are
appropriate sites for such efforts. Distance from urban centers, the
ease of access, and characteristics of the rural area may restrict or
enhance the degree to which day-trippers, shoppers, weekend visitors,
and vacationers can be attracted.

Marketing the rural mystique, like merchandising any commodity,
requires knowledge of the potential consumers. The present study
provides some limited information in their regard. Thus, for example,
urban and suburban dwellers, while somewhat less likely than rural
residents to subscribe to the rural mystique, were also likely to see
small towns and open country life as desirable, and hence represent
potential consumers. (A more detailed analysis of the relationship of
place of residence to attitudes is reported in Willits et al., 1990.) The
relationships of income and education to acceptance of the rural
mystique suggests that middle- and working-class persons, rather than
the wealthy, appeared to be appropriate targets. These groups have
increasingly participated in travel and tourism activities, and repre­
sent a growing market. The positive relationship between age and
belief in the goodness of rurality means that the burgeoning elderly
population may represent a particularly important group to attract.
While these observations are suggestive, clearly, additional research
and analysis is necessary to arrive at a more comprehensive under­
standing of consumer characteristics and attitudes.

There is also a need to strengthen educational programming in
this area and to help communities understand and critically evaluate
tourism as a development strategy. Cooperative Extension at the Land
Grant Universities can and should be a major contributor to such
endeavors, but in many states such activity is completely absent. In­
deed, policymakers at all levels of government have tended to view
tourism as "frivolous" and have ignored its potential for vitalizing
rural areas (Economic Research Associates, 1989). While that situa­
tion is still the norm, in recent years there has been increased interest
by the federal government in tourism as a contributor to economic
development (Federal Task Force on Rural Tourism, 1989; Siehl,
1990). Such a movement is also evident among some European nations
which have begun to strengthen rural tourism through their Euro­
pean Campaign for the Countryside (Thibal, 1988) and other coun­
tries have initiated promotional efforts to increase tourism as a means
of revitalizing declining rural areas (Commonwealth Bureau of Ag­
ricultural Economics, 1974).
Tourism development is no panacea for the various social and economic problems which plague rural areas, and it is not an appropriate strategy for all situations. However, it currently contributes to the economic development of some rural communities and likely could enhance many others. Of course, it would be naive to believe that tourism development will have only positive effects on an area. An influx of visitors can tax the capacity of roads, housing, parking, and other facilities. Land values may increase, leading local residents to relocate. Outsiders may disrupt the indigenous population and bring about unwanted change. Many of the jobs generated may be low-skill low-pay service occupations. Nevertheless, the positive outcomes of increasing demand for local goods and services, enhanced cash flow from outside the area, increased employment opportunities, and the intangibles of increased resident pride in the local history, amenities, and culture may outweigh negative consequences. Long range planning and community regulation can minimize or neutralize many of the potentially unpleasant side effects. Certainly using the rural mystique to attract visitors and vacationers is unlikely to be more disruptive than bringing industrial establishments into an area. And, for some communities, the rural mystique may be among their most marketable resources.

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Thibal, S. *Rural Tourism in Europe.* Strasbourg: European Campaign for the Countryside. 1988


THE NEW BUFFALO HUNT: CHASING THE SERVICE SECTOR
By Cathy Kassab and A. E. Luloff

ABSTRACT

Expanding the service sector in rural and urban areas has become the new focus for strategies designed to promote local economic development. This study examines two issues related to this new Buffalo Hunt: (1) it critically assesses the quality of the service sector jobs available to rural workers, and (2) it compares the quality of these jobs with those found in the traditional manufacturing sector. Findings indicate that investments of capital and other resources by local communities to attract service sector jobs is appropriate, but first consideration should be given to the appropriate level of investment relative to the quality of jobs to be created. In addition, officials in small and rural localities need to understand that the development of jobs in the producer service sector has risks similar to those associated with those in manufacturing. Development of local businesses is one approach for reducing these risks.

INTRODUCTION

Unlike most works on the service sector and rural economic development strategies, which are based on large aggregate analyses (labor market areas and or counties—Miller & Bluestone, 1987; Hirschel & McReynolds, 1989), this study uses a large national sample of individuals to critically assess the quality of service sector jobs available to rural workers, and to compare the quality of these jobs with those

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1 The terms nonmetropolitan and rural are used interchangeably.

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in manufacturing. On the basis of these comparisons, the consequences of community economic development strategies used to attract and retain service industries are reviewed.

Communities historically have sought to attract manufacturing firms in order to support their local economies (Smith & Fox, 1990; Whitting, 1974). Many industrialization strategies channel local and state financial resources towards incubator projects in order to help new manufacturing businesses develop (Howell, 1984; Lampe, 1988).

However, declines in rural manufacturing employment growth rates during the 1980s underscored the limitations of industrial development strategies focused solely on manufacturing recruitment efforts (Smith & Fox, 1990; Smith & Pulver, 1981; Summers et al., 1976). Growth in service sector employment, which occurred concomitantly with declines in manufacturing employment, has received much attention as an alternative strategy for rural economic development (Smith, 1984; Bender, 1987; Hirschl & McReynolds, 1989). Indeed, many industrial and/or development groups switched their recruitment efforts to the service sector as a source of rural community development. While this new Buffalo Hunt does not have all the negative externalities associated with manufacturing growth (services are perceived as being cleaner industries than manufacturing since they tend not to pollute the environment), many of the problems associated with rural manufacturing growth remain applicable.

**Economic Development: Focus on Services**

Several advantages of employment growth in the service sector of rural economies are cited when discussing its potential as a means of economic development. According to Smith (1984, 1991) increased employment in the service sector should lead to decreasing dependency on manufacturing and an increase in the diversification of the rural economy. Growth, particularly in the producer service industries, provides a means for better integrating rural economies into national and international economies. Further, the service sector, especially the producer services, has been expanding for decades (Ginzberg & Vojta, 1981; Smith & Fox, 1990).

Given its increasingly favorable view as a means of achieving rural economic development, it is important to critically assess the potential of the service sector as a vehicle of both economic development for the community and as a source of jobs. To accomplish this, a comparison between the nonmanufacturing and manufacturing sectors is essential so that strategies for guaranteeing the rural community its
“share of the pie” can be incorporated into current local development efforts. It is to this comparison that this paper now turns.

Similar to many manufacturing firms, such as those in the low-skill, labor-intensive apparel industry, technological developments have allowed many service industries to become “footloose,” thereby permitting certain service industries to achieve greater flexibility in choosing locations for business operations. In particular, those services which rely on routinized means of production without requiring face-to-face contact with the public have an increased potential to relocate to remote locations with lower associated costs of production (Glasmeier & Borchard, 1989; Smith, 1993).

But in order to attract certain service industries, including data entry and processing services and high-tech research and development firms, both local community and region may need to make major investments in infrastructure. Such investments may include power and water lines, communication networks, and transportation access. In addition, communities may decide to invest in adult training programs (offered through the local high school or other educational institutions) to help prepare locals for potential jobs in these industries (Kassab, 1992; Pulver, 1986; Shelp, 1985).

Consider the case of a service industry seeking a new home, possibly in a rural region. Such a firm has, in all probability, standardized its work procedures so that a highly-skilled work force is not necessary. For instance, a data processing firm could locate anywhere appropriate telephone lines were in place. The key is the availability of such lines. Currently, many small and rural areas simply do not have the necessary fiber-optic lines. As a result, major start-up investments would be required by the community and region to put them in place.2

To offset initial costs, small and rural communities in a region may need to form cooperative alliances where none existed before in order to develop the regional infrastructure needed to attract certain service industries. While forming an alliance is generally considered positive, the community development literature is rife with examples of difficulties in its implementation. School and rural hospital consolidation, and the general pattern of industrial recruitment, all are marked by contentious and sometimes rancorous conflict (Coleman, 1957; Gamson, 1966; Wilkinson, 1991).

2 Some firms would be able to capitalize on developments in advanced information technology, such as on-site satellite links which enable these companies to purchase a channel on an existing satellite. This would diminish the need for communities to have in operation advanced telecommunications systems, such as fiber-optic lines (Glasmeier and Borchard, 1989, p. 1577).
As with manufacturing, service sector industries can and do relocate to other regions (or countries) when more attractive locations are available. For instance, numerous communities in the Highlands of Scotland presently advertise for communication-lines dependent industries. Such locales offer an environment with low operating costs. A direct implication of this recruitment effort is that communities that made significant investments in local or regional infrastructure to attract data processing or communications-based industries would be susceptible to not receiving a full return on their investments should such firms opt for a move to a lower cost locale, such as the Highlands.

In addition, the size of the multiplier effects from development of a community’s or region’s service sector is moot (Glasmeier & Borcherd, 1989). Multiplier effects and spin-offs from local development efforts can easily be over-estimated. As described below, past experiences with manufacturing development highlight areas where potential benefits from the development effort were lost to the community.

Extra-local ownership of firms, regardless of type, implies that profits from the development escape the community. Consequently, returns from growth in such firms are mainly limited to jobs. Even this growth can be tainted if indigenous people do not fill the higher level and better paying positions (Rogers et al., 1978; Smith & Barkley, 1989; Summers et al., 1976). The problem of non-locals filling higher level positions in service industries is particularly problematic for rural development efforts since many of these jobs require advanced education or training (Appelbaum & Albin, 1990; Stanback, 1990). The typically lower levels of educational attainment among rural residents means that the local population has a reduced chance of capturing the higher level positions.

In order to analyze the risks and benefits associated with using the service sector as a means of economic development, it is both important and necessary to differentiate the sector into its components. There are a wide range of industries and occupations encompassed by the service sector. Some are capital intensive, such as health services, which rely on computers and other high technology equipment, as does the communications and wholesale trade industries (Marshall, 1988).

At the same time, many service industries, including producer services, have a large proportion of part-time employees with little or no health or retirement benefits. Further, many of the jobs in service industries are low-paying while earnings in others are high (Appelbaum & Albin, 1990; Marshall, 1988; Stanback & Noyelle, 1982). The purpose of the following section is to provide a description of
the prevalence of various types of service sector jobs among the non-metropolitan work force and to assess the quality of that employment.

ANALYSIS

Data from the March Supplement of the 1991 Current Population Survey for nonmetropolitan respondents were used to describe the types and quality of jobs available among the rural work force. This is a nationally representative survey of approximately 60,000 United States (noninstitutionalized) households containing data on demographic and economic characteristics (Bureau of the Census, 1991). In order to focus the analysis on the principal contributors to household income, the sample was comprised of civilian heads and spouses of households, and unrelated individuals. Only data for persons who were employed in 1990 and were between the ages of 18 and 64 years were included in the analysis. These procedures resulted in a sample size of 16,352.

Table 1 classifies the various service industries into four functional categories—producer services, distribution services, social and health services, and consumer services—and three other groupings—agriculture, transformative, and resource-related industries; manufacturing; and government and Armed Forces—and presents a detailed breakdown of the types of industries rural respondents claimed as their longest held job in 1990. Two major employers of rural residents in the United States are high-wage manufacturing (15.3 percent) and retail trade (14.5 percent) industries.³

Various other service and goods-producing industries also constitute a substantial share of the employment base in nonmetropolitan areas. These include education and libraries, health services, construction, low-wage manufacturing, and agriculture and natural resource-based industries. Figure 1 illustrates the ten most frequently mentioned employers among nonmetropolitan residents in the United States.

These data highlight two critical points. First, the importance of the service sector to nonmetropolitan residents is clear. Retail trade, educational, and health services account for nearly one-third of all

³ Manufacturing industries were classified as being either low-wage or high-wage. This classification procedure, based on average weekly earnings of two-digit SIC manufacturing industries, is described more fully in Kassab, 1992, p. 40 and 49. Low-wage manufacturing industries included tobacco manufacturers, textile mill products, apparel, lumber products, rubber products, and leather products. All other manufacturing industries were classified as high-wage.
Table 1. Distribution of Industries of Nonmetropolitan Workers, 1990

<table>
<thead>
<tr>
<th>Industry</th>
<th>Percent (n = 16,352)</th>
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</thead>
<tbody>
<tr>
<td>Producer Services</td>
<td></td>
</tr>
<tr>
<td>Finance, Insurance, &amp; Real Estate</td>
<td>4.1</td>
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<tr>
<td>Banking &amp; Other Finance</td>
<td>1.9</td>
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<tr>
<td>Insurance</td>
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<td>Real Estate</td>
<td>1.2</td>
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<tr>
<td>Business Services</td>
<td>2.0</td>
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<tr>
<td>Legal Services &amp; Other Professionals</td>
<td>1.5</td>
</tr>
<tr>
<td>Other Professional-related Services</td>
<td>1.0</td>
</tr>
<tr>
<td>Distributive Services</td>
<td></td>
</tr>
<tr>
<td>Transportation, Communications, &amp; Utilities</td>
<td>5.9</td>
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<td>Transportation</td>
<td>3.2</td>
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<tr>
<td>Communications</td>
<td>0.9</td>
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<tr>
<td>Utilities</td>
<td>1.5</td>
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<td>Wholesale Trade</td>
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<td>Social &amp; Health Services</td>
<td></td>
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<tr>
<td>Health Services</td>
<td>8.3</td>
</tr>
<tr>
<td>Hospitals</td>
<td>3.5</td>
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<td>Nursing &amp; Personal Care Facilities</td>
<td>2.2</td>
</tr>
<tr>
<td>Offices of Physicians</td>
<td>0.9</td>
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<tr>
<td>Other Offices &amp; Other Health Services</td>
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<td>Education &amp; Libraries</td>
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<td>Social Services</td>
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<tr>
<td>Consumer Services</td>
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<tr>
<td>Retail Trade</td>
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<tr>
<td>Repair Services</td>
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<td>Personal Services (excluding private household)</td>
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<td>Private Household Personal Services</td>
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<tr>
<td>Entertainment &amp; Recreation Services</td>
<td>0.6</td>
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<td>Agriculture, Transformative, &amp; Resource-related Industries</td>
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<td>Agriculture/Ag. Services/Forestry/Fisheries</td>
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<tr>
<td>Mining</td>
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<td>Construction</td>
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<td>Manufacturing</td>
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<tr>
<td>High-Wage Manufacturing</td>
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<td>Food &amp; Kindred Products</td>
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<tr>
<td>Paper &amp; Allied Products</td>
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<tr>
<td>Printing, Publishing, &amp; Allied Industries</td>
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<td>Chemicals &amp; Allied Products</td>
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<td>Petroleum &amp; Coal Products</td>
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<tr>
<td>Stone, Clay, Glass, &amp; Concrete Products</td>
<td>0.7</td>
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<tr>
<td>Metal Industries</td>
<td>2.4</td>
</tr>
<tr>
<td>Machinery (excluding electrical)</td>
<td>2.3</td>
</tr>
</tbody>
</table>
jobs. Second, diversification in the rural economy is apparent. A variety of sectors, including construction, manufacturing, agriculture, and services, contribute to the employment base for rural residents.

**Producer Services**

Producer services include business, finance, insurance, real estate, legal, membership organizations, and other professional services such as accounting or advertising (Noyelle, 1986). Producer services have been found to be part of the basic or export sector of local economies (Beyers & Alvine, 1985; Smith, 1984). Export-oriented producer firms trade at least part of their services in markets outside the local econ-

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4 Despite this, evidence indicates that the rural sector is less diversified than the urban sector (Kassab, 1992).
Studies indicate that wages and income derived from the producer service sector tend to be comparable with those derived from manufacturing (Kassab, 1992; Porterfield, 1990a). However, issues have been raised about the quality of these jobs.\textsuperscript{5}

\textsuperscript{5} Evidence indicates that a disproportionate number of workers in the rural producer services, compared with those residing in urban areas, work part-time, and have neither employer-paid health insurance or group health insurance coverage for dependents (Kassab and Porterfield, 1991).
Table 2. Average Wage and Salary Earnings of Nonmetropolitan Workers by Industry, 1990

<table>
<thead>
<tr>
<th>Industry</th>
<th>Average Wage &amp; Salary Earnings (dollars)</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Producer Services</strong></td>
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<tr>
<td>Finance, Insurance, &amp; Real Estate</td>
<td>19,463</td>
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<td>Banking &amp; Other Finance</td>
<td>19,634</td>
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<td>Insurance</td>
<td>21,581</td>
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<tr>
<td>Real Estate</td>
<td>16,953</td>
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<tr>
<td>Business Services</td>
<td>17,303</td>
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<tr>
<td>Legal Services &amp; Other Professionals</td>
<td>25,872</td>
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<tr>
<td>Other Professional-related Services</td>
<td>12,815</td>
</tr>
<tr>
<td><strong>Distributive Services</strong></td>
<td></td>
</tr>
<tr>
<td>Transportation, Communications, &amp; Public Utilities</td>
<td>26,078</td>
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<td>Transportation</td>
<td>24,037</td>
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<td>Communications</td>
<td>25,441</td>
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<tr>
<td>Utilities</td>
<td>31,848</td>
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<td>Sanitary Services</td>
<td>17,799</td>
</tr>
<tr>
<td>Wholesale Trade</td>
<td>20,594</td>
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<td><strong>Social &amp; Health Services</strong></td>
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<td>Health Services</td>
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<td>Hospitals</td>
<td>19,701</td>
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<td>Nursing &amp; Personal Care Facilities</td>
<td>10,806</td>
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<td>Offices of Physicians</td>
<td>22,926</td>
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<tr>
<td>Other Offices &amp; Other Health Services</td>
<td>17,320</td>
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<tr>
<td>Education &amp; Libraries</td>
<td>18,730</td>
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<tr>
<td>Social Services, Job Training &amp; Rehabilitation</td>
<td>11,380</td>
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<td><strong>Consumer Services</strong></td>
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</tr>
<tr>
<td>Retail Trade</td>
<td>12,307</td>
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<tr>
<td>Repair Services</td>
<td>17,861</td>
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<tr>
<td>Personal Services (excluding private household)</td>
<td>10,100</td>
</tr>
<tr>
<td>Private Household Personal Services</td>
<td>2,859</td>
</tr>
<tr>
<td>Entertainment &amp; Recreation Services</td>
<td>11,404</td>
</tr>
<tr>
<td>Agriculture, Transformative, &amp; Resource-related Industries</td>
<td></td>
</tr>
<tr>
<td>Agriculture/Ag. Services/Forestry/Fisheries</td>
<td>13,944</td>
</tr>
<tr>
<td>Mining</td>
<td>30,014</td>
</tr>
<tr>
<td>Construction</td>
<td>19,244</td>
</tr>
<tr>
<td><strong>Manufacturing</strong></td>
<td></td>
</tr>
<tr>
<td>High-Wage Manufacturing</td>
<td>22,390</td>
</tr>
<tr>
<td>Low-Wage Manufacturing</td>
<td>15,943</td>
</tr>
<tr>
<td><strong>Government</strong></td>
<td></td>
</tr>
<tr>
<td>Public Administration/Government</td>
<td>21,925</td>
</tr>
<tr>
<td>Overall (n = 14,056 respondents)</td>
<td>18,157</td>
</tr>
</tbody>
</table>
Such services experienced growth in both rural and urban areas during the 1980s (Porterfield 1990b), thereby increasing the attractiveness of this sector as a means of economic development. Table 1 indicates that nearly one in ten (8.6 percent) nonmetropolitan residents in the United States were employed in an array of producer services industries, with close to half of them employed in either business services (2.0 percent) or banking and other financial industries (1.9 percent).

Tables 2 and 3 present information on the quality of rural jobs in various industrial sectors. Job quality, as indicated by wages, benefits, occupational status, and part-time work status, was examined by major industrial sector. Table 2 reports average wages and salaries earned by nonmetropolitan respondents by industrial sector. Table 3 presents the percentage of workers with a lower-level occupation, the percent employed part-time, whether their employer (or union) contributed or paid in-part or in-full cost of a health insurance plan, and whether dependents were covered by a group health insurance plan. All results were statistically significant.

The wage and salary earnings distribution of workers in the producer services appears bifurcated. Those employed in legal services, insurance, banking, and other finance services tended to report annual wages and salaries in the $20,000 to $26,000 range while those

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6 Evidence for the 1969 to 1984 period indicates that only nonmetropolitan counties adjacent to metropolitan areas experienced employment growth in the producer services. Nonadjacent counties saw no change in producer service employment (Miller and Bluestone, 1987, table 2).

7 Many of the same measures of job quality used by Kassab and Porterfield (1991) are used here.

8 Lower-level occupations were defined as certain service occupations, various administrative support occupations, and some sales workers. Examples of lower level service occupations included cooks, kitchen workers, nursing aides, janitors, hairdressers, and child care workers. Administrative support positions defined as lower-level occupations consisted of secretaries, stenographers, typists, information clerks, records processing clerks, duplicating machine operators, mail and other machine operators. Lower level sales positions included sales related occupations, such as demonstrators, and all sales workers in personal and retail services, excluding motor vehicles and boats. Excluded from the definition of lower level occupation were the protective service occupations, such as firefighters, police, and guards.

9 Results in Table 2 were statically significant, based on the overall F-test in a one-factor analysis of variance model ($F = 49.69; df = 47, 14,008; p < .0001$). Results reported in Table 3 were also statistically significant at the .0001 level with 47 degrees of freedom, using the Pearson chi-square test for a two-way contingency table. Statistics were as follows: industry by occupational level, $\chi^2 = 4,039$; industry by part-time status, $\chi^2 = 1,484$; industry by employer-paid health insurance, $\chi^2 = 3,012$; industry by coverage of dependents, $\chi^2 = 2,246$. 
employed in real estate, business services, and other professional-related services reported 1990 wages and salaries in the $13,000 to $17,000 range. The mean wage for the entire sample ($18,157) fell between these two groups.

The lower wage and salary earnings of workers in real estate, business, and other professional-related services corresponds with the higher proportion of part-time workers in these industries (see Table 3). A predominance of lower-level positions among rural producer service sector workers was evidenced by the finding that the percentage of workers (in each producer service category) with a lower-level position exceeded the average for all industries. Most notably, over half of those employed in banking and other finance services and nearly forty percent of those employed in business services and other professional-related services held such positions.

The producer service industries were bifurcated in terms of the proportion of employees with employer-paid health insurance and coverage for dependents under a group health insurance plan. Consistent with their lower earnings and part-time status, those employed in real estate, business, and other professional-related services were less likely to have such benefits, compared with those employed in banking/finance and insurance.

These findings highlight the varying quality of jobs in the producer service sector. Wage and salary earning in banking/finance, insurance, and legal services for some workers tended to be high,\textsuperscript{10} and workers in banking/finance and insurance were more likely to have some health benefits.\textsuperscript{11} Average wage and salary earnings in these industries were somewhat comparable with jobs in high-wage manufacturing, although the average for the latter was a little higher. Workers in high- and low-wage manufacturing were more likely to have full-time employment status than those employed in the producer service industries. Also, low- and high-wage manufacturing employees typically were more likely to have employer-provided health insurance than were most rural producer service employees.

Wage and salary earnings for rural workers in real estate, business, and other professional-related services were more similar to those employed in low-wage manufacturing, but they were less likely to be full-time employees, have employer-provided health insurance ben-

\textsuperscript{10} The prevalence of lower-level occupations in the banking/finance industry suggests, however, a substantial proportion of lower-paying jobs.

\textsuperscript{11} Those employed in legal services and other professions were less likely to have health insurance through their employer or to have dependents covered through a group health insurance plan than those in banking/finance and insurance, perhaps as a result of the small size of firms and offices in this industry.
Table 3. Occupational Level, Part-time Employment & Availability of Health Insurance Benefits of Nonmetropolitan Workers by Industry, 1990

<table>
<thead>
<tr>
<th>Industry</th>
<th>Percent</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Lower-level Occupations</td>
</tr>
<tr>
<td>Producer Services</td>
<td></td>
</tr>
<tr>
<td>Finance, Insurance, &amp; Real Estate</td>
<td>58.8</td>
</tr>
<tr>
<td>Banking &amp; Other Finance</td>
<td>51.2</td>
</tr>
<tr>
<td>Insurance</td>
<td>50.2</td>
</tr>
<tr>
<td>Real Estate</td>
<td>25.4</td>
</tr>
<tr>
<td>Business Services</td>
<td>37.4</td>
</tr>
<tr>
<td>Legal Services &amp; Other Professionals</td>
<td>28.4</td>
</tr>
<tr>
<td>Other Professional-related Services</td>
<td>39.0</td>
</tr>
<tr>
<td>Distributive Services</td>
<td></td>
</tr>
<tr>
<td>Transportation, Communications, &amp; Public Utilities</td>
<td>9.9</td>
</tr>
<tr>
<td>Transportation</td>
<td>7.1</td>
</tr>
<tr>
<td>Communications</td>
<td>22.7</td>
</tr>
<tr>
<td>Utilities</td>
<td>7.8</td>
</tr>
<tr>
<td>Sanitary Services</td>
<td>9.7</td>
</tr>
<tr>
<td>Wholesale Trade</td>
<td>16.0</td>
</tr>
<tr>
<td>Social &amp; Health Services</td>
<td></td>
</tr>
<tr>
<td>Health Services</td>
<td>45.3</td>
</tr>
<tr>
<td>Hospitals</td>
<td>29.1</td>
</tr>
<tr>
<td>Nursing &amp; Personal Care Facilities</td>
<td>68.5</td>
</tr>
<tr>
<td>Offices of Physicians</td>
<td>51.2</td>
</tr>
<tr>
<td>Other Offices &amp; Other Health Services</td>
<td>46.1</td>
</tr>
</tbody>
</table>
Table 3. Continued

<table>
<thead>
<tr>
<th>Industry</th>
<th>Lower-level Occupations</th>
<th>Employed Part-Time</th>
<th>Employer Paid Health Insurance</th>
<th>Dependents Covered by Group Health</th>
</tr>
</thead>
<tbody>
<tr>
<td>Education &amp; Libraries</td>
<td>27.6</td>
<td>20.4</td>
<td>64.8</td>
<td>87.2</td>
</tr>
<tr>
<td>Social Services</td>
<td>46.3</td>
<td>33.1</td>
<td>33.6</td>
<td>68.0</td>
</tr>
<tr>
<td>Consumer Services</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Retail Trade</td>
<td>49.4</td>
<td>26.8</td>
<td>30.9</td>
<td>58.0</td>
</tr>
<tr>
<td>Repair Services</td>
<td>8.8</td>
<td>15.8</td>
<td>27.5</td>
<td>52.4</td>
</tr>
<tr>
<td>Personal Services (excluding private household)</td>
<td>71.9</td>
<td>33.1</td>
<td>16.4</td>
<td>59.8</td>
</tr>
<tr>
<td>Private Household Personal Services</td>
<td>94.6</td>
<td>67.2</td>
<td>0.9</td>
<td>30.0</td>
</tr>
<tr>
<td>Entertainment &amp; Recreation Services</td>
<td>44.9</td>
<td>47.7</td>
<td>23.7</td>
<td>55.0</td>
</tr>
<tr>
<td>Agriculture, Transformative, &amp; Resource-related Industries</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Agriculture/Ag. Service/Forestry/Fisheries</td>
<td>2.2</td>
<td>12.9</td>
<td>19.1</td>
<td>39.9</td>
</tr>
<tr>
<td>Mining</td>
<td>3.3</td>
<td>2.2</td>
<td>76.5</td>
<td>84.6</td>
</tr>
<tr>
<td>Construction</td>
<td>4.1</td>
<td>11.0</td>
<td>36.1</td>
<td>54.6</td>
</tr>
<tr>
<td>Manufacturing</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>High-Wage Manufacturing</td>
<td>6.6</td>
<td>4.5</td>
<td>75.5</td>
<td>88.2</td>
</tr>
<tr>
<td>Low-Wage Manufacturing</td>
<td>4.1</td>
<td>6.5</td>
<td>61.7</td>
<td>81.4</td>
</tr>
<tr>
<td>Government</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Public Administration/Government</td>
<td>20.3</td>
<td>9.5</td>
<td>72.8</td>
<td>87.9</td>
</tr>
<tr>
<td>Overall (n = 16,352)</td>
<td>25.0</td>
<td>16.4</td>
<td>50.3</td>
<td>71.9</td>
</tr>
</tbody>
</table>
benefits, or have their dependents covered through a group health insurance plan.

**Distributive Services**

The distributive service sector (transportation, communications, utilities, sanitary services, and wholesale trade) has not received as much attention in the literature as the producer services as a vehicle of economic development. As its name implies, such industries distribute services and goods between businesses and government organizations, and between businesses and consumers (Noyelle, 1986). Following Marshall (1988), this paper uses a fairly encompassing perspective which includes distribution activities as part of the producer service-related nexus, since these industries help sustain a network of organizations engaged in producer-related activities.

Nearly one-tenth (9.3 percent) of the rural workers sampled were employed in the distributive services, with about two-thirds of those (6.6 percent) in wholesale trade and transportation (Table 1). The average level of wages and salaries by workers in the distributive services was among the highest reported (Table 2). Workers employed in utilities reported the highest average wage and salary earnings of all workers.

Average wage and salary earnings in transportation, communications, and utilities exceeded that reported for high-wage manufacturing, while earnings for wholesale trade were lower but still comparable (Table 2). Mean earnings for only those employed in sanitary services were below the average for all workers.

Although the level of pay in the distributive services tended to exceed or be comparable with that offered in high-wage manufacturing, the proportion of employees in lower level occupations in the distributive services exceeded that in either low-wage or high-wage manufacturing. Jobs in transportation and wholesale trade were also less likely to offer health insurance benefits than jobs in manufacturing (Table 3). Regardless of the discrepancies between manufacturing and distributive service sector employment, workers in the distributive services tended to fare better than those in the producer services in terms of income and other measures of job quality.

**Social and Health Services**

The importance of educational and health services to the rural economy is portrayed in Figure 1, with almost one-fifth (17.5 percent) of the workers holding a job in one of these industries. Among those
employed in the health services (8.3 percent of the total), close to one-half (3.5 percent) were in the hospital sector and over one-quarter (2.2 percent) in nursing and personal care facilities (Table 1).

Persons employed in social and health industries reported a wide range of average wage and salary earnings. As with the producer services, bifurcation in the distribution of wages and salaries was evident. Average 1990 earnings reported by those employed in offices of physicians, hospitals, and education/libraries were above the mean for the entire sample, but less than the average for those employed in high-wage manufacturing, with the exception of offices of physicians.\(^\text{12}\) In contrast, other health and social service workers, particularly those employed in nursing and personal care facilities and the social services, reported some of the lowest incomes, on average. The lower levels of pay evident among this latter group can be partly attributed to higher than average rates of part-time employment.

The percentage of workers employed in lower level positions across all health and social service industries exceeded the percentage of employees across all industries. Nearly 70 percent of those employed in nursing and personal care facilities were in lower level positions. The prevalence of lower level positions in this industry, combined with the high level of part-time employment, exacerbates the tendency for wages to be low. A disconcerting factor associated with these findings is that nursing and personal care facilities had the highest rates of growth in the rural economy between 1981 and 1986 (Porterfield, 1990a).

The availability of health insurance benefits among those employed in the social and health services did not compare favorably with those employed in manufacturing. With the exception of those employed in hospitals and education/library services, a lower proportion of health and social service workers reported having employer-paid health insurance or group coverage of dependents than that reported by low-wage manufacturing workers.

Despite the prevalence of jobs in the social and health services among rural workers, the quality of jobs in these sectors did not compare favorably with those in manufacturing or in the other service industries. Those with the "better" jobs were associated with hospital and educational service sectors.

\(^\text{12}\) The average in offices of physicians was likely to be upwardly biased since 20 percent of the workers reporting wage and salary earnings in this industry were physicians.
Consumer Services

About one-fifth (20.7 percent) of the jobs were in the consumer services, with over two-thirds (14.5 percent) of those being in retail trade. Several types of retail trade industries exhibited rapid growth in rural areas during the 1980s, including eating and drinking establishments, grocery stores, and department stores (Porterfield, 1990a). Another major source of employment in this sector was personal services (excluding private household workers), such as hotels and motels, beauty and barber shops, and laundry, cleaning, and garment services.

Average wage and salary earnings across all consumer services were low. Retail trade reported an average of $12,307 in wage and salary earnings during 1990, while private household personal service workers earned only $2,859, on average. In contrast, repair service employees reported earning $17,861, exceeding the average reported by those employed in low-wage manufacturing ($15,943).

Workers in the consumer service sector typically filled lower-level positions, with the exception of those employed in repair services (Table 3). They were also, in general, more likely to work part-time than other workers. The combination of lower level and part-time work most likely led to the reduced earnings potential exhibited by these workers. Further, such individuals were among the least likely workers to have employer-paid health insurance or have group health insurance for dependents.

Agriculture, Transformative, and Resource-Related Industries

Less than one in ten respondents (7.8 percent) reported working in a traditional rural industry, such as agriculture or mining, and another seven percent reported being employed in construction (Table 1). Average wage and salary earnings among workers in agriculture and natural resource-based industries were among the lowest of all workers. Agriculture and natural resource-based workers were also some of the least likely to have employer-paid health insurance or have coverage for dependents.

Conversely, mining employees reported the second highest mean wage and salary earnings for the year. These workers were similar to those employed in high-wage manufacturing in terms of the other measures of job quality, as well.

The quality of construction jobs fell between those in mining and those in agriculture or natural resources. Average pay among construction workers ($19,244) was lower than that in high-wage manufacturing, and the percentage of those in construction working
part-time was higher. Construction workers were less likely than all workers in general to have employer-paid health insurance or have coverage for their dependents.

Government and Armed Forces

Only 5.7 percent of the (civilian) respondents indicated government or armed forces employment (Table 1). Average wage and salary earnings for the former group were similar to that offered by high-wage manufacturing, with a large proportion of workers being employed full-time and having employer-paid health insurance for themselves and group coverage for their dependents. One-fifth (20.3 percent) of government workers were employed in lower-level positions.

SUMMARY AND DISCUSSION

In summary, the quality of rural service sector jobs was found to be highly variable. Some, especially those in communications and utilities, and to a lesser extent transportation, compared favorably with jobs in high-wage manufacturing. In contrast, other service industry jobs, such as certain consumer and health service positions, appeared to be of a lower quality than jobs in low-wage manufacturing.

Given the vagaries of economic change in rural and small areas, job opportunities in all arenas must be seriously considered. Places where traditional extractive industrial and manufacturing employment bases have eroded require a revisiting of their community investment strategies. We believe that an effort to attract jobs in the service sector is worthwhile. However, communities first need to identify the risks and benefits associated with such job creation and then establish an appropriate level of political, social and fiscal involvement in this process.

Urban strategies of economic development should be evaluated and revised before being applied to rural communities or regions. They are not directly comparable. For instance, economic benefits derived from rural employment in the producer service sector, including the higher level positions, tend to be less than that associated with comparable positions in urban areas (Kassab & Porterfield, 1991).

15 Results for workers reporting wage or salary earnings from the armed forces were not included in Table 2 due to the small number of respondents in this category.
Results indicate that many of the rural jobs in the producer services, particularly banking/finance and insurance, offer wages and benefits that are comparable with high-wage manufacturing. However, considerable variability in the quality of jobs within each producer service industry was evident, as indicated by the large proportion of lower level positions. This means that attempts to attract producer service firms may result in a large number of lower level jobs with minimal benefits along with some higher paying positions.

Development of the producer service sector also has risks similar to those associated with manufacturing. Such industries are able to relocate to areas with lower costs of production as the technology for information processing and transmittal diffuses to these areas.

Development of local businesses in one approach for reducing these risks (Luloff, 1987; Smith & Fox, 1990). Firms that receive their initial impetus and assistance from the region or state are less likely to be footloose and relocate to another part of the country or globe. Formal state policies designed to encourage and facilitate local entrepreneurship among the residents of the state is one mechanism for providing assistance. In addition, when states provide the needed money and assistance new businesses demand in order to stay competitive, the region is more likely to capture associated spin-offs and/or expansions from peripheral industries (Luloff, 1987).

Employment in the distributive services appears to offer the highest potential for economic reward to the individual worker. However, these jobs, while present in rural regions, are more likely to be located in central place areas, rather than disbursed throughout small communities in the countryside. What this implies is that workers will travel from the surrounding rural region for these higher paying jobs.

Despite the preponderance of negative aspects of jobs in the consumer services, some evidence indicates that employment growth in retail trade has a positive impact on rural community economies (Kassab, 1992). Creation of jobs in the consumer services, particularly in retail trade, repair services, entertainment, and recreation, could prove to be advantageous to the community. These industries can improve the level of amenities associated with an area, thereby enhancing the likelihood that local residents will spend their dollars within the community. Besides an import substitution effect, development of the downtown or retail trade section of the community may make the community a more attractive site, thereby acting as an inducement for other industries to locate there.

Increasing employment in the health and social services also has both negative and positive implications for rural communities. Many of these organization offer a substantial number of lower paying jobs
with minimal benefits, including nursing homes and personal care facilities. However, the presence of health and social service organizations, such as nursing homes, within the community implies that community residents do not need to travel outside of the area in order to obtain these services. These organizations serve to enhance the quality of life for community residents by improving access to health care and social services, as well as providing an import substitution effect.

Some of the highest quality jobs in the social and health services were associated with hospital employment. However, hospitals tend to be located in central places, requiring workers to commute for employment. Perhaps of more importance is the fact that many rural hospitals face imminent closure (U.S. GAO, 1990) greatly limiting the economic development potential of this sector.

The prevalence of part-time employment among service industries has both negative and positive repercussions. Research indicates that the presence of a second wage earner eases the burden of householders trying to maintain family income levels, particularly among workers employed in low-wage jobs (Jensen & Tienda, 1989; Kassab & Smith, 1992). The increased number of part-time jobs increases the opportunities for families to supplement their incomes, with the consumer service sector typically an important source of jobs for spouses (Kassab & Smith, 1992).

However, the prevalence of lower paying, part-time work can contribute to single-headed families lagging behind dual-headed families, particularly those with two wage earners, in terms of economic well-being. Single female-headed families were most susceptible to this economic segregation, since women were more likely to be employed in lower level positions (Kassab & Luloff, 1993). However, it is important to note that the growth of service industries in the rural economy has provided an avenue for women to enter the labor force, since few women traditionally gained employment in the higher paying non-service industries (Browne, 1986; Kassab, 1992).

Community developers need to weigh various factors related to the characteristics of their community and the needs of the population before deciding upon a particular strategy for developing the local or regional service economy. One needs to assess the quality of jobs realistically arising from a successful development effort, determine how attractive these jobs will be to local residents (particularly if many of the new positions are part-time, or offer low-pay and minimal benefits), as well as gauge the likelihood that community residents will obtain the “good” ones. The costs and potential risks of any development effort should then be weighed against the value of its benefits, determined at least partly by the quality of jobs likely to
arise from it. On the basis of these results, then, it would be a mistake for local communities to look to the service sector as a panacea for all of their economic development problems.

REFERENCES


COMMUNITY BONDS: A NEW APPROACH TO COMMUNITY AND ECONOMIC DEVELOPMENT

By G. F. Parsons

ABSTRACT

This paper outlines Saskatchewan's new direction in a community based economic policy that is now also being adopted in several other Canadian provinces. The provincial government developed a Community Bonds Program to mobilize local people, local capital and local resources for new, diversified business and manufacturing development. Community Bonds originated in response to the provincial need to diversify the rural economy and create jobs to offset the effects of massive structural adjustment in Saskatchewan agriculture and an extremely limited government fiscal position. The Community Bond Program replaces the traditional central government approach towards economic policy with a decentralized, community-led decision making process. Early evaluation of the program has demonstrated the widespread public interest in becoming directly involved in local economic development projects. This interest however must also be secured with improved methods of education and project evaluation to protect direct investment by both the public and communities.

INTRODUCTION

This paper is a review of community economic development experience using community bonds. These bonds are being introduced in varying forms in several Canadian provinces to allow local residents to become more directly involved in the development and financing of local economic development projects. While the approach has directly empowered local people to become involved in their local economy, it has not relied upon the established rural and community planning infrastructure that has been put in place by federal and provincial governments. Early evaluation of the program has demonstrated the widespread public interest in financing local economic...
Parsons

development projects. This financing capacity alone, however, must also be protected with improved methods of education and project evaluation that have too often been lacking within the existing framework for community development.

Background

For years in Saskatchewan and elsewhere in Canada, economic and regional development initiatives were dominated by either government-to-government initiatives or government-to-industry agreements. Federal-provincial agreements such as the Agricultural Rehabilitation Development Agreement (ARDA), Special ARDAs, General Development Agreements (GDA), and Economic and Regional Development Agreements (ERDA) and, now, Partnership Agreements all represent attempts by governments to lead local and provincial economies to expansion, development and diversification (Senate Committee on National Finance, 1982). Incentives to industry in the form of tax breaks, grants, loan guarantees, loans and infrastructure assistance were a complementary arm of these traditional economic policy directions (Brewis, 1969; Senate Committee on National Finance, 1982) and generally were based upon a continuing series of agreements between federal and provincial governments and often large corporations.

Over the years, these economic policy directions showed mixed results. There is a long literature documenting the failure of government incentives to industry (see for example: Mathias, 1971; Lithwick, 1978, pp. 243–282). Government-to-government regional development agreements have seen a regular restructuring every five to ten years in attempts to address continuing problems, improve coordination and increase impact. Thus, Special ARDAs gave way to GDAs and ERDAs, which are now to be superseded by Partnership Agreements. There have been regular major reviews of the economic development needs of Canada's most disparate regions by the Economic Council of Canada and others in an attempt to improve the effectiveness of the economic policy approach and to identify new policy directions (see for example: Economic Council of Canada, 1965, 1977, 1984; Whalley & Trela, 1986).

The most significant omission, for all the economic policy frameworks, has been the direct and continuing involvement of local people. While many government programs have involved consultation at the start, they have generally been government-led initiatives based upon government-to-government or government-to-industry agreements. Often, this omission alienated the public. As a result, the public
has become less interested and involved in economic policy initiatives, which also weakens the basis for economic development. In addition, governments increasingly looked for external solutions rather than first applying the considerable financial and human resources that exist within provinces and communities throughout Canada.

Across Canada there is a long standing and growing interest in a community-based approach to economic policy. The Economic Council of Canada report *From the Bottom Up—The Community Economic Development Approach* noted their effectiveness:

> Enough has been learned to enable us to conclude that this approach can revitalize the economies of small and isolated communities, some of them in regions that are themselves depressed. . . . At the same time we stress the importance of applying public sector assistance in ways that do not stifle the enthusiasm and innovativeness of local development organizations. Nor should public support diminish the local control that is the essence of the community based approach to economic developments. (1990, p. 18)

**Economic and Fiscal Challenges in the Saskatchewan Economy**

The last half of the 1980s posed difficult challenges for economic policy in Saskatchewan. Low agricultural and commodity prices, the European-American agricultural subsidy war, high nominal and real interest rates and successive droughts combined to create a depression in the rural economy and widespread debt and deficits in government and business. By 1990 the combined government and Crown sector debt in Saskatchewan stood at $12.2 billion, of which $4.6 billion was in executive government. In addition, the farm debt had reached $7.6 billion and commercial debt $26.0 billion (Government of Saskatchewan, 1990). Clearly, by the end of the decade, the financial capacity of either the government or business to nurture and support new economic development was becoming extremely restricted. There was a pressing need for the economy to develop equity as a basis for any new growth.

The economic situation was felt most strongly in the rural areas and communities where the very basis for their economic future was being undermined by excessive global agricultural subsidies that stimulated world-wide over-supply of grains and destructive market competition in export markets. The economic effects were seen not only in the growing farm debt, but also in the farm bankruptcy rate, the decline in the population of smaller communities and the out-migration from the province.

Ironically, it also became apparent through the later half of the
1980s, that in spite of the difficult economic conditions, there was a growing capital pool in the province with a strong interest on the part of residents to participate directly in the economic development of both their community and their province. The Government of Saskatchewan through its Public Participation Program made bond and share offerings available after 1985 to finance new economic activity in the Crown sector. Bond and share offerings were made on a number of government crown corporations—SaskOil, SaskPower, SaskTel, Westbridge (the government computer company) and the Potash Corporation of Saskatchewan. Over 215,000 residents, from a population of one million, participated directly as bond or shareholders and raised over $1.5 billion in years of slow or negative economic growth. In 1989, the $250 million issue of Potash Ownership bonds was oversubscribed by over $200 million.

Attempts to mobilize the savings pool had been tried in Saskatchewan and elsewhere in Canada through a variety of venture capital programs and stock savings plans. In Saskatchewan, these programs had been primarily used by the traditional, higher income investment community already serviced though investment brokers and by the project developers. There was little evidence that the public at large would be willing to redirect their savings towards provincial or community development. The experiments with public participation had demonstrated that in the right circumstances provincial residents were willing to invest their savings to work at home.

Survey information on community investing further identified the strong public interest in having local investment vehicles. Significantly, the reasons for local investment were not based solely upon financial return. Rather, they looked towards wider community interests such as job creation, particularly for youth, and a willingness to become directly involved in solutions (Table 1).

THE COMMUNITY BOND PROGRAM

Saskatchewan's Community Bond Program is a community based approach towards community economic development and diversification. The Community Bonds Act creates a new form of provincial business corporation in Saskatchewan called the community bond corporation. These corporations can be incorporated by six or more local individuals, one of whom must be a youth director between the ages of 16 and 25 and another who must be the nominee of the local municipality. The application to incorporate must also be accompanied by a supporting solution from the local municipality endorsing the formation of the bond corporation in the municipality. The com-
Table I. Local Investment Criteria, Saskatchewan, 1990

<table>
<thead>
<tr>
<th>Reasons for Investing Locally</th>
<th>Percent of Survey Respondents</th>
</tr>
</thead>
<tbody>
<tr>
<td>Keep Youth at Home</td>
<td>79</td>
</tr>
<tr>
<td>Create Jobs</td>
<td>72</td>
</tr>
<tr>
<td>Faith in Community</td>
<td>70</td>
</tr>
<tr>
<td>Direct Assistance</td>
<td>64</td>
</tr>
<tr>
<td>Good Investment</td>
<td>60</td>
</tr>
</tbody>
</table>


Community bond corporation is therefore a locally controlled investment corporation that operates within a provincial framework of regulation (Legislature of Saskatchewan, 1990).

Rural development corporations in Saskatchewan, a recent municipal creation, may incorporate community bond corporations without a supporting municipal resolution. Today there are forty-eight such corporations in Saskatchewan. Rural development corporations had been established in the 1980s with the objective of establishing a multiple community base to undertake local economic development activities. Like community bond corporations, they are locally controlled and operate under provincial legislative guidelines. Through most of the 1980s, however, they had been occupied with local consultation, organization, incorporation and planning; there had only been limited progress towards local economic development.

Community bond corporations are a special new type of corporation designed to: i) identify and evaluate economic development projects in the community; ii) raise local equity financing by issuing community bonds; iii) make equity investments in the local project; and, iv) administer the bond offering, equity investment and bond administration. Community bond corporations provide a local base for investment and project support for economic and community development and diversification. Instead of focusing on the community planning process, the bond corporations were encouraged to immediately identify and proceed with local projects such as local manufacturing and processing plants. In addition, they established a broader public and community involvement in the economic policy process, which has long been the prerogative of big government and big business.

Community bonds can be issued by community bond corporations only for a restricted range of economic development activities. These are manufacturing and processing activities, commercial water projects, developing export markets, destination tourism projects, and environmental industries. This restricted range of eligible invest-
ments was based upon creating new wealth and employment opportunities within the rural economy and limiting the Province of Saskatchewan's fiscal exposure under the program. For example, the program was not available to refinance farm debt that would have simply represented a debt transfer, offered no new diversified employment and could have led to billions of dollars of provincial financial exposure.

Community bonds can be issued in two forms: project bonds to finance approved projects within an eligible sector, and pool bonds for a community to establish a pool of funds for subsequent investment or in one or more eligible projects. Community bonds carry a Government of Saskatchewan guarantee on the principal of the bond. There is no guarantee on any return that may be available from the bond, although returns will be generated depending on the profitability of the project.

Approval for a community bond issue by a community bond corporation is obtained from a provincial government review committee consisting of up to eight members. Currently, there is one representative on the review committee from Saskatchewan Economic Development, Saskatchewan Finance, Saskatchewan Economic Development Corporation and Saskatchewan Rural Development. In addition, there may be up to four private sector members on the review committee.

Application by a community bond corporation to the review committee for approval to issue the community bond requires the completion of four key documents. A Business Plan for the prospective project investment provides the government with a basis to evaluate the security of the guarantee on the bond by assessing the viability of the project. A completed Offering Memorandum to accompany the bond offer, based upon a simplified pro-forma prospectus developed for the program, provides a statement of the essential information required by the public to make an informed investment decision. It includes, for example, information on the financing of the company, its management, products and markets. A draft Financing Agreement between the project company and the community bond corporation specifies the terms and conditions for the equity investment and any other rights and obligations associated with the investment. Finally, the application must describe a Marketing Plan for the issue and distributions of the bond.

Funds raised through the community bond issues can only be used to make equity investments in eligible projects. Normally, the bond corporations are expected to assume a minority position in the projects identified, so that they do not hold more than fifty percent of
the project company shares. Community bonds carry the option at term, the end of the time for which the bond has been issued, of conversion to capital shares of the project company.

As an investment whose principal has been fully guaranteed by Government, community bonds are exempt from Saskatchewan securities regulations. The bonds must comply, however, with the provisions of the Community Bonds Act and Regulations that establish ownership limits at less than ten percent of an issue, place limits in the relationships between bond corporations and project companies, prohibit insider trading, establish bond marketing rules and provide for sanctions and intervention by the Courts and the appropriate Minister.

The Community Bond Program is administered through the Community Bond Office of the Department of Economic Development. The Community Bond Office provides assistance to communities and individuals considering the formation of a community bond corporation, assists community bond corporations in identifying and evaluating projects, administers the review committee and promotes the program. Guarantees for the principal of community bonds are issued by the Provincial Department of Finance through an agreement with the local community bond corporation. This provides for payment of the principle of the bond at the term of the bond in the event that there is a default by the project investment. It effectively guarantees the individual to make the investment through the local community organization.

Early Results

The interest in the community bond program was overwhelming. In January 1993, 148 community bond corporations had been incorporated. An additional 64 incorporations were in preparation. Twenty-four bond issues had closed with a subscription of $12.8 million from 5,280 investors. Three hundred sixty-eight jobs had been created. Approximately eight projects were awaiting government approvals. The community bond office made direct contact with over 4,500 Saskatchewan residents through 327 community consultations. The program has been seen as non-partisan and survived the change of provincial government from a Progressive Conservative to New Democratic administration.

Communities are working on a wide range of new diversification projects in all parts of Saskatchewan. They include roofing tile and furniture manufacturers, genetic exports, high technology companies and agricultural processors. The projects are being developed in both
small rural villages and the large cities of Saskatoon and Regina. Some selected examples of the community bond experience follows.

**Rosetown and District Community Bond Corporation.** Rosetown Community Bond Corporation raised $800,200 in January of 1991 from 642 subscribers for an investment in Precision Metal Fabrication Ltd. Precision Metal established a new manufacturing facility in the community with a population of approximately 2,800, located some 125 kilometers east of Saskatoon in a grain producing area. Precision Metal manufactures combine attachments and other agricultural equipment. The project required $1.7 million investment and created 40 jobs in the community. The bond offer was sold by 52 local agents. The average bond subscription was a little over $1,000.

Rosetown leaders were concerned by the absence of local employment opportunities for youth. A group of local business people, farmers and realtors combined to form the community bond corporation. Raising the money from the local community involved training 60 local residents as selling agents and a strong marketing campaign. Public meetings, coffee shop discussions and advertising were all part of the selling strategy. A local survey indicated that there were local bank deposits of $120 million, so the minimum target of $800,000 seemed reasonable.

The bond investment also led to the formation of a local economic development agency. Historically, local municipalities in the Rosetown area had not worked well together. The success of the bond corporation resulted in the formation of a broader social and economic development agency. Suggestion boxes for new forms of economic and social development can now be found throughout the community.

**Manitou Springs Community Bond Corporation.** The Manitou Springs Community Bonds Corporation at Manitou Beach between Saskatoon and Regina raised some $250,000 from 250 subscribers in July, 1991. The community bonds were invested in a hotel and convention center next to the Manitou Springs Health Spa. The bond investment became the extra investment along with immigrant investor funds, a local venture capital corporation and some government tourism funding to allow the project to proceed. The small community of less than 2,500 raised its community bonds funds from 250 subscribers with an average subscription of $2,240. It has led to the creation of a major resort complex based upon "taking the waters in Lake Manitou."

**Elbow Community Bond Corporation.** Elbow Community Bond Corporation raised $1,000,000 for an equity investment in Blowhard Pneumatic (Elbow) Ltd. in May, 1991. Elbow is a small agricultural
service center near Lake Diefenbaker with a population in the community and surrounding area of less than 5,000. Blowhard Pneumatic produces coupling devices for farm and industrial equipment. The new facility required a $2 million investment and created 12 jobs. The bond offer was sold locally by 30 selling agents. There were over 200 local subscribers to the community bonds, who made an average investment of $4,400.

Lemberg Community Bond Corporation. Lemberg Community Bond Corporation raised $128,000 for an equity investment in Perma Tile Ltd. to establish a concrete roofing tile manufacturer in a small community south of Regina. The project had $950,000 of initial investment and created 12 jobs. The bond offer was sold from 121 subscribers who each invested a little more than $1,000 in community bonds. The project company sells its roofing tiles all over the Prairies from its rural location.

Big Quill Community Bond Corporation. The Big Quill Community Bond Corporation in Wynyard raised one million dollars to invest in Big Quill Resources Ltd., a manufacturer of sodium sulphate. Bonds provided half the financing in the $2 million project and created 12 jobs. The project has allowed the development of local diversification opportunities in connection with by-products from the local potash mines and the processing of local brines.

Kelvington Community Bond Corporation. The Kelvington Community Bond Corporation raised $192,800 from 392 local investors to invest in Kelvington Processors Ltd. Kelvington is a small rural agricultural service and shopping center with a population of less than 3,000 in northeast Saskatchewan. Kelvington Processors manufacture, process and market pea chips as a snack food. The project required a $400,000 investment, created 17 jobs and provided a diversification opportunity for local area farmers to supply the plant with crops other than grains and oilseeds.

The average investor in these community bond issues was older, in the fifty to sixty year age group, although even high school students bought bonds. At times a retired resident would buy a large amount of bonds, $20,000 to $40,000, to help create jobs for the youth in the community. Expenses for sales campaigns associated with marketing the bonds were financed through both volunteer donations and interest earned from the bonds in advance of the equity investment.

Community bond corporations normally make their equity investments as preferred shares, often with an annual dividend that is not guaranteed by the government. For most local residents the most important part of the investment has been the local employment that
also commonly involves summer work for students. In addition, the
annual payrolls of new companies in small communities represents a
significant addition to both retail sales and the local tax base.

The early projects involved the expansion of an existing business
or the attraction of new business to the community. For the busi­
esses, the attraction has been the patient equity capital. In all cases,
the new employment represented a significant new alternative to the
depressed agricultural economy. In many cases the projects offered
further processing opportunities that would also create important
new markets for farmers.

THE ECONOMIC AND FISCAL IMPACT OF
COMMUNITY BONDS

Final measures of the program impact of community bonds will
have to await the results of the performance of individual projects
and the continued interest of the public and communities in assuming
direct responsibility for economic development. However, over two
years since the introduction of the Community Bonds Act it is possible
to make some preliminary estimates of the economic and fiscal cost
of the program.

Evaluating the economic and fiscal impact of the Community Bond
Program requires estimates to be made of the net present value of
the fiscal and economic impact of the program over the life of the
community bond. Most community bonds are issued for five year
periods and it is for this period that the government guarantee is in
force. Although the benefits of the community bond investments
extend beyond the term of the bond, the following evaluation has
been conservatively based upon estimating the costs and benefits over
the five year period.

A preliminary financial evaluation was undertaken based upon the
detailed corporate information related to the first twenty-four com­
pleted offers and as declared in each community bond Offering Mem­
orandum prospectus. This includes information on the financing base
for each project, its tax contribution, expected employment effects
and capital construction requirements. The evaluation identifies the
following financial and economic information in connection with the
bond offer projects, as shown on Table 2.

Nearly, two dollars of capital investment was generated as a result
of every dollar of community bond financing. This financing is de­
erived from a variety of sources, including private equity, credit union
equity and debt, chartered bank debt, municipal equity, provincial
equity and debt and federal equity, debt and loan guarantees, mainly
Table 2. Community Bond Offering Financial Information

<table>
<thead>
<tr>
<th>Description</th>
<th>Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>Number of Projects Evaluated</td>
<td>24</td>
</tr>
<tr>
<td>Total Value Community Bond Offerings</td>
<td>$12.8 million</td>
</tr>
<tr>
<td>Other Financing</td>
<td></td>
</tr>
<tr>
<td>Equity Contributions</td>
<td>$14.8 million</td>
</tr>
<tr>
<td>Debt Financing</td>
<td>$18.0 million</td>
</tr>
<tr>
<td>Total Direct Capital Investment Undertaken in Connection with Community Bond Financing</td>
<td>$45.6 million</td>
</tr>
<tr>
<td>Leverage Ratio (additional equity plus debt/bonds)</td>
<td>1.98</td>
</tr>
</tbody>
</table>

through the Office of Western Diversification but also through Immigrant Investor Funds and R&D programs. The existence of the community bond equity financing in projects has often been the catalyst in ensuring a sufficient equity base for other financing sources to participate. In many parts of rural Saskatchewan, conventional bank financing has effectively disappeared.

Economic Impacts and Evaluation

Estimating the program costs and economic impacts requires assumptions to be made on the current and anticipated cost of borrowing to finance the program and the anticipated claim on the guarantee. These were estimated at a discount rate equivalent to the long term Government of Saskatchewan bond rate of 8.0 percent, a discount factor over five years of .681 and a small business failure rate of 30.0 percent. These values reflect the conditions prevailing at the time of the community bond offer. Clearly, current lower discount rates would have the effect of increasing returns and lowering program costs. Secondary economic benefits have been conservatively estimated from economic and employment multipliers derived from the Saskatchewan input output table.

Employment Impacts and Evaluation

Direct employment effects are generated from the initial capital investment and related construction activity and from ongoing employment in community bond projects. The first twenty-four projects were expected to create 368 jobs. Indirect employment effects are generated from the increased level of economic activity generated through the multiplier for Gross Domestic Product (GDP). This suggests that over 2,500 person years of employment would be created.
Table 3. Employment Impacts, Community Bond Investments

<table>
<thead>
<tr>
<th></th>
<th>Year 1</th>
<th>Year 2</th>
<th>Year 3</th>
<th>Year 4</th>
<th>Year 5</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Jobs Created</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Direct</td>
<td>368</td>
<td>368</td>
<td>368</td>
<td>368</td>
<td>368</td>
<td>1,840</td>
</tr>
<tr>
<td>Construction</td>
<td>273</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>273</td>
</tr>
<tr>
<td>Indirect</td>
<td>128</td>
<td>74</td>
<td>74</td>
<td>74</td>
<td>74</td>
<td>424</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td>769</td>
<td>442</td>
<td>442</td>
<td>442</td>
<td>442</td>
<td>2,537</td>
</tr>
</tbody>
</table>

Predicted Employment Creation from Community Bond Investments

<table>
<thead>
<tr>
<th></th>
<th>Year 1</th>
<th>Year 2</th>
<th>Year 3</th>
<th>Year 4</th>
<th>Year 5</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>Direct</td>
<td>368</td>
<td>340</td>
<td>313</td>
<td>285</td>
<td>258</td>
<td>1,564</td>
</tr>
<tr>
<td>Construction</td>
<td>273</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>273</td>
</tr>
<tr>
<td>Indirect</td>
<td>128</td>
<td>63</td>
<td>57</td>
<td>52</td>
<td>36</td>
<td>368</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td>769</td>
<td>408</td>
<td>376</td>
<td>342</td>
<td>310</td>
<td>2,205</td>
</tr>
</tbody>
</table>

over the five year evaluation period as a result of the $12.8 million of community bond investments. The employment effects of community bonds and the cost of community bond job creation is affected by the failure rate of the community bond projects. At the 30 percent failure rate in year two and beyond this reduces the employment creation by some 330 person years (see Table 3).

Fiscal Evaluation

Community bonds also generate secondary income and fiscal benefits that lower the net cost to government and should be taken into account in evaluating program costs. These are the annual taxes paid by community bond companies and employees in each year for projects that do not fail (i.e., 70 percent) and for the taxes generated from the increased economic activity in each of the five years of the bond guarantee. It is therefore necessary to estimate the present value of the future revenue stream associated with the Community Bond Program. There are four areas of provincial fiscal return that might reasonably be expected to arise from community bond project investments. These are:

i) Provincial Corporation taxes paid over the five year period by the community bond project companies. In Saskatchewan the provincial corporate income tax rate stood at 10 percent at the time of project investments. Estimates of corporate taxes have been derived from sample project information.
ii) Provincial fuel, income and sales taxes paid by construction employees in the first year of the project.

iii) Provincial fuel, income and sales taxes paid by the ongoing permanent employment of the Community Bond Project companies.

iv) Provincial fuel, income and sales taxes arising from the indirect person years stimulated by the increases in GDP arising from the bond investments.

Employment based fiscal returns have been conservatively assumed at $3,000 per person year for the 70 percent of projects that continue employment and operations through the term of the bond. Review of the tax position of community bond projects reveals a high degree of variance. Accordingly an aggregate figure of $500,000 of provincial corporate income tax for the first two years of project operation rising to $1,000,000 by year five has been assumed for all projects. Estimating the net present value of the cost of the guarantee and the stream of revenue benefits allows an estimate to be made of the total cost of the Community Bonds Program.

**Estimated Program Costs**

Incorporating the revenue stream into the fiscal evaluation reveals that the Community Bond Program can generate positive revenue streams for government through increased economic activity. However, these cost benefit calculations are highly sensitive to the failure rates of community bond projects. The estimated total net cost per person of the program over five years is forecast at a $3,141 benefit (i.e., a net fiscal gain) at a 30 percent failure rate. Clearly lower failure rates can significantly reduce program costs and increase benefits for government. Finally, it should be noted that not all community bond employment should be considered incremental. Assuming that only half of the new employment was incremental then costs and benefits would change by a factor of 50 percent, reducing the program costs per person year to $1,571 at the 30 percent failure rate (see Table 4).

These results suggest that the community bond approach to community economic development may be a very effective and fiscally responsible form of community economic development and local job creation. These results are highly competitive with the best record of other economic development programs. Many temporary job creation programs spend $10,500 per person for short term employment. A similar community bond program has now been introduced under the name of Grow Bonds in Manitoba. In Ontario the jobsOntario initiative of June, 1993, has made provision for com-
munity investment share corporations, including a provincial guarantee of the investor’s principal to mobilize local capital investment in these vehicles (Ontario Ministry of Municipal Affairs, 1993). Similar community bond programs are also under review in Nova Scotia, Alberta and British Columbia.

Problems in the Community Bond Process

The community bond process in Saskatchewan has not been without problems. Governments, communities and the public require stronger project evaluation procedures to reduce the program failure rates and to protect the investing public and communities. In Saskatchewan early project failures associated with community bond investments were often associated with political interference to approve extremely marginal projects.

Several early projects, such as the Trinitel phone manufacturing company in Melville and the Savant detergent manufacturer in North Battleford failed. Local investors have not lost their money since the bonds are guaranteed by the Province. The wider interest in local investing, however, is weakened with project failure. In both cases the roots of failure lay with the approval and evaluation process pursued by government and communities.

Two items are critical to improving the decision making process associated with community bonds. Third party professional investment evaluation, removed from the political process, is a prerequisite for good investment decisions by governments, communities or individuals. Political appointments to the review committee in Saskatchewan weakened decisions and contributed to some early project failures. Independent third party evaluations are now a requirement of revised legislation.

In a related manner, community bond corporations have probably not assumed sufficient responsibility for independent evaluation of their own project investment decisions. This is based in part upon the existence of the provincial guarantee that provides some protection to the individual investor. In addition, community based organizations, including community bond corporations, too often lack the experience and investment appraisal skills to become directly involved in local investment decisions. Community discussion, organization and planning procedures that have characterized most of the community and rural development efforts in Saskatchewan to date have not generated the body of experience necessary for participation in commercial local investment and development projects. Far more work on the part of government, community organizations and the
Table 4. Community Bonds Summary Cost/Benefit Evaluation

<table>
<thead>
<tr>
<th>Project Failure Rates (percent)</th>
<th>20</th>
<th>30</th>
<th>40</th>
</tr>
</thead>
<tbody>
<tr>
<td>Costs (thousands)</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Total Cost of Guarantees</td>
<td>$12,800</td>
<td>$12,800</td>
<td>$12,800</td>
</tr>
<tr>
<td>Predicted Value of Failure</td>
<td>$2,560</td>
<td>$3,840</td>
<td>$5,120</td>
</tr>
<tr>
<td>Present Value Guaranteeing Failures</td>
<td>$1,743</td>
<td>$2,588</td>
<td>$3,487</td>
</tr>
<tr>
<td>Benefits</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Direct Project Person Years</td>
<td>1,656</td>
<td>1,564</td>
<td>1,472</td>
</tr>
<tr>
<td>Total Person Years</td>
<td>2,315</td>
<td>2,205</td>
<td>2,094</td>
</tr>
<tr>
<td>Present Value of Employee and Corporate Tax Benefits (millions)</td>
<td>$8.0</td>
<td>$7.5</td>
<td>$7.0</td>
</tr>
</tbody>
</table>

Analysis

Simple Program Cost

| Per Direct Person Year | $7,729 | $8,184 | $8,676 |
| Per Total Person Year  | $5,529 | $5,800 | $6,113 |

Net Program Cost

| Per Direct Person Year | $3,778 | $3,141 | $2,386 |
| Per Total Person Year  | $2,705 | $2,229 | $1,678 |

* Total cost of guarantees per job created.

CONCLUSIONS AND LOOKING AHEAD

The Community Bond Program is an attempt to empower communities and local people to become more directly involved in the economic development process. In a real sense, it is attempting to mobilize local communities, local people and local finances in a strengthened approach towards economic development. It reflects a public interest in becoming directly involved that was also identified in Consensus Saskatchewan, a public review of directions for Saskatchewan's economic and social policies for the next century, which noted:

Community survival depends very much on the will of the people and our initiative in seeking out opportunities for ourselves, our families and our communities. The life and spirit of a community depends on the creativity and leadership inherent in the local population and above all on the will of the people to make it happen. (1990, p. 49).

This strong interest in local participation in the economic devel-
Parsons

Development process cannot be achieved overnight. The Community Bond Program has demonstrated the potential that exists in mobilizing local funds and people. To be fully effective, however, continued attention must be provided for community based organizations to obtain the training, experience and skills necessary to identify and to manage these investments and avoid the project failures that reduce the local interest in public participation.

Finally, the Community Bonds Act also provides for Investment Pool Bonds and Environment Bonds. The cities of Saskatoon and Swift Current are both in the process of developing community bonds for investment pools, from which they will be able to make local investments. The procedures for investment pool bonds are similar to those developed for project bonds, except that separate review committee approvals are required to both make the bond offer and to make each community bond corporation investment. The necessary due diligence requirements for bond investments can therefore be undertaken after the funds have been raised.

Part IV of the Community Bonds Act provides for Environmental Bonds. These bonds would be available for the public to directly finance a defined range of environmental industries that would not be eligible under the community bonds regulations. These could include commercial waste collection activities or environmental monitoring and information collection. The Act also provides for the Saskatchewan Department of Environment and Public Safety to participate in the evaluation and review process. Environmental Bonds could also be used to establish “Green Investment Pools” to address pressing public environmental issues through commercial solutions. To date the provincial government has not enacted this part of the legislation.

In conclusion, the concept of community bonds can have much wider application to public policy. This could include financing economic development though employee ownership, industrial adjustment, social and economic infrastructure and even social, recreational and health programs. They provide the means where local values and priorities can be incorporated within broadly available public policies. Increasingly, the public can play a direct role in the priorities they support. Conversely, they are not obliged to support projects that they oppose. The level of public support for specific bond issues can develop direct public interest and involvement in the project, offering the opportunity to bring the community and local people back into the mainstream of public policies that have long been centralized into our nations’ capitals.
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DEFINING THE ROLE OF NONPROFIT CORPORATIONS IN COMMUNITY ECONOMIC DEVELOPMENT

By Keith Snavely and Roger Beck

ABSTRACT

In this paper we outline the unique nonmarket and market functions nonprofit corporations perform in the local economy that are important to community economic development. Their key nonmarket functions include the provision of cultural and environmental amenities, stimulus of community development and entrepreneurial activity in the most economically distressed communities, and delivery of numerous human welfare services. Each of these functions enhances the quality of life factors for its residents. A positive spinoff is that as the community becomes a more desirable place to live, location decisions of households and business enterprises are influenced.

As for market functions, nonprofit corporations supply essential services which are treated as inputs into the business production process, attract income into the community or region through sales of services to residents outside the community, attract grants and loans that contribute to the circular flow of income in the community, and facilitate secondary employment and income expansion outside the nonprofit sector. Given these significant market and nonmarket economic and social functions, communities should intentionally include support and stimulus of nonprofit corporations in their economic development plans.

INTRODUCTION

Recent data compiled by the organization, Independent Sector, demonstrate that nonprofit corporations are a growing, significant element of the national economy (Hodgkinson et al., 1992). Often referred to as the "third sector" because of its comparatively small size in respect to government and private for-profit businesses, the nonprofit corporate sector generates a considerable amount of economic activity. In 1990, nonprofit organizations' income (the total of

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wages and salaries paid plus an estimate of the value of volunteer labor) totaled nearly $315 billion, equaling 6.8 percent of total national income. Employment in charitable (501(c)(3)) and social welfare (501(c)(4)) organizations alone equaled 10.4 percent of the total U.S. employment, and employee earnings represented 7.8 percent of the total for all workers (Hodgkinson et al., 1992, p. 35).

Nonprofit corporations are a vital segment of the national and regional economies as these data demonstrate. From a purely economic accounting point of view as providers of jobs and income, it is important for community development practitioners, as participants in local economic development planning, to understand how nonprofit corporations fit into the development process, in direct contribution to job and income generation, and also in enhancement of factors that facilitate community economic development. This is in sync with the broadened perspective of economic development articulated in recent years which recognizes the significance of community factors beyond land, labor and capital.

For example, Glen Pulver (1989) illustrates the more encompassing approach to rural economic development by highlighting five variables crucial to location of goods and service producing enterprises: access to knowledge, access to capital, access to telecommunications, access to transportation, and access to a high quality living environment. Similar key location variables are also examined in Beck (1981). Nonprofit corporations perform a central role in provision of education (schools, research, training, consultation) and community services (social services, recreation, libraries, arts), and also are instrumental in supplying access to capital to certain community populations. Their potential role in economic development is quite broad. Yet, nonprofit corporations, with a few notable exceptions like community development corporations, have been little examined as instruments of economic development and, as McNamara and Green (1988) found, are given scant attention by local economic development planners.

The purpose of this paper is to sketch the theoretical outlines of the economic functions of nonprofit corporations in the development process. We consider nonprofit corporations a very important component of community economic development, and believe community development practitioners and community leaders should give them much more consideration in formulating their economic development policies. Our analysis applies specifically to the Internal Revenue Service classified 510(c)(3) charitable and 501(c)(4) social welfare organizations, which constitute the heart of the nonprofit sector.

In the following discussion we will begin first with a definition of community economic development which reaches beyond job and income creation to include broad quality of life factors for all com-
munity members. This definition suggests the potential role of non-profit corporations in economic development. Two economic functions—market and nonmarket—are examined in our analysis.

ECONOMIC FUNCTIONS OF NONPROFIT CORPORATIONS

Ron Shaffer offers one of the most intriguing, thoughtful definitions of economic development.

Economic development is the sustained, progressive attempt to attain individual and group interests through expanded, intensified, and adjusted use of available resources... Economic development can also be defined as those activities which lead to greater resource productivity, a wider range of real choices for consumers and producers, and broader clientele participation in policy formation... Human welfare (well being) is the end product of the development process. It is a value laden concept that affects the economic efficiency and equity (social justice) dimensions that pervade definitions of economic development. Human well-being includes health, interpersonal relationships, physical environment, housing, education, the arts, and numerous other aspects of life. (Shaffer, 1989, p. 7)

Shaffer's definition draws attention to the importance of community amenities and the "bundle of attributes" of a community termed agglomeration economics (Richardson, 1973) in the community economic development process. This bundle of attributes can be allocated to both market and nonmarket functions. Let us define market functions to include those functions for which the market can distinguish between purchasers of the good or service by the exclusionary principle on the basis of price, and those beneficiaries of the good or service for whom exclusion is difficult to maintain on the basis of price.

The latter part of Shaffer's definition, with its emphasis on social justice and human well-being, speaks to the role of amenities. An amenity has been defined as a "location specific good" or service (Diamond & Tolley, 1982). Each community offers its own specific mix of goods and services like education, recreation, cultural programs, sports, health care, public services, libraries, and social services that influence the location decisions of households. Both businesses and households make location decisions based in large part on the amenities communities offer to them, thus amenity goods and services affect the community's business environment in the current time frame and through the location activity of the future business environment.

Amenities also influence the market component of business location
decisions. Some amenities—for instance, transportation services—figure into the economic portion of the calculations of business location decisions, but as regional economist Harry Richardson (1978) has demonstrated, non-economic variables also influence those decisions. Business people desire an attractive community environment for their employees and therefore will look beyond strict profit maximization variables. Moreover, regional development policies, which affect business location decisions, integrate equity goals intended to distribute welfare among citizens. As Richardson points out, these goals are "a social rather than strictly economic concern" (p. 201).

Nonprofit corporations figure prominently in the supply of community amenities. They are of course particularly active in the realm of social services (counseling programs, health services, crisis intervention, etc.), but also supply amenities in art, education and recreation. If household and business location decisions are in fact strongly affected by the supply of amenities, then nonprofit corporations responsible for delivery of essential goods and services must be cultivated.

Shaffer's reference to "expanded, intensified and adjusted use of available resources" suggests the significance of the bundle of market and nonmarket factors called agglomeration economies in economic development. As a community's economy develops, services available to businesses and households expand, which in turn invites further and intensified use of community resources. A location becomes more attractive to a business because of the concentration of suppliers, financial institutions, markets, labor and business services. The concentration or agglomeration of such factors in a community offers benefits to businesses in the form of cost savings, increased availability of inputs, and easy access to inputs. In addition to business agglomeration economies, there are also household and social agglomeration economies (Richardson, 1973). Households benefit from a wider array of amenity choices, and society as a whole benefits through efficiency of production in public services.

Nonprofit corporations affect the overall community environment in important ways. As participants in the competitive marketplace, certain nonprofits like hospitals and nursing homes draw income into the community and stimulate job and income growth. They can thus be counted as part of the base economy. Other nonprofit corporations like educational institutions and research institutes help create a more skilled work force and introduce new technology, thus supplying important producer services to for-profit enterprises and expanding the community's pool of valued resources. Still other nonprofit corporations provide attractive consumer services that bring income into
the community. Each of these nonprofit corporations plays an integral role in the market economy, contributing importantly to business expansion. In addition, nonprofit corporations are important to household agglomeration economies. As the community economy develops and income grows, amenity offerings supplied by nonprofit corporations expand, thereby enhancing the attractiveness of the community to households.

In sum, nonprofit corporations sustain both nonmarket and market economic development functions. They contribute to the community in important ways and in a reciprocal fashion their viability is ensured with economic activity. The nonprofits’ nonmarket functions encompass the various community amenities they supply, while their market functions include their offering of producer and consumer services and direct contributions to employment and income growth. We turn now to a discussion of these economic functions, addressing nonmarket functions first.

NONMARKET FUNCTIONS OF NONPROFIT CORPORATIONS

The major nonmarket function of nonprofit corporation is their supply of community amenities. The amenities they produce address the human welfare needs of all socio-economic groups, but especially the most needy and distressed community residents. Nonprofits engage in community amenity development in at least three unique ways: (1) enhancing community cultural and environmental amenities; (2) devising and carrying out redevelopment projects; and (3) implementing social welfare/redistributive programs.

Nonprofit corporations supply many of the desired cultural and environmental amenities. Art galleries, museums, symphonies, and performance theaters are typically operated by nonprofit enterprises. Other activities include historical preservation, preserving special natural habitats, supporting libraries, offering outlets for social interaction and community service, and provision of recreation programs. Many if not most of these programs are by financial necessity established under a nonprofit corporation. For instance, few communities can support a profit making performance theater. Instead, performances are supported through a combination of ticket sales, grants and donations. According to one survey of 113 nonprofit theaters in the 1976–1977 time period, 45.8 percent of their revenue came from earned income, while 51.6 percent was labeled unearned (donations, grants) income (National Endowment for the Arts, 1981).

If cultural and environmental amenities are indeed considered one
central element in economic development plans, then local governments, business and community groups will have to act to cultivate nonprofit corporations that supply amenities. There is evidence that this occurs. Whitt and Lammers (1991) found in their study of Louisville that business development leaders take an active interest in promoting the arts as part of an overall development strategy. That development leaders' promotion of cultural attractions may be productive has some empirical support. Availability of museums, zoos, symphonies, dance and performance theaters has been found to affect households' intercity choices of location (Clark and Kahn, 1988).

A second nonmarket amenity role for nonprofits is in conducting redevelopment activities. These encompass tasks including housing rehabilitation, tenant management training, recreation and arts programs, community organizing, and job training. Programs of this type begin with addressing basic quality of life improvements and proceed with attempts to build a sense of community and empowerment. Benefits resulting from mitigation of social problems accrue not only to neighborhood residents but to the whole community.

Community development corporations (CDCs) are among the most well-known mechanisms for engaging neighborhood residents in tackling redevelopment projects. Among community development corporations, housing rehabilitation, construction and management are the most common redevelopment projects (Vidal & Komives, 1989).

Redevelopment projects often include what appears to be a more market-like function, business development, but that activity is incorporated here into the discussion of nonmarket activities. Business development programs in distressed areas are conceived in the context of a larger redevelopment project that is nonmarket in function. They are often a small portion of those projects.

More importantly, it is appropriate to include many of the business development activities in the discussion of nonmarket functions because of the nature of risk involved in business investment and expansion in poor, economically distressed locations. Because of the economic nature of poor communities, nonprofits have to approach business development in fairly unconventional ways that lie outside the strictures of the market place. If the market place determines that investment in distressed communities is unprofitable, then special mechanisms have to be established to obtain needed capital. Businesses must be granted a longer than average period of time to show a profit, and a network of support services is needed to aid inexperienced entrepreneurs.

Local governments have shown a reluctance to invest financial resources in such risky business. For instance, two very popular tax incentive programs—tax increment financing and enterprise zones—
have been portrayed as urban redevelopment programs, but typically neither type of district has been located in blighted urban areas where rates of poverty and unemployment are high (Paetsch & Dahlstrom, 1990; Wolf, 1990). Instead, they are more often found in suburban cities and even rural areas in locations where business potential is great. Risk averse officials are more likely to site a TIF district where there is a relatively high probability that they can recoup property tax increments sufficient to pay off bonds (Davis, 1989; Paetsch & Dahlstrom, 1990).

In locations of high poverty and unemployment, nonprofit organizations are apt to be in a better position than local governments to take the risks associated with redevelopment and to intercede in the marketplace on behalf of prospective entrepreneurs, providing them with the resources and protection they need to succeed. Community development corporations have been especially instrumental in stimulating for-profit business development in impoverished areas. One Chicago CDC set up a construction company in an area of the city where no dependable construction company was present, and in another identified market niche and helped organize a printing business (Wiewel & Mier, 1986). CDCs have also served as effective conduits to supply badly needed capital. Where they have a well established record of working with community residents, CDCs can serve as brokers between financial institutions and community entrepreneurs, or, with initial outside grants, operate a loan fund made available to those who have been unable to secure loans from established financial institutions (Wiewel & Weintraub, 1990). For example, with financial aid from the Ford Foundation and the nonprofit Southern Development Bank corporation, a special loan program called the Good Faith Fund was established in rural Arkansas for the purpose of issuing loans to newly developing, high risk small businesses (Thomas, 1991).

Bank CDCs are another important financial resource. These institutions, which can organize as nonprofits, are permitted to make investments regular banks are denied, such as equity investments in real estate and business ventures (Sower & Milkman, 1991). Investments must be directed to moderate- and low-income neighborhoods and individuals.

The accomplishments of CDCs are significant. A recent survey of 1,160 community-based development corporations revealed the CDCs produced over 87,000 low-income housing units in the 1989–1991 time period, assisted in creating and retaining 90,000 jobs over a five year span, and contributed to development of 17.4 million square feet of industrial and commercial space (Greene, 1992, p. 16).

Support of nonprofit capitalization and small business development
projects fits well within the scope of what Eisinger (1988) has called the "entrepreneurial state." Eisinger maintains that states and local governments are gradually moving away from the supply-side tax and financial incentive programs, to demand-sides policies. Among the demand-side policies are various venture capital programs like development credit corporations and venture loan programs. Since demand-side programs attempt to create and discover opportunities rather than intervene "after an opportunity has been identified," government experiences a higher degree of risk (Eisinger, 1988, p. 228). Product development corporations (PDCs), established to produce new products and capitalized with public funds, are one such risk. Many new products simply do not make it to the market or do not attract sales. In authorizing its PDC, Connecticut determined that success should not be measured in terms of profits, but in jobs created (Fisher, 1990). Some of that risk and reasoning could justifiably be extended. Nonprofit corporation can contribute in areas of marginal economic viability by assuming some of the economic risk and uncertainty of entrepreneurial ventures and investment activities not justified by strict accounting criteria.

A third nonmarket function of nonprofit corporations is the implementation of social welfare or redistributive programs. While social welfare programs have little direct impact on job creation or stimulus of economic activity, they do not serve purposes that benefit a community's social and economic environment. Lending assistance in maintaining social stability, building self-esteem among individuals, creating a sense of belonging to the community among disadvantaged populations, and improving the life situation of people striving to make the transition to gainful employment are but a few of the community development–related services charitable organizations are skilled at supplying. Charitable nonprofit organizations help attain the social welfare goals of economic development in ways that private enterprise and sometimes government cannot. Profit making businesses are not good at nor interested in finding emergency shelter for the homeless or setting up food pantries for the hungry. But, if there is any sense of philanthropic obligation, they are willing to work through nonprofits that support these activities.

Private citizens and businesses may also be supportive of the transfer of some government social services to nonprofit organizations, if in fact nonprofit corporations can provide those services with greater efficiency and effectiveness (social agglomeration economies). Government avoids building a new bureaucracy and minimizes red tape, and benefits from the lower personnel costs of nonprofits which rely on volunteers, pay lower salaries, and are not constrained by civil service regulations (Walch, 1990). Nonprofit organizational activity
also supplements the service activities of local governments. Police forces, for example, find that in cases of rape and domestic violence they can conduct their investigations more effectively when victims receive the counseling services of a women's crisis center. It is also possible to envision that social service nonprofits depress the costs of negative externalities to business. To the extent that housing and food services, juvenile programs, drug counseling and other intervention programs reduce crime, nonprofit corporations have helped lower the cost of doing business.

**MARKET FUNCTIONS OF NONPROFIT CORPORATIONS**

We turn now to an examination of market functions and the potential of nonprofits to stimulate employment and income growth. In this section the service sector—of which nonprofits are a part—and its export functions are examined.

Economic base theory is employed here to explain the occurrence of community and regional economic growth. This theory posits that "the development of a community depends on the vigor of its export industries" (Shaffer, 1989, p. 29). Economic base theory has commonly considered agriculture, forestry, mining and manufacturing as basic industries, because they export products out of the region, and thus import funds to pay for these exports which eventually end up as income to resource suppliers. These resources suppliers spend that income locally, contributing to the community's income. Producer services, such as finance, insurance, real estate, accounting and legal advice, originally were conceived as inputs into the production process and thus were thought to have no independent effect on economic growth (Harmston, 1983). However, conception of the role of services in economic development has changed. That change, of course, is due in part to the growing dominance of service industry jobs. To illustrate the dominance of the service sector, by 1988 75.9 percent of all nonfarm jobs in the nation were in service industries, a figure projected to rise to 79 percent by the year 2000 (Personick, 1989).

Service industries, especially producer services, create the potential for further economic growth through such means as expanding the division of labor and introducing technological innovations. Regarding the division of labor, Hansen (1990) points to the close interrelations between basic industries and producer services. As corporations become larger and their structures more complex, they become increasingly reliant on a broad array of management services (e.g., engineering, personnel management, computing, insurance). Industry actually helps stimulate an absolute increase in the number of
service industry jobs, and does not just transfer their own service positions to independent businesses (Tschetter, 1987). However, producer services have a reciprocal influence on industry. For example, research institutes develop new technology that changes products and the production process, and education institutions expand information and help enlarge the pool of intelligent, skilled labor. Producer services are therefore in a position to influence job creation through their attraction of new industries to a region, creation of new production processes, and development of skilled, well-educated labor.

Service industries stimulate income and job growth through their sales of services to extra-regional clients and import substitution. While perhaps depending on local base industries, the regional service sector may become increasingly independent of those industries as they expand. Producer services can grow to establish markets outside the region, and consumer service industries (e.g., retail, entertainment, food service) attract extra-regional customers. In this way, service enterprises become an established part of the export sector. Furthermore, an import substitution function can occur as service industries expand to fill the needs of local customers. Service enterprises outside the region decline in importance as local suppliers.

Like other service enterprises, nonprofit corporations enhance the environment for additional economic development and facilitate community income and employment growth. For instance, as suppliers of producer services, colleges, universities and technical schools supply business and industry with an educated, skilled workforce, with consulting services, and with research that leads to practical application. Additionally, education institutions bring money into the community through research grants, donations, student payment of tuition and fees, and student and staff consumer purchases. Likewise, hospitals and nursing homes can serve large areas so that money is imported into the community. The more consumer oriented services such as camps and recreation centers, theaters and symphonies, and museums and historical sites potentially draw customers from a large geographical area.

There has been little evaluation of the export functions and multiplier effects of nonprofit corporations, but a few studies are suggestive of their effects. Using the Department of Commerce RIMS II input-output model and 1977 national census data, Wolch estimated that nonprofit corporation spending created an additional 5.78 million jobs outside the sector with earnings of $45.6 billion (1990, p. 56). Bringing the analysis to the local level and using the same 1977 census data, it was estimated that in Los Angeles County the nonprofit sector employed approximately 5 percent of the regional workforce and generated 151,000 additional service sector jobs (Wolch
Snavely and Beck

& Geiger, 1986). The authors of the Los Angeles study concluded that because of their share of resources and job opportunities, nonprofit organizations "should not be excluded in the analysis of privatization policy" (p. 16). Another study estimated the employment and income impacts of the Stratford Festival in Ontario, Canada. According to the researchers' estimates the festival generated a 1.6 employment multiplier, adding 451 tourist jobs to the community (Mitchell & Wall, 1989).

These case studies are of course more suggestive than conclusive. There is much work to be done to document the precise economic functions of nonprofit corporations. Yet the proposition that some nonprofit corporations, like many for-profit service industries, help facilitate employment and income growth is reasonable.

The growing dependence of nonprofit corporations on self-generated revenues will likely lead to expansion of their market functions. The flow of federal dollars, upon which social service nonprofits greatly depend, was dramatically reduced during the 1980s. Between 1977 and 1987 government funds as a percent of the total of all funds received by social service nonprofits, declined form 53.9 percent to 41.4 percent (Bailey, 1990, p. 4). Private contributions were insufficient to replace lost federal funds so nonprofits have had to increase revenues, in part through enterprise activities. Social welfare organizations find their enterprise options limited, but they have been able to raise money through sales of products made by clients, contracting out the professional advisory services of their staff, or selling the services of clients who have been trained in job skills (Crimmins & Kiel, 1990). Some nonprofits are able to exploit very obvious and very profitable program related products and services (Skloot, 1987). Art museums sell art reproductions and books, symphonies sell calendars, music and shirts, and both types of operations open cafeterias or sell snacks to their customers.

Nonprofits have also been able to spin off for-profit businesses. To cite one example, the California Human Development Corporation, which has developed a number of low income housing projects, created a for-profit management firm to oversee its management complexes (Voight, 1988). The Internal Revenue Service has pledged to monitor more closely nonprofit corporations, particularly in regards to their business activity (Williams, 1992). Closer scrutiny could lead to creation of more such for-profit businesses in order to escape the unrelated business income tax restrictions, rather than to a shrinking back from enterprise activity. Nonprofit organizations gain from the profits that are fed back into the organization while at the same time contributing to small business creation.

Two cautionary remarks are appropriate at this point. First, fol-
Following Shaffer’s advice, we must recognize that internal or local markets “do not just follow the export base,” but that they are strongly shaped by spatial relationships as predicted by central place theory (1990, p. 80). This theory’s concept of a regional hierarchy of central places (communities) producing goods and services applies well to the size and distribution of nonprofit corporations. Large cities, because of their wealth of human and financial resources, can sustain a richer mix of nonprofits than places of smaller size. These factors especially constrain development of organizations specializing in nonmarket functions, but affect also the more commercial service enterprises. Economic development experts thus need to give careful consideration to the kinds of nonprofits that could be developed, given a community’s social and economic characteristics.

Secondly, it is important in distinguishing the market functions of nonprofit corporations not to lose sight of their charitable, nonmarket services. Indeed, one of the greatest advantages of nonprofit corporations is that they can simultaneously supply economic and social welfare benefits. Many hospitals maintain charitable functions that are at the core of their original missions. Hospitals located in some of the most deprived urban neighborhoods have acted to revitalize their communities by working with community organizations and philanthropies to initiate health related job training programs, and establish low interest loan programs (Pallarito, 1992). One hospital in the Bronx has been described as a community’s “economic anchor,” not only because it is the major employer for the neighborhood but also because it has led a broad-based community redevelopment project (p. 62). This case illustrates the often dual functions of individual nonprofits as producers of human welfare services (amenities) and as generators of economic activity.

COMMUNITY ACTION AND REACTION TO SUPPORT OF NONPROFIT CORPORATIONS

The analysis presented here calls upon economic development planners to recognize the relevance of nonprofit corporations to community development planning as initiators of their own economic activity, contributors to the economic activity of other businesses, and as providers of essential community social services. Communities should therefore contemplate providing support for nonprofit corporations just as they provide support and incentives for profit making businesses. For instance, communities can offer financial support to nonprofits through the awarding of grants and subsidies, issuing low interest loans, and contracting with nonprofit corporations for deliv-
ery of services. They can supply human resources to nonprofit organizations by lending local government staff expertise and offering other personnel the opportunity and encouragement to volunteer their time. Communities can also accumulate wage, salary and other data on nonprofit corporations and add this information to their economic analyses, in order to better understand the economic influences and impacts of nonprofit corporations.

Community development practitioners can expect that objections will be raised to investment in nonprofit sector development. A common argument is that nonprofit organizations already have an unfair advantage in the marketplace resulting from federal and state tax exemptions. Small businesses are disadvantaged, it is argued, because they work at such a small profit margin (Rose-Ackerman, 1990). When forced to compete in the same area of business with a nonprofit (e.g., recreation or entertainment), it is much harder to succeed because the nonprofit can set lower prices. Thus government adds to the misery of small businesses and undermines economic development.

As a further argument, one might take up the reasoning of Paul Peterson (1981) that local government investment in redistributive programs is harmful. These programs are costly to middle and upper income taxpayers, thereby discouraging their location and investment in the community. Thus redistributive programs implemented by some nonprofits and which are reliant on local government funding work at cross purposes to economic development.

The former argument is emotionally charged, making it hard to convince opponents that the profit making business activities of nonprofit corporations are in fact highly regulated by state and federal laws, and that nonprofit business activities in recent years have been undergoing more stringent oversight by the Internal Revenue Service and by state courts (Bookman, 1992; Williams, 1992). Local officials will have to give attention to identifying the few instances where there is for-profit/nonprofit competition, and take pains not to disadvantage either.

The redistributive policy objection is in part answered by Salamon’s (1987) concept of the symbiotic relationship between government and the nonprofit sector. He posits that in the era of the welfare state, government has adopted a “third party government” style of service delivery whereby it often turns to private organizations for actual service implementation. Nonprofit organizations represent a significant part of the network of government contracting and grant and subsidy allocation. They become a preferred mechanism for implementation because they offer more personal service delivery, less
bureaucracy, and competition in service delivery. Since local officials cannot realistically ignore redistributive programs because of mandates and citizen demands, they can turn to the nonprofit sector for program implementation. In doing so, communities might very well join the twin goals of effecting cost savings through private nonprofit service delivery and support of nonprofit corporations as one means to advance economic development. Community investment in the nonprofit sector thereby is integrated into the broader scope of public policy, and is not conceived solely as an economic development tool.

CONCLUSION

The economic contributions of nonprofit corporations in the form of jobs and income are easily understood, but the interplay between social welfare and charitable activities and economic development is less well recognized. The connection is best understood when economic development is conceived as a holistic approach to enhancing the quality of life of all community residents, including the economic environment within which businesses must operate. When understood in these terms, the role of nonprofits as producers of human welfare and locational amenities becomes clearer. Nonprofit corporations with strong roots in distressed communities are able to mobilize people to change their home environments for the better, can initiate business development, and can help these people communicate to development planners their particular needs. Other nonprofit organizations assist people in coping with life stresses, while still others help develop the cultural and environmental attractiveness of the community.

While the benefits received by communities from nonprofit corporations are not always as dramatic or as obvious as those contributed by for-profit enterprises, this sector of the economy should not be ignored by development planners. Nonprofit corporations can accomplish economic and social tasks at which government often fails and in which businesses are not interested. Economic development plans should therefore include nonprofit agents of economic and social production.

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RELIGION, WORLD VIEW, AND COMMUNITY DEVELOPMENT PRACTICE
By D. Merrill Ewert and Paul R. Eberts

ABSTRACT

Community development responses to problems that threaten the lives of people around the world have not always been successful. Some argue that an obsolete vision of development emphasizing the provision of assistance rather than the facilitation of community change is the cause. A survey of 1,230 people engaged in intercultural programs with Christian agencies reveals conflicting conceptions of development. Those with an assistentialist approach see poverty as being caused by individual failures, and define development as the intervention of outside agents. Those with a facilitatory approach tend to view development as a transformative process through which people solve their own problems. Understanding these differing sets of assumptions among individuals and responding appropriately within agencies can increase the effectiveness of community development efforts.

THE PROBLEM: AN OBSOLETE VISION

Poverty, famine, war, and other natural and human-made disasters threaten the lives of millions of people around the world. As David Korten suggests: "We live in a world of profound crisis—a world of dehumanizing poverty, collapsing ecological systems, and deeply stressed social structures" (1990, p. 1). Although governments, multilateral agencies, and private humanitarian organizations desperately search for sustainable development strategies that address root causes of human suffering, results have been disappointing. Development projects initiated with great enthusiasm have often failed. Commu-
Community-based efforts have not been sustained, leaving many people with a fear of arbitrary violence, hopeless and cynical about changing their lives and living conditions. There is little consensus on either the fundamental causes of these conditions or on how they might be ameliorated. After forty years of development, we are forced to conclude:

The causes are deeply embedded in our institutions, which in turn are creations of our collective vision of the nature of our world and of what constitutes human progress. To resolve the global crisis we must achieve basic changes in the ways in which we think and act (Korten, 1990, p. 33).

Scholars have proposed various explanations for the failures of development. Freire argues that unjust social structures limit human potential and therefore the success of development efforts (1970). Bhasin suggests that Western models have overemphasized the material manifestations of development, marginalized and disempowered women, centralized control over resources and decision-making, tolerated injustice, and abused the environment (1992). Korten (1990, 1993) and others (Okech-Owiti, 1993; Proulx, 1993; Tebelius, 1992) conclude that many programs are prisoners of an obsolete vision of global reality and the process of social change. A recent World Bank report suggests:

Donors and recipients have given too little attention to sociocultural and political factors and have not been sufficiently aware of the important role that the poor themselves can play in initiatives designed to assist them. Evidence supports the view that involving the poor in the design, implementation, and evaluation of projects in a range of sectors would make aid more effective (1990, p. 133).

It is therefore important to understand how development workers define the problem of development and conceptualize their own roles in the process of change. People's values, beliefs, and assumptions profoundly affect their development paradigms.

Non-governmental organizations (NGOs) have emerged as major players in international development, as government and multilateral agencies recognize the contributions of the private sector (Carroll, 1992). Religious organizations (missions, churches, and para-church agencies) have frequently initiated development activities. Even those agencies originally established for proselitization (evangelism) and training (discipleship), have often established development projects, usually uncritically. Many have failed to examine either their underlying assumptions or the implications of their activities.

This paper reports the results of a study examining how the values,
beliefs, and assumptions of people working with Christian mission agencies and NGOs affect the philosophy and practice of community development. Some practitioners may lack knowledge of these community development principles. Others profess acceptance but are unsure of how to implement them. Some may view established principles of good development practice as inconsistent with their own values, beliefs, and assumptions. Other development workers may be prisoners of an obsolete vision of development. Ewert, Yaccino, and Yaccino found that evangelical development workers sometimes reject the principles of good practice that are interpreted as incompatible with their own world views (1992).

Little is known about how the belief structures and ideologies of people influence choices in designing and implementing community-based programs. Therefore this study examines two questions:

- Are there differences in the conceptions of development held by people working with Christian agencies engaged in intercultural programs?
- What is the relationship between the world views (values, beliefs, and assumptions) and the conceptions of development held by people working in these Christian agencies?

**PREVIOUS STUDIES**

**Education and Empowerment**

Development practitioners often believe that adult education leads to community change. Challenging this assumption, Duke argues that adult education may be a necessary though not sufficient condition for the alleviation of poverty (1983). Illiteracy, for example, has usually been addressed primarily as an educational problem rather than contextualized as a social and political issue (James, 1990). Since Paulo Freire (1970), literacy education has been recast by many as an instrument of empowerment (Rahman, 1984; Ramdas, 1990) or a tool for social transformation (James, 1990; O'Gorman, 1990). These themes run through the popular education literature. Although the term popular education has only recently emerged in the development lexicon, the underlying commitment to grassroots education in the service of social justice has a long tradition (Barndt, 1992). It is not, however, one shared by all community development workers.

**Participation**

Ewert, Yaccino, and Yaccino's study of “expert-practitioners” identified a set of core principles of good development practice (1992).
Through a delphi technique, the respondents postulated that effective practice involves the participation of people, local ownership of the decision-making process, the commitment of local resources, and the conception of practitioners as facilitators of change. The respondents also affirmed a belief in people's capacity, the value of indigenous knowledge, and the conception of development as a "process."

Uphoff underscores the central role of participation in development through his analysis of *Gal Oya*, a rural development project in Sri Lanka (1992). Cornwall et al. document the shift in development theory and practice by citing the recent emergence of participatory methodologies: farming systems research and extension, farmer experimentation, participatory action research, rapid rural appraisal, and participatory rural appraisal (1992). This new paradigm is holistic, post-positivist, participatory, egalitarian, collaborative, and decentralized. It puts people first (Pretty & Chambers, 1992).

Korten argues that shared beliefs of people in society shape behavior and human progress; that these beliefs about reality may sometimes "play a more dominant role than reality itself in shaping the development of human societies" (1990, p. 34). This suggests that values, beliefs, and assumptions held by development workers must be critically examined if we are to create a just and sustainable society.

**Religious Beliefs and Development Practice**

Previous studies clearly document the effects of religious beliefs on people's attitudes regarding non-religious matters. Max Weber's classic study of the Protestant ethic (1948) and subsequent research by others show that people's religious convictions affect their views of non-religious affairs. This suggests the utility of trying to determine whether, how, and to what extent religious backgrounds affect people's orientations to development principles.

In essence, community development principles are those associated with empowerment (of the individual or community) through participation (Korten, 1990; Tandon, 1988; Nesman, 1981). This participatory formulation further assumes that people have innate capacities to affect change if given opportunities by their social structural environments. This raises the question of whether those who hold religious beliefs which are more compatible with participation and openness will consciously or unconsciously be more committed to these community development principles than will those whose religious beliefs are less compatible with participation and openness.
Evangelicals and Development

The role of the church in addressing societal problems is a longstanding debate in evangelical circles. Christians often remain deeply concerned with personal piety and relationships, but are skeptical of programs designed to promote social change. Yost, for example, argues that development can hinder church growth (1984). The 1974 Lausanne Covenant addressed issues of evangelism and social change, but made little attempt to link the two, saying only that “... in the church’s mission of sacrificial service, evangelism is primary” (Sine, 1983, p. 443). Stott has noted, however, that to “reaffirm the primacy of evangelism does not solve the problem. It leaves the relationship between evangelism and social responsibility still undefined” (1992, p. 340).

Some consider the lack of concern for issues of social justice the by-product of evangelicalism’s reaction against the modernist theology of the early 20th Century (Willard, 1988). Others attribute the historical lack of evangelical societal impact on the tendency to “do theology in isolation.” Mission organizations may have fostered a lack of integration between word and deed by narrowly defining objectives for their missionaries and programs. They often focus on evangelism, church planting, and teaching ministries. Evangelical relief and development agencies have responded almost exclusively to physical needs. This dichotomization often results in an institutional inability to address human needs holistically. South African theologian David Bosch suggests:

This entire tendency—to see mission, indeed, the gospel itself, almost exclusively in personal, inward, spiritual and vertical categories—is nothing but a travesty. It has become almost endemic in the West and, through our far-flung missionary efforts, has been exported to all corners of the globe (1983, p. 287).

Questions regarding the role of Christians in the world have been raised in evangelical circles through books by John Howard Yoder (1972), Ron Sider (1977, 1981, 1987), John Stott (1992), and others. Magazines such as Sojourners and The Other Side have raised awareness of the structural dimensions of social change. The resulting discussions, however, have left many evangelicals uncomfortable because development debates by definition must address issues of wealth and poverty, justice and injustice, and power and responsibility. In view of how many evangelicals engage in community development, it is important to understand how their world views affect their practice. That concern is the focus of this study.
METHODOLOGY

A survey instrument ("Christians and a Needy World: Your Assessment") was sent to 2,500 randomly selected subscribers to the *Evangelical Missions Quarterly* (EMQ), a practitioner journal for missionaries. EMQ readers are overwhelmingly evangelical, and usually involved in full-time Christian ministries. Although most serve as pastors, missionaries, theologians, medical staff, administrators, mission executives, and teachers, many (27.5 percent) are also engaged in some form of development work at the same time. Less than 4 percent, however, listed relief and work as their primary assignments. Although 88 percent of the sample are North American, more than half (56 percent) were living outside North America at the time of the survey. Many of those living in North America were temporarily on home assignment, involved in pre-service training or on study leave, serving as mission administrators, or teaching in theological or missions training institutions. Respondents came from all fifty states as well as the District of Columbia.

Profile of Respondents

This analysis is based on 1,230 responses, a 48.7 percent return rate. Another 57 surveys were received after the initial analysis, bringing the total response rate to 51 percent.

The sample was overwhelmingly Protestant (99.6 percent), male (81.8 percent), white (95.1 percent), married (86.0 percent), and university educated (94.1 percent). Sixty-five percent held master’s, doctorates, or other professional degrees. Eighty-eight percent identified themselves as career-track rather than as short-term intercultural workers. The respondents came primarily from middle class backgrounds and had rural, farm, or small town roots.

Respondents identified themselves denominationally as Baptist (23.5 percent), Christian and Missionary Alliance (9.3 percent), Assemblies of God (9.0 percent), Presbyterian (8.5 percent), Charismatic (6.2 percent), Mennonite (5.6 percent), and Evangelical Free Church (5.1 percent). The rest reported belonging to a number of other denominations, each making up less than 5 percent of the sample.

ANALYTIC MODEL

A review of the literature suggests that community developers and other intercultural workers often hold strikingly different conceptions of the nature of community development. In one conception outside workers may facilitate the process but people act as the agents
Facilitatory Conception

<table>
<thead>
<tr>
<th>The task:</th>
<th>Transformation</th>
</tr>
</thead>
<tbody>
<tr>
<td>Unit of analysis:</td>
<td>Community</td>
</tr>
<tr>
<td>Locus of control:</td>
<td>Internal</td>
</tr>
<tr>
<td>Role of outside agent:</td>
<td>Stimulate critical reflection</td>
</tr>
<tr>
<td>Knowledge and skills of worker:</td>
<td>Building relationships</td>
</tr>
</tbody>
</table>

Assistentialist Conception

<table>
<thead>
<tr>
<th>The task:</th>
<th>Improvement</th>
</tr>
</thead>
<tbody>
<tr>
<td>Unit of analysis:</td>
<td>Individual</td>
</tr>
<tr>
<td>Locus of control:</td>
<td>External</td>
</tr>
<tr>
<td>Role of outside agent:</td>
<td>Provide training and materials</td>
</tr>
<tr>
<td>Knowledge and skills of worker:</td>
<td>Technical knowledge</td>
</tr>
</tbody>
</table>

Figure 1. Conceptions of community development.

Facilitatory and Assistentialist Conceptions of Development

The survey instrument included several batteries of questions examining the respondents' commitments to participation, empowerment, training, and other community development principles. In all, the questionnaire included forty-four separable indicators of different aspects of these principles. The first analytic task, therefore, involved determining whether these indicators could be separated into at least the two categories of facilitatory and assistentialist principles. The second was to consolidate them into defensible scales.
To do this, we first divided all the indicators into two sets on the basis of their face validity; they appeared to be oriented to either facilitatory or assistentialist approaches. We then assigned the average value to all missing indicators, so that we could add all these indicators together into two summated scales, one for capturing orientations to facilitation and the other to providing assistance. This resulted in a Pearsonian Product Moment Correlation Coefficient of .45 between the two scales. Examining the correlation in more detail, we also discovered considerable nonlinearity between the measures. The Pearsonian Contingency Coefficient—a coefficient estimating the relation between two variables if they were entirely linear—gave a result of .64. The large absolute difference between the Pearsonian Contingency Coefficient and the Pearsonian Product Moment Correlation Coefficient of .29 suggests considerable nonlinearity in the relation between these two preliminary scales. We therefore concluded that many of the indicators of facilitation or assistance in the questionnaire actually overlapped; they were highly correlated with both facilitatory and assistentialist principles. An example is the question asking people to reflect on whether or not development requires changing unjust structures. The correlation with the preliminary facilitatory scale was .31, and with the preliminary assistentialist scale was .23. Both correlations were positive and highly (statistically) significant. Approximately half of our indicators showed similar statistically significant correlations.

We therefore generated facilitatory and assistentialist scales which had less overlap. We empirically established four verifiable criteria for separating indicators into a final facilitatory or assistentialist scale: (1) The final indicators should not show the same sign in Pearsonian correlations with both scales; (2) if they did show the same correlation sign (positive or negative), they should not be statistically significant; (3) the final indicators should be (statistically significantly) correlated and show the same sign with other indicators on the same scale; and (4) the indicators should not load highly on a factor analysis with any of the other indicators in the final scales. This fourth criterion was added so that the indicators in each of the final scales would be reasonably separable from each other, while correlating significantly with certain other indicators. The lack of high correlation among the indicators offers some justification for adding their values together in forming a smaller number of indicators for a more focused summated scale.

The results of the correlations and factor analyses required under these four criteria are presented in Table 1. The table shows the four key indicators in the final scales we produced, and falls into four
quadrants. If our criteria are met, the upper-left and lower-right quadrants should show positive and many statistically significant correlation coefficients; and the upper-right and lower-left quadrants should show negative or no statistically significant variables. Observation of the four quadrants shows that our criteria are generally met with one exception. In the lower-left (and upper-right) quadrant, a statistically significant correlation of .064 violates one of our assumptions. Still, since this is the only violation of one criterion (out of four), and the respective indicators involved are otherwise consistent with our criteria, we decided to use the two indicators in their respective scales.

Each of the four indicators in each of the scales also loaded onto separate varimax rotated factors in each scale at .99 or better, and none of the other indicators loaded at above .06 on these scales. Thus, each set of four indicators can justifiably be summed to create the two final scales. The two final scales have Pearsonian correlations with each other at -.07, and correlate with the preliminary scales at .54 for the facilitatory scale and .38 for the assistentialist scale.

Because of these very high and statistically significant correlations between the preliminary and final scales, and because we largely met the four criteria we set for ourselves in producing the indicators for the final scales, we consider that the two final scales meet the various criteria for social scientific theoretical and empirical validity. We should also note that the final versions of the two scales are really the polar ends of a dimension for community development commitments. At the one end is a facilitatory commitment; at the other end is an assistentialist commitment. Between, one finds a combination of assistentialist and facilitatory commitments. This paper, however, focuses on the differences between people with high scores on one scale or the other.

The Facilitatory Approach. We consider the four indicators in each scale shown in Table 1 to be fundamental to these polar types on the community development dimension and to be consistent with the criteria established in Figure 1 (which was based on previous studies). The first indicator in the facilitation pole—that agencies should speak out on human rights issues—supports the notion that a facilitatory commitment implies deeply held beliefs that structures of social interaction and relationships should change in the face of injustice. We feel that people committed to a facilitation approach are much more likely to hold such a belief as fundamental to their work. Likewise, the second indicator—that the ability to build relationships with people is a most important skill for a development worker—is also fundamental for a facilitatory commitment. Facili-
Table 1. Averages and Pearsonian Product Moment Correlations of Items in Facilitatory Commitment and Assistentialist Commitment Scales*

<table>
<thead>
<tr>
<th>Facilitatory</th>
<th>Pearsonian Product Moment Correlations</th>
</tr>
</thead>
<tbody>
<tr>
<td>(1) Agencies should speak out on human right (3.79)</td>
<td>1.00</td>
</tr>
<tr>
<td>(2) Ability to build relationships with people most important skill</td>
<td>.045</td>
</tr>
<tr>
<td>(4.21) of a development or program worker</td>
<td>1.00</td>
</tr>
<tr>
<td>(3) View that poor people usually have answers to the problems</td>
<td>.024</td>
</tr>
<tr>
<td>(4) View that local people should be given the opportunity to see a</td>
<td>.045</td>
</tr>
<tr>
<td>program through from beginning to end (3.56)</td>
<td>1.00</td>
</tr>
<tr>
<td>Assistentialist Scale</td>
<td></td>
</tr>
<tr>
<td>(5) View that individual investment incentives encourage economic growth</td>
<td>.018</td>
</tr>
<tr>
<td>(6) View that very poor people need outside help to better their lives</td>
<td>.064</td>
</tr>
<tr>
<td>(3.55)</td>
<td>1.00</td>
</tr>
<tr>
<td>(7) View that agencies should concentrate greater effort in training</td>
<td>.007</td>
</tr>
<tr>
<td>community leaders in agency's administrative techniques (3.06)</td>
<td>-0.033</td>
</tr>
<tr>
<td>(8) View that development workers need technical skills (2.30)</td>
<td>.006</td>
</tr>
</tbody>
</table>

* All scales were 5-point Likert scales of strongly disagree to strongly agree; averages are given in parentheses following the indicator description. Correlation coefficients above .10 are significant at p = .000 level or less; those above .07 are significant at p = .03 or less; and those above .05 are significant at p = .05 or less.
tation requires the ability to work with people, which depends on building good relationships with them.

In addition, there is high consensus that the third indicator—holding the view that poor people usually have answers to the problems that affect them—is fundamental to a facilitatory commitment. The facilitation approach requires that poor people be empowered. This implies that development workers trust people and believe in their capacity to solve their own problems. Finally, a facilitatory commitment is very consistent with believing that local people should be given the opportunity to see a program through from beginning to end, which is the fourth indicator in this scale. As seen by the relatively high correlations with other indicators in the scale, this indicator is also separable from, but related to, the other indicators in the facilitatory scale.

The Assistentialist Approach. The assistentialist scale, documented empirically in the data, reflects the characteristics of an assistance approach presented in Figure 1. A central premise of this approach (that relies on training and other forms of intervention) is that social and economic change is the product of individual changes. The first indicator in the final assistentialist scale supports this perspective, namely, that individual investment incentives encourage economic growth. A second perspective fundamental to the assistentialist commitment is that people, especially the very poor, need outside help in transcending their conditions. This is captured in the second indicator of the assistentialist scale. A third and fourth view is that training in administration as well as in technologies is important for effective community development to occur. These perspectives are captured in the third and fourth indicators of the assistentialist scale reflected in Table 1. In short, the training perspective assumes that individuals need outside help which comes in the form of training in technologies and in administration. It also assumes that individual incentives are important in encouraging economic growth.

As noted above, the two scales are indeed polar types, and opposite to each other, correlating at a statistically significant Pearsonian Product Moment Correlation of -.07. The Pearsonian Contingency Coefficient is low (.10), and thus not very different from the absolute value of the Pearsonian Product Moment Correlation. Such a small difference indicates that the -.07 reflects a reasonably linear relation between the two variables.

The two scales also contrast sharply with each other. The most dramatic difference is with the third indicator of the facilitatory model which contrasts with the second indicator of the assistentialist model. The facilitatory model assumes poor people can come up with answers
to their own problems; the assistentialist model assumes poor people need outside help. The facilitatory model also assumes building relations with people is very important; the assistentialist model assumes technical skills are more important. The facilitatory model assumes agencies should speak out on human rights; the assistentialist model assumes that agencies' administration is important, and community leaders should be trained in its techniques. Thus, the two final scales and their implied models underlying the scales indeed contrast with each other, and can be considered polar types on a community development dimension. The facilitatory model is much more based on empowerment principles; the assistentialist model is much more based on principles that individuals can better themselves through training by outside experts and external interventions.

DIFFERENCES IN BACKGROUNDS AND BELIEFS OF PEOPLE HOLDING THE TWO MODELS

The second set of hypotheses is that people deeply committed to the facilitatory model in contrast to the assistentialist model will be quite different from each other in their social backgrounds, personalities, world views, and even religious beliefs. Some of these studies have speculated on the differences based largely on people's arguments and personal experiences. The vast majority offer little or no systematic data. Our study provides reasonably systematic data in exploring the relationships between variables capturing social backgrounds, personality characteristics, world views, and religious beliefs with the facilitatory and assistentialist scales.

Table 2 shows that people committed to facilitatory community development are actually quite different from those committed to an assistentialist approach. Table 2 lists twenty-five indicators that show statistical significance (at the probability of .05 or lower) when entered simultaneously in ordinary least-squares multiple regression analyses of the two scales. These twenty-five indicators are the only ones statistically significant among the roughly 100 other indicators tested for these models. Of these twenty-five indicators, only two indicators showed the same sign and approximately the same level of statistical significance in the two models. The others have either a different sign, or are significant in one model but not the other.

The two indicators which are quite similar in both models are: (1) the extent to which people feel uncomfortable when not seeing the whole picture; and (2) a scale of nine items indicating that social structures are fundamental in causing poverty. Agreement that social structures cause poverty has the highest regression coefficients in
Table 2. Multiple Regression Models of Influences on the Participation Commitment Scale and Training Commitment Scale*

<table>
<thead>
<tr>
<th>Independent Variables</th>
<th>Facilitatory Scale</th>
<th>Assistentialist Scale</th>
</tr>
</thead>
</table>

**Social Background Variables**

1. Age
2. Comparison of family's income with incomes of other families when growing up
3. Parents as most important motivator for life work
4. Involved in community work

**Personality Inventory Variables**

1. I plan my daily/weekly activities
2. I feel uncomfortable not seeing the whole picture
3. I attend lectures & read books to find solutions to important issues
4. Even running errands, I will normally stop to talk to a friend
5. I feel uncomfortable when a discussion ends without a resolution

**World View Variables**

1. Scale of structural failures as causes of poverty (9-items)
2. Scale of individual's failures as causes of poverty (6-items)
3. Participatory community development commitment
4. Training as a community development commitment
5. Confidence in television as an institution
6. Extent of trust in other people
7. Would benefit from training in economic and/or community development

**Religious Belief Variables**

1. Theological conservatism
2. View that church should benefit its own members first
3. View that church should always cooperate with governments
4. Image as God as Father
5. Motivations for why Christians should be involved in community development;
   5a. Build the kingdom of God on earth
either model, at .11 with the facilitatory scale, and .18 with the assistentialist scale. Feeling uncomfortable at not seeing the big picture has regression coefficients of .06 in both models. We therefore conclude that the people in the sample think more broadly about the causes of poverty than the popular stereotype of missionaries would suggest. Moreover, both agree that social structures do cause poverty, although we suspect on the basis of other questions that the two groups may perceive and understand structures differently.

The remaining variables are either found in one model but not the other, or have different signs on the same variable in the two models. The two indicators with different signs on both scales are: (1) the background variable called involvement in community work; and (2) the view that the church's development activities should benefit its own members first. Workers with a facilitatory approach are naturally more involved in community projects than those with an assistentialist approach. Community projects are what facilitatory-oriented workers do. Moreover, workers committed to facilitation are also less likely to believe that development efforts should benefit their own church members first. Workers with an assistentialist commitment can orient their training to their own members first more easily than facilitatory-committed workers. This suggests a paternalistic approach among workers with an assistentialist commitment.

Backgrounds and Beliefs: The Assistentialist Approach

Of the remaining indicators, twelve are statistically significant with the facilitatory scale, and eleven with the assistentialist scale, and cover the whole range of social background, personality, world view, and religious belief variables. However, none of these are found to be statistically correlated with both scales. Thus, those believing in the assistentialist approach are more likely to have the following characteristics:
• be older (.15);
• come from lower income levels in their families of origin (−.05);
• plan their daily or weekly activities (.08);
• feel uncomfortable when discussions do not come to closure (.09);
• see individual failures as causes of poverty (.13);
• not believe in a facilitatory approach to community development (−.07);
• have confidence in television as an institution (.06);
• believe that the church should cooperate with governments (.06);
• view the primary motivations for community development as helping improve society (.06).

It should be noted that the variables presented in Table 2 most often represent a range of variables. For instance, confidence in television loads highly on a common factor in a factor analysis with questions assessing people's level of confidence in a variety of institutions—the press, educational systems, medical institutions, government leaders and legislatures, organized labor, and the scientific community. Likewise, feeling uncomfortable when discussions fail to end in closure, loads highly on the same factor with a personality variable assessing the extent to which one submits to authority.

The statistically significant indicators comprising the assistentialist scale suggest that workers committed to providing assistance see themselves as part of society and that training individuals will itself improve society. Although recognizing that social structures cause poverty, these respondents also believe that these social structures can be improved when people acquire technical and administrative skills. Thus, training people will affect individuals who will then improve society.

**Backgrounds and Beliefs: The Facilitatory Approach**

In contrast, workers committed to the facilitatory approach to community development are more likely to participate in the following:

• not see their parents as their primary motivators for their intercultural work (−.07);
• attend lectures and read books in finding solutions to important problems (.06);
• stop to talk to a friend even when running errands (.06);
• not adhere to an assistentialist training commitment (−.10);
• trust other people (.07);
feel they would benefit from training in economic community development (.10); 
be less conservative theologically [and politically] (−.12); 
not to have an image of God as Father (−.07); 
be motivated to do development work in order to build the Kingdom of God on earth (.07); 
be motivated to do development work in order to strengthen the church (.07); 
be motivated to do development work in order to relieve suffering as a religious duty (.09); and 
be motivated to do development work in order to follow Christ’s example (.08).

Again, certain indicators load highly on the same factor with other indicators. For instance, theological conservatism and political conservatism are correlated at .49, and load highly (.88 and above) in forming separate factors when included in a factor analysis with other variables. Likewise, stopping to talk with a friend loads highly on the same factor with a variable reflecting more concern about accomplishments than with job titles or positions.

These indicators related to facilitation suggest a belief system that values trust, a commitment to work with and respond to people’s needs whether or not they are church members. These indicators also reflect a series of deeply-held religious motivations though interpreted more liberally. They also suggest a personality that searches for solutions to one’s own problems rather than looking to authorities for answers.

Again the contrast between these polar types is striking. People deeply committed to one or the other are quite different from each other—in their backgrounds, personalities, views of the world, and religious beliefs. Those most committed to the facilitation of development reflect a deeper commitment to people and the process of empowerment. On the other hand, those committed to an assistentialist approach have greater confidence in various societal institutions (television, for example), are more integrated into the status quo of society, and approach the process of change by working with individuals to be trained rather than as colleagues in community projects. Those committed to the assistentialist approach recognize structural causes of poverty, but also see poverty as due to individuals’ failures. Given their trust in social institutions, they apparently believe that poverty can be overcome by training individuals to better their present lives. As individuals become more technically and administratively competent and responsive, conditions in society will be improved without further social structural changes.
Interventions in the assistentialist approach are designed to improve individuals who will then do their part in improving society, which is basically considered trustworthy. In contrast, interventions in the facilitatory approach are designed to simultaneously help empower individuals and to change the social structures within which they live.

**DISCUSSION AND CONCLUSIONS**

This study set out to determine whether a questionnaire could elicit different perspectives of development held by people working in intercultural programs and whether workers with similar or very different social, personality, and belief backgrounds are committed to different community development approaches. The study provided a methodology and produced analyses determining that the facilitatory and assistentialist approaches to community development are empirically as well as theoretically separable. Even workers who are religiously, theologically, and politically conservative tend toward one approach or the other. The study also showed that intercultural workers who are committed to a facilitatory approach to community development, in contrast to those committed to an assistentialist approach, have very different social backgrounds, personalities, motivations, and religious and secular beliefs.

By specifying four essential indicators in the scales of each approach (Table 1), we have tried to contribute to refining the nature of the two approaches. We believe that the indicators specify fundamental principles in the one approach in contrast to the other. These indicators are empirically separable so that the two approaches (and their key correlates) are also now more empirically and theoretically separable. Our instruments are available for use by others and our research techniques are openly accessible. We encourage the use of our data and discussion of our findings by policy makers and others interested in development.

We also believe that both approaches can be viable in community development, depending upon circumstances, and that both are valid. We intend in the near future to study in more detail people who are reasonably deeply committed to both approaches simultaneously. We also hope that our contribution in specifying the nature of the polar types of facilitatory and assistentialist conceptions will result in further evaluation studies of the effectiveness of workers committed to one approach or the other in working with people in their communities.

The data suggest a picture of the world views of conservative Christian missionaries but we believe these findings are reasonably gen-
eralizable. Workers with facilitatory commitments are much more people-oriented, less conservative theologically and politically, more involved in community projects, more likely to have a variety of Biblically-based motivations for their work, and more likely to seek answers to important issues by reading, attending lectures, and seeking other training opportunities. Workers with deeply held assistentialist commitments are older, come from lower income backgrounds, express more confidence in social institutions, plan their work more completely, and feel more ill-at-ease when discussions fail to come to closure (and hence more uncomfortable with cognitive ambiguity). They also see poverty caused by the failures of individuals, believe that technical and administrative skills are more essential for these individuals to achieve, and thus seek to train people to help them improve themselves. This improvement in the situation of individuals, it is believed, will improve a fundamentally trustworthy society.

On the basis of these findings, we cannot say whether the facilitatory or the assistentialist approach is more effective in community development. Previous studies clearly say that the former is both more effective and sustainable than the latter. On the basis of our data, we do assert that people deeply committed to one or the other are quite different from each other. There is an issue whether the differences in personality, social background, motivations, and world and religious beliefs cause the differences in commitment to a facilitatory or an assistentialist approach, or whether the community development approach is fundamental in causing their beliefs. In general, social backgrounds cause attitudes which cause other attitudes rather than vice versa. A commitment to an assistentialist approach could not possibly cause one to be older! It is likely, therefore, that the causes flow (as we have noted in Table 2) from social and personality backgrounds, and secular and religious motivations and beliefs to commitments toward a facilitatory or assistentialist approach to community development. Future studies will examine this more closely.

These findings can help agencies identify the differences in perspective held by members of their staffs. Competing paradigms often generate conflict between colleagues and impede the process of program planning. Incommensurable views of development can fragment an agency's staff and dilute its organizational energy. These findings also suggest how agencies must function if they are to facilitate a sustainable process of community development. Although agencies might include elements of both the facilitatory and assistentialist approaches in their programs, much research clearly documents the important contribution that participation by people in the process of transformation makes to their own development. Clearly, however,
the commitment to participation and local control is not always present, which suggests the importance of staff development in addressing the philosophy and practice of participatory development. The data also suggest that the skills of building relationships are central to successful development practice. These must be identified in candidates for positions and encouraged within the staff. Some people engaged in intercultural development are prisoners of an obsolete vision. We must invest more time in reflection on our world views and our practice.

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STUDENT INVOLVEMENT IN COMMUNITY NEEDS ASSESSMENT

By Glenn D. Israel, Denise L. Coleman, and Thomas W. Ilvento

ABSTRACT

Although leadership is recognized as a developmental process, few communities plan to build the foundation for their young people to develop into involved citizens and leaders. Young adults need to increase their understanding of and commitment to their community, and to become empowered to work toward solving local problems. Our approach was to link community service learning in the schools with community development. Specifically, high school students and teachers were recruited to assist with conducting a community needs assessment survey. We found that the students were able to help conduct a sophisticated needs assessment and able to do it right. The evidence also supports the view that students benefited from their involvement in the project. Most students learned more about their community and about the needs assessment process. Some students also indicated that they were interested in continuing their involvement in community affairs, but the increase in feelings of empowerment among the students appeared to be limited. Finally, the data from the needs assessment survey were used by community leaders for making decisions.

INTRODUCTION

Rural communities have many needs and problems (Beaulieu, 1988). A critical component in the ability of communities to respond to longstanding problems and emerging needs is local leadership and citizen involvement. But too often, we only hear about how long-time...
leaders are quitting and too few people step forward to fill their places (cf. Hines & Napier, 1985). Moreover, many local leaders are not well informed about the nature of local problems and, when confronted with a myriad of problems, do not know which one to tackle first. Marshalling the necessary resources for community action creates an additional barrier to addressing these problems.

One commonly untapped resource is the contributions that young adults can make toward solving their communities' problems. Although community leadership is recognized as a developmental process, few communities plan to build the foundation for their young people to develop into involved citizens and leaders. For rural communities, which have a more limited pool of human resources and often lose their best and brightest high school graduates to out-migration (Lichter et al., 1993), the need of foundation experiences for young people is even greater.

To develop into leaders, young adults need to increase their understanding of and commitment to their community, and to become empowered to work toward solving local problems. Our strategy was to link community service learning in the schools with community development. This approach created a partnership between community leaders and organizations on the one hand and students and teachers at the local high school on the other. The partnership was an integral part of the community development process, which, in this case, focused on conducting a community needs assessment survey. The objective of the program was to help youth begin the transition from student to adult member of the community and to help them become active contributors in solving community problems.

This case study details students' contributions to a community needs assessment process and shows how students benefited from participating in a needs assessment. Specifically, we explored whether students better understood the issues and problems facing their community, whether they felt empowered to contribute to addressing community problems, and whether they developed aspirations for becoming involved in community affairs in the future. Finally, we reviewed how information from the needs assessment project has been used by local leaders and organizations during the six months following the survey.

BACKGROUND

Community and Leadership Development

Development of the community is an important element to improving social well-being (Wilkinson, 1991). This involves a process
of increasing the capacity of local actors to solve local problems (Wilkinson, 1991). Increasing the capacity of local actors has usually emphasized leadership development. Most leadership development programs focus on a process of enhancing human capital (the skills and knowledge needed by local actors to be effective contributors to local solutions), but build community social capital only inadvertently (Wilkinson, 1991). Community social capital (Beaulieu et al., 1990) refers to the network of relationships which facilitates access to both financial and human resources needed for action. Thus, community social capital can be viewed as a resource (a sort of potential energy) that is drawn on when needed.

If the web of relationships is thin or fragmented, then local actors may only draw on a small part of the available resources and success is likely to be more limited. The accumulation of community social capital is important for enhancing the capacity of local actors to solve local problems over a period of time. According to Wilkinson (1991), barriers such as inequality, dependency, gaps in the organizational and institutional structure, and limited access to resources must be removed in order to more fully develop the capacity to act.

From this perspective, youth involvement becomes an important, integral component of community development. The youth of a community are both potential actors and a resource, and to omit members of this group from making contributions to community affairs on the basis of their age unnecessarily limits a community's capacity to solve local problems. In other words, involving young people in local affairs can both develop community and solve specific problems. Community is developed in the relationships between students, teachers, and other citizens and leaders. These relationships further build community social capital. Moreover, these relationships between young and old contribute to intergenerational closure (Coleman, 1988), by which norms and expectations of the community are transferred and reinforced. In short, youth need to be provided opportunities for citizenship and leadership development in order to build a firmer foundation for future leadership in the community (Israel & Beaulieu, 1990).

Historically, young people were given important responsibilities, but in recent decades, little has been asked of them (National Crime Prevention Council, 1988). As a result, young people have often come to be viewed more as discipline problems or dependents of adults than as a resource which can contribute to meeting community needs (Kurth-Schai, 1988). Students need opportunities to perform significant functions in the community to develop leadership skills (Gardener, 1987). But such opportunities are the exception rather than
the rule. As Gardener observes, "Our young people are born into a society that is huge, impersonal and intricately organized. Far from calling them to leadership, it appears totally indifferent. . . . It is very hard for young people today to believe that any action on their part will affect the vast processes of their society" (1987, p. 6). Clearly, there is a need to dispel the view which sees youth as a problem and to create opportunities for young people to contribute to projects which help their communities.

One way to provide youth opportunities to contribute is by strengthening collaboration between the schools and other parts of the community. Schools, especially those in rural areas, have an important role to play in community and leadership development. Schools can contribute to community development programs through the use of the building for meetings, the library as an informational resource, and staff to research problems and teach community members (Hobbs, 1993; Reid, 1989). Schools also can participate in development programs including student class or club projects to identify needs or solve problems, and school-based enterprises which create jobs and provide needed services for the community (Hobbs, 1993; Mulkey, 1992; Reid, 1989). Mulkey also says that schools should teach students about their community and how it works and about leadership and entrepreneurship (1992). This is because effective leadership requires that people understand the economic, political and social processes of their community and the larger society (Mulkey, 1992; Wilkinson, 1991). Daryl Hobbs succinctly makes this point in saying, "It strains credibility to believe that rural community development can travel very far on ignorance of the locality and how it works" (1989, p. 10). Thus, school-based community needs assessment projects can provide experiences for students that are fundamental to citizenship and leadership, as well as help them to better understand their community (Hobbs, 1993; Nachtigal & Hobbs, 1988). Such projects can develop leadership skills (e.g., public speaking or organizational skills) and enhance personal qualities of self-esteem, independence, and critical thinking that are necessary for effective citizenship and leadership (Ames et al., 1985; Gardener, 1987).

After exploring students' participation in conducting a community needs assessment, Ilvento and Maurer concluded that high school students were able to implement a quality telephone survey and thus served as a valuable resource to the community (1991). They note the needs assessment, particularly when using surveys, can be an important part of the community development process. Without resources and technical support, surveys can be biased, unrepresentative, and misleading. Unfortunately, most rural and small commu-
nities cannot afford to hire a consultant to conduct a survey and lack the necessary expertise to carry out a methodologically sound survey (Hobbs, 1989; Ilvento & Maurer, 1991). School-based community needs assessments can maintain a reasonable standard of rigor while keeping costs low and involving local leaders and students in the process. These projects also are feasible for almost any school and provide information about community needs so that citizens and leaders can establish priorities.

**Community Service Learning**

In recent prescriptions for reforming the educational system in the U.S., a number of politicians and policy makers have called for more community service learning programs (see Conrad & Hedin, 1991). These programs emphasize performing a valuable social service while helping students gain practical experience. Service learning also is seen as a method for increasing the relevance of classroom-based activities for youth (Silcox, 1991; Swinehart, 1990). Silcox reports, "school-based service has changed attitudes, values, and relationships and made education come alive" (1991, p. 759). Efforts are being made to integrate community service learning into the school's curriculum, thereby turning the community into a laboratory for experiential learning (see Anderson et al., 1991; Briscoe, 1991; Cairn & Kielsmeier, 1991; McPherson, 1991; Silcox, 1991).

Community service learning also is seen as a way to build students' sense of citizenship and increase involvement in their community (Anderson et al., 1991; Nathan & Kielsmeier, 1991). This view, coupled with the fact that numerous problems or needs remain to be addressed in America's communities, provide a justification for developing service learning programs (National Crime Prevention Council, 1988). Partnerships have been developed with the business sector, civic and social organizations, and other governmental agencies to undertake projects (Anderson et al., 1991; Silcox, 1991).

Although most community service programs usually enhance students' personal growth, little is accomplished in teaching skills that help students become effective actors in local policy-making or other aspects of community action (Boyte, 1991). As Boyte observes, "community service refers mainly to a variety of individual voluntary efforts with local service organizations and does not usually include group decision-making, collaborative action, conflict resolution, and other elements of collective action" (1991, p. 766). But well designed community service programs can increase teamwork among teachers, students, and other community partners (Silcox, 1991). This ap-
proach to learning corresponds more closely to the collaborative methods recommended by a number of community action models. To better realize the goal of cultivating "the ability to contribute effectively within a democratic society" (McPherson, 1991, p. 752), community service projects also need to be developed in a way that allows students to experience empowerment through meaningful and significant roles (Boyte, 1991). This is not easily accomplished because, not only does the content in the educational program change, but the relationships among students, teachers, and members of the larger community are redefined. The nature of relationships between youth and adults shifts from youth being passive recipients of care, education, and discipline to being active participants in deciding and carrying out programs (Kurth-Schai, 1988). The latter represents a change in school structure (or what Larry Cuban refers to as a design change in our educational institutions (1988)). According to Cuban, structural change is not easily implemented or widely successful.

In recent years, a few community service programs which focused on community development have been implemented by schools (see Higbee, 1990; Nathan & Kielsmeier, 1991; Whisman, 1989). These programs involved students in collective action in which they began to develop citizenship skills of the type suggested by Boyte (1991).

IMPLEMENTING THE COMMUNITY NEEDS ASSESSMENT

The needs assessment project was initiated by a small group of local leaders in Immokalee, Florida, working with the County Extension Director. These leaders wanted to obtain information from residents before committing their limited resources to any specific project. The Extension Director consulted with a state specialist and began a process of developing a partnership among local leaders, Extension, the community's high school, and other organizations needed to support the project. Members of the group of leaders played key roles in obtaining the interest and acquiescence of high school administrators and, later, in supporting the efforts of the students. Another partner, a local cellular telephone company, donated ten phones and the air time to allow the survey to be conducted by telephone.

The focus of the partnership was two-fold: to provide community leaders information for decision-making and to provide educational experiences for high school students. For the latter, the educational program attempted to integrate the leadership development and community service learning perspectives. The program provided opportunities for students to have meaningful roles in the community action process (Wilkinson, 1970), while the school provided a valuable ser-
vice to the community by conducting the bulk of the needs assessment. An overview of the program follows.

After meeting with the County Extension Director and high school principal in late 1991, a flyer was developed to recruit interested students and teachers. A social studies teacher decided to have two classes (comprised of mostly seniors along with a few juniors) participate in the project during the spring 1992 semester. Students in these classes were to be awarded extra credit points for their after school participation. Several students from outside these classes also volunteered, but their participation was more limited. A few seventh grade students contributed significantly to the telephone interview phase. Approximately fifty-six students participated. The County Extension Director, a rural development specialist, two Extension program assistants, and several citizens helped the social studies teacher to implement the project.

The students were involved in a series of activities, beginning in January 1992, which were designed to provide them opportunities to make significant contributions. These included a question writing and questionnaire design workshop (conducted after school). The questions written by the students were combined with those of community leaders in developing the instrument. Students also developed materials to promote citizen participation for the survey. As part of these activities the students named the project "A Greater Immokalee for Tomorrow" (A GIFT) and developed the slogan "Don't Hang Up On Immokalee" for their promotional messages. A few students each made a presentation to local organizations to promote the survey and others assembled a display for use at the dedication of the new county Extension office. Students also participated in interviewer training sessions (in class) and conducted interviews during afternoons, evenings, and weekends. A total of 434 interviews (62.5 percent) were completed from a reachable sample of 694 telephone numbers.¹ Fifty-six students made telephone calls, totaling 349 hours of volunteer time. Of the 434 completed interviews, the students did 287 and county Extension professionals completed 147. Adult supervisors monitored the calling and helped students learn to deal with problem cases. During scheduled classes, students participated in discussions to better understand the survey process and issues that they faced. One student also spent in excess of 24 hours creating a computer dataset from the completed surveys.

¹ Numbers which proved to be businesses (11), self-reported nonresidents (20), and numbers no longer in service at the time of the first dialing (62) were not considered reachable.
Despite the "well-laid" plans, there were problems: sometimes static on cellular phone connections made interviewing difficult, and four weeks into the interviewing process, the phones were stolen. In spite of these difficulties, the students persevered. That the students overcame these difficulties can be viewed as an important "real life" experience in implementing community projects: few go according to plan. To help maintain morale, a member of the leadership group sponsored a pizza party for the students after half of the interviews were completed.

A recognition program was held at the school at the completion of the interviewing phase. Students who participated in the project were awarded a certificate of recognition from the Cooperative Extension Service. One leader from the group which initiated the project also attended and made a keynote speech praising the students for their help.

Although most of the students graduated in June, many expressed interest in continuing their involvement in the project. A number of students provided their name and address so that they could be invited to a follow-up meeting. Later that summer, six attended the meeting and helped to plan presentations with various civic and governmental organizations. Subsequently, three students, along with the Extension Director and teacher, conducted fourteen presentations to a number of community organizations. These groups included the Chamber of Commerce, Kiwanis Club, Rotary Club, county commissioners, school board, editorial board of the area's daily newspaper, and others.

**ASSESSMENT METHODOLOGY**

To explore how students benefited from participating in the needs assessment, information was collected in several ways. This strategy provided for a more complete picture of the process and outcomes of the project to be developed. Data were collected using the following:

- pre-program and follow-up focus groups comprised of student participants;
- a follow-up focus group with the teacher, county Extension agent and two program assistants;

2 The Extension specialist conducted the analysis and organized the information in support of the planned presentations.
• telephone call records and participation records collected during the project;
• pre-program and follow-up measurement using Bailer's Locus of Control Questionnaire.

The focus groups conducted with the students differed slightly in size and format between the pre-program and follow-up. Pre-program focus groups were held after school with groups of about twelve students. The focus group lasted about seventy-five minutes. The students were asked seven questions about their understanding of the community and its problems, their feelings of empowerment, and aspirations for future leadership roles in the community (Table 1). The follow-up groups were held during class times over two days (due to the limited length of the class periods). These groups had about eight students each. The students were asked eight questions (Table 2). These replicated the questions from the pre-program focus groups, but emphasized whether students had felt they had changed.

All the focus group sessions were recorded and the tapes were transcribed. Due to limitations with the equipment some comments were not either audible or understandable to transcribers. This was more of a problem with the larger, pre-program groups than for the follow-up groups. Based on review by the focus group moderators, the bulk of the information was retained. Transcripts from the focus groups is analyzed qualitatively to identify changes in knowledge, attitudes, and aspirations (Morgan, 1988). An ethnographic approach based on comments by students is used to illustrate more general statements of finding.

Bailer's Locus of Control Questionnaire has been used to distinguish persons along an internal-external scale with those scoring higher being characterized as more independent or self-directed (Lefcourt, 1976). We anticipated that students who were involved in a successful needs assessment would show some shift toward an internal locus of control. For each of the scale's twenty-three items (see the Appendix), students checked whether each item was true for them. Forty-four students completed the locus of control instrument for the pre-test and follow-up. The amount of change was calculated and decomposed into its component parts, stability (lack of change), structural change, and individual change (Kessler & Greenberg, 1981).

\footnote{Four students completed the pre-test in late January, 1992, but were absent when the follow-up was administered in mid-May, 1992. Eight students who participated were unavailable for both pre- and follow-up tests.}
Table 1. Pre-program Focus Group Questions

1. What do you think are the good things about living in Immokalee? ... the bad things?
2. Do you think you will live in Immokalee after you graduate from school? Why or why not?
3. Returning to some of Immokalee's problems, what do people feel that they can do to solve these problems? What do you feel that you can do to solve problems in Immokalee?
4. If you wanted to get involved in a community project, do you think your parents would encourage or discourage you, or wouldn't they care? Why?
5. Do you think other adults in Immokalee would encourage or discourage you to get involved in a community project, or wouldn't they care? Why?
6. What would you do to get more adults to work on dealing with problems in Immokalee? ... to get more youths?
7. After you finish school and become an adult member of the community, what kinds of things do you think you'll do, if any, for the community?

FINDINGS

As shown by the description of the community needs assessment project above, the students were provided opportunities to make significant contributions. A few performed leadership roles, which are defined as relevant and distinct activities (Wilkinson, 1970), through efforts to promote the survey, create a database, and presenting the results to the community. Most other students also learned more about the needs assessment process and about their community. Some students indicated that they were interested in continuing their involvement in community affairs. On the other hand, the data do not indicate a significant increase in feelings of empowerment among the students. Each of these issues is addressed in detail below.

Learning About the Needs Assessment Process

A number of students indicated that they better understood the needs assessment process (Table 3). Many students also developed skill in interviewing, with 33 of 56 students completing four or more interviews. Only six of the students did not complete an interview. While making a total of 3,149 dialings, most students also learned to handle a variety of situations from no answer or busy to refusals and call backs. Dealing with refusals and respondents hanging up was frustrating for students. But by completing interviews, students felt a sense of achievement and competition. The teacher involved in the project also noted that three students who were poor performers in
Table 2. Follow-up Focus Group Questions

1. What did you learn from your involvement in this project? (PROBE: What did you learn about doing a telephone survey? ... about the research process? ... about your community?)

2. How do you feel about your ability to help the community solve its problems? Does this reflect a different feeling than before this project? How is it different?

3. Have your views on what people can do to solve problems in Immokalee changed? If so, how?

4. Do you think that you are more likely or less likely to get involved in the community after you graduate, given your experience in this project? Why?

5. What kinds of things do you think you’ll do, if any, for the community?

6. Given your involvement in this project, do you think your parents would encourage or discourage you to get involved in other community projects, or wouldn’t they care? Why?

7. Do you think other adults in Immokalee would encourage or discourage you to get involved in another community project, or wouldn’t they care? Why?

8. What would you do now to get more adults to work on dealing with problems in Immokalee? ... to get more youths?

The classroom became very good telephone interviews. These students apparently excelled in the applied learning setting.

Some students remained skeptical about the value of the telephone methodology and of the survey process. The difficulty many students had conducting interviews using the cellular telephones was one reason for this view. Similarly, several students in one focus group did not view their efforts to promote the project to the public to be very effective, but others noted that the local media had printed their press release and that some respondents knew about the survey when they were initially contacted. Another reason for the skepticism about the value of the survey is that the summary of the survey had not been completed and shared with either the students or the public at the time that the follow-up focus groups were conducted.

Learning About Their Community

Most students were already aware of many of the problems facing their community prior to the project. Although many students were able to identify community problems, there was little evidence that indicated more than a few understood how their community worked to solve its problems. A common perception was that most residents in their community did not have the will or knowledge or act effectively. Many of the community actions they discussed were viewed as failures. The perceived inability to act and that of failure is tied, in
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<th>Students' Comments on the Types of Change and Lack of Change Experienced as a Result of Involvement in the Needs Assessment</th>
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<tr>
<td>Better understand needs assessments</td>
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<td>Developed skill in interviewing</td>
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<td>Developed a sense of achievement and competition</td>
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<tr>
<td>Developed a broader view of local issues and problems</td>
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<td>Continued to perceive a lack of organization and leadership necessary for success</td>
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| Appreciated opportunities and barriers to community action | “That's the only way anything in Immokalee gets done, is by them clubs. The people that are involved in those clubs, they can afford to do it and they have the time to do it. People on the streets, they don't care because they gotta catch their crew.”
“Yeah, they need to get organized and get along and start working together and start helping, that type of thing.”
“I didn’t think there was a way to change a town like this. But by learning from different people in the community, they also feel the same way I do and I think that if they came together there could be some changes.” |
| Planned to leave the town (short- and long-term) | “I would come back to Immokalee just to visit, yes, visit my family, but to live, no. There is nothing in Immokalee really for me.”
“I'll come back and help, like people who work in the fields... So if I had a chance to come and do something about it, I would.” |
| Developed interest in getting involved vs. earning a living | “I think I could personally, but I got to go out and...” and another finished, “Make your own living.”
“I'd have to say yes, because Immokalee is going through a changing process and I'd like to be a part of that changing process.”
“I think that I would get involved. This is where I live and it's going to be for the benefit of our community.” |
| The needs assessment was viewed as a springboard for future involvement | “Well, I'm more likely to be involved because here I've been involved in this already and I want to see it keep moving forward.”
“I think I'm more likely 'cause I really liked it [the project].” |
| Little sense of empowerment prior to the project. | “What can we do if nobody else wants to do anything?”
“Because now we can do nothing, because we are still in school. We haven't even graduated and I don't got no money to, you know, to even try. I don't think, well maybe some people do, but I don't. I would like to try if I did.” |

Table 3. Continued
| Developed a sense of being able to contribute to the community but in a limited way | “Nobody wants to depend on teenagers to do something.”
| | “You mean because somebody’s big with money, that’s when they’ll listen, but if you ain’t got no money and you ain’t nobody, they gonna shut the door on you.”
| | “I think it’s going to be pretty useful, but I don’t think we can do anything yet. I mean we’re still in high school.”
| | “Well, I feel like yes and no. The ‘yes’ part was like, ‘Yeah, I could do something’ by contributing my time and find out what was the problem. You know, see what the people’s point of view was about our community. The ‘no’ part is I’m still the same person, and I don’t think I’m going to make a difference.”
| | “Well, it make you feel good because you’re starting to do something even though you might not see many things happening after we finish this but I mean you have to start somewhere.”
| | “We can only do so much. We need help and people to back us up to really make a difference. That’s just the basic fact, we can’t do it by ourself.”
| | “Like if they could get all this stuff, like the important things the people wanted the most and stuff and show it to community leaders and see what they could do about it. ‘Cause we really can’t do nothing, we don’t have any strings, we don’t know anybody like people that have power.”

**Table 3. Continued**
part, to the view that the community has a limited voice in county government relative to that of other localities and this, in turn, is because the community is "lower class." Some students also mentioned that involvement in the community was stratified and this affected the community’s ability to carry out projects. But other students differed, noting that people had carried out community projects successfully. These students cited several examples, including an after-school tutoring program and church-based food and clothing charities.

By interviewing residents, some students appeared to have developed a broader view of local problems. Students’ understanding of and perceptions about community action processes, however, did not appear to improve during the course of the needs assessment process. Statements made by several students during the follow-up focus groups indicated that they did not know what steps were needed to implement action to solve a problem identified in the survey, although probing by moderators elicited some good suggestions on this topic. In addition, a number of students expressed a particular frustration with the fact that few residents were able to name local leaders whose help the citizens would want to solve a problem. This contributed to the students’ perception lack of leadership and organization, and in turn, appeared to constrain aspirations for future involvement and feelings of empowerment. Many students also continued to perceive many residents were not willing or lacking the time (and money) to get involved in community affairs. These factors were seen by students to be barriers to getting things done in their community.

Aspirations for Future Involvement in Community Affairs

During the pre-program focus groups, some students offered only general comments about whether they would get involved in community affairs. Subsequently, few students at the follow-up focus groups expressed aspirations for continuing their involvement in community affairs after graduation. Many said they planned to leave the community for post-secondary education, military service, and other reasons. These students appeared to have little commitment to or investment in the community.

For some students who planned to stay in the community, earning a living appeared to take precedence over involvement in community

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*Although 130 (30 percent) of the respondents identified at least one leader and a total of 131 different individuals, the percentage of residents who could not suggest any leaders left a greater impression on the students.*
affairs. But a few other students indicated an interest in being involved. Of those expressing some interest in future involvement, the needs assessment project was viewed as springboard for that participation. These students appeared to express a greater commitment to the community.

Feelings of Empowerment

Prior to the beginning of the program, students' comments indicate a very limited sense of empowerment. Statements indicating feelings of what individual or a group of students could do to contribute to their community to address a problem were absent from the discussion in the focus groups. Although some students recognized the need to develop a community organization, they did not see themselves as initiators of such action.

For some of the students, the only way they saw to help was to have a large amount of money to donate to their community. There was a consensus among these students that wealth created influence in both the community and in county government. Since these students had little money, they had little sense of empowerment.

Change in feelings of empowerment appeared to be subtle and limited, based on students' comments during the follow-up focus groups. Many, if not all, had little idea of what impact the survey was having on the community or what steps were needed to put the needs assessment information into action and this influenced their comments. Several students, in saying they wanted to see further action after the survey, suggested that a number felt that they could contribute to community affairs and make a difference if given an opportunity. Some also expressed concern as to whether local leaders would provide the leadership and support the students would need to succeed. Both optimistic and pessimistic comments were expressed by students on this point.

Evidence that change in feelings of empowerment was limited during the four-month period were also found in the analysis of the locus of control questionnaire. The analysis showed essentially no change between pre- and post-test (pre-test mean = 16.4, post-test mean = 16.3). Using Kessler and Greenberg's $Q^2$ measure of change, virtually all the change between the two tests was due to individual change (99.9 percent) (1981). Further analysis using a regression-based decomposition of change (not shown here) also indicated that most of the change was individual in nature while structural change (i.e., that due to the students' score on the pre-test) accounted for only twenty-five percent of the variance of the change score. In terms of short-
term empowerment of participating students, the program did not appear to have a large impact. 5

Use of the Study in the Community

In the six months following the survey, information from the needs assessment has been used in several ways. A number of local organizations focused on information which pertained to their activities and used it to guide their planning:

- The YMCA used information about recreational needs to develop a priority program for middle school youth. One student who was involved in the presentations is now serving as a member of the task force working on this project.
- The adult education division of the county’s public school system used information to complete their annual plan of work.
- The business development sub-committee of the local Chamber of Commerce is using information to obtain assistance from the regional planning council and Florida Department of Commerce to support their economic development activities.

Information also has been used to organize community leaders in a new way.

- Of 131 individuals who were nominated as community leaders during the needs assessment, 44 attended a planning meeting. Based on the survey, these leaders identified five priority issues and selected two of these as focus for their efforts.

CONCLUSIONS AND DISCUSSION

Linking community service learning with community development can be a useful strategy to better meet the needs of some rural communities. The successful implementation of the community needs assessment project is evidence that students can make significant contributions to the development of their community while gaining valuable experience from their involvement and leadership. A key element in linking community service learning with community

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5 This suggests that the instrument was not reliably measuring students’ feelings of empowerment. One reason might be that the items have a general focus rather than one specific to community involvement. Another reason might be that the instrument was not age appropriate. This might have created a testing effect in the form of purposely incorrect responses by some students, which would have adversely affected the quality of the data.
development is the creation of the community–school partnership. The partnership of high school students and teachers, community leaders, a local telephone company, and the Cooperative Extension Service was successful in conducting the community needs assessment survey. Local leaders identified the need for the project, legitimized it, and supported the project. A number of citizens volunteered their time to help the students. With the support of these partners, the students carried out a variety of activities encompassed by the needs assessment survey and obtained useful information for leaders in the community, as have students in other communities (Ilvento & Maurer, 1991). Clearly, a partnership is needed if similar projects are to succeed.

The evidence also clearly supports the view that students benefited from their involvement in the project. These benefits are more apparent in some areas than in others, but given the status of the project at the time of the follow-up focus groups, this should not be surprising. In our view, any change among even a few students should be seen as an indication of program impact. With this in mind, the evidence showed that most students learned about the needs assessment process, especially the use of telephone interviewing techniques. A number of students also became more aware and informed about community issues and problems. Fewer students indicated that they expected to become involved in community affairs after graduation, in part because many expected to leave the town. Many of the latter are apparently looking to escape limited opportunities for jobs and recreation in the small town as are youth in many small and rural communities (Fitchen, 1991). Finally, in the short-term, the feeling of empowerment increased little, if at all, among the students. This is best seen among those students who said they had made a start in helping the community and hoped to put the results of the needs assessment into action.

Projects like this one can help youth develop an understanding of their community and how it works, as Hobbs (1993) and Mulkey (1992) suggest. This understanding and experience can increase students’ confidence that they can contribute to their community’s efforts to solve local problems. This might lead to a more active citizenry and to earlier emergence of local leadership. We caution, however, that these projects should not be viewed as meeting all the necessary and sufficient conditions for creating leadership and involving citizens, but are one step in the process.

The evidence that the project benefited at least some students suggests that the program should be refined and considered for use
in other communities. Based on the experience here, it is clear that the educational program should be expanded in several areas.

- More attention is needed to giving the students a better understanding of how the needs assessment contributes to the community development process. This implies that the linkages with school curricula, especially to social students classes, need to be strengthened.

- Students should be involved in a community project, which is undertaken as a follow-up to the needs assessment, to build on the experience gained from the community needs assessment. Expanding a community needs assessment project to include other development projects means that school-based projects will need additional implementation time.

- Communities must not only provide opportunities for youth to participate in these types of activities, but they must encourage graduates to continue their involvement. More than anything else, this means established leaders should continue to ask young adults to help, give them the responsibilities for meaningful roles, and provide the support they need to succeed. These steps can help build an active citizenship and leadership on the foundation laid during school-based projects. This also means that relationships which are first established during the school-based project are nurtured to build the community’s social capital.

A by-product of the needs assessment project has been an increased appreciation among some local leaders of what young people can do to help their community. As the teacher observed, “Certain power people were involved and also saw that the kids could take an active role too . . . I think the power group maybe began to look at the kids in the community differently because they saw that maybe they aren’t the only ones who have to solve all the problems and all by themselves.” This suggests the perception among the adult community that youth are a resource rather than a problem and can be changed. This might lead to additional opportunities for youth to be involved in the community (Ames et al., 1985; Kurth-Schai, 1988). If leaders are going to develop more sustained community action, they must be able to take advantage of the opportunity to harness the energy and enthusiasm of young people.

Another benefit of projects in which schools become both a resource and partner in the community is that schools may benefit from increased public support (Briscoe, 1991). The difficulty that schools often have in obtaining funding may be due, in part, to the perception
by segments of the public that they do not benefit from money spent in the schools. To some, the school is an institution in the community but not of the community (Hobbs, 1993). Building the community-school partnership through involvement in community development programs can enhance a school's image and expand public support.

REFERENCES


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<td>2.</td>
<td>Do you really believe a kid can be whatever he or she wants to be?</td>
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<td>3.</td>
<td>When people are mean to you, could it be because you did something to make them mean?</td>
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<td>4.</td>
<td>Do you usually make up your mind about something without asking someone first?</td>
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<td>5.</td>
<td>Can you do anything about what is going to happen tomorrow?</td>
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<td>6.</td>
<td>When people are good to you, is it usually because you did something to make them be good?</td>
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<td>7.</td>
<td>Can you ever make other people do things you want them to do?</td>
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<td>8.</td>
<td>Do you ever think that kids your age can change things that are happening in the world?</td>
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<td>9.</td>
<td>If another kid was going to hit you, could you do anything about it?</td>
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<td>10.</td>
<td>Can a kid your age ever have his own way?</td>
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<td>11.</td>
<td>Is it hard for you to know why some people do certain things?</td>
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<td>12.</td>
<td>When someone is nice to you, is it because you did the right thing?</td>
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<td>13.</td>
<td>Can you ever try to be friends with another kid even if he or she doesn't want to?</td>
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<td>14.</td>
<td>Does it ever help to think about what you will be when you grow up?</td>
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<td>15.</td>
<td>When someone gets mad at you, can you usually do something to make him or her your friend again?</td>
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<td>16.</td>
<td>Can kids your age ever have anything to say about where they are going to live?</td>
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17. When you get in an argument, is it sometimes your fault?
18. When nice things happen to you, is it only good luck?
19. Do you often feel you get punished when you don’t deserve it?
20. Will people usually do things for you if you ask them?
21. Do you believe a kid can usually be whatever he or she wants to be when he/she grows up?
22. When bad things happen to you, is it usually someone else’s fault?
23. Can you ever know for sure why some people do certain things?
BOOK REVIEW


*Old Problems in New Times* is a hopeful yet realistic assessment of urban problems and proposed solutions offered by an experienced city planner. Byrum, who for 13 years has served as director of planning for the City of Minneapolis, advocates a strategy for reversing inner city decline that is metropolitan in scale and heavily dependent on public-private cooperation. Drawing primarily from the experiences of the Twin Cities since 1950, the author's analysis and conclusions apply to most medium-sized U.S. metropolitan areas during the second half of the twentieth century.

The first two chapters of this book summarize Byrum's diagnoses of what has gone wrong in older residential areas of central cities. A complex and multi-dimensional cycle is described wherein socioeconomic inequality, the dynamics of residential housing markets, and racism combine to reduce property values and concentrate low income households in inner city neighborhoods. Increasingly segregated from the surrounding region by income, class and race, these neighborhoods become less stable and their quality of life declines. This subsequent worsening of conditions adds to the original causes of neighborhood deterioration by reducing property values even further, and a self-perpetuating trend of devaluation takes hold. Eventually, an isolated community of poor, mostly minority households develops in an area largely abandoned by affluent whites. The author's dim view of this process is especially pointed when he declares it the culmination of America's "de facto low income housing policy."

In chapter three, Byrum outlines a six-point strategy for reversing inner city decline and devaluation, the components of which are detailed individually in subsequent chapters. Drawing from his professional experiences, Byrum argues with authority that downtown development by itself is irrelevant to successful neighborhood revitalization. Instead, public and private entities from throughout a single metropolitan area should adopt a coordinated strategy aimed at neutralizing many interrelated causes of urban decay simultaneously. For example, the author notes that bolstering residential property values in inner city neighborhoods may require both rehabilitation
of existing city housing stock along with mandated development of low- and moderate-income housing in suburbs. Stressing the potential for decay and devaluation to spread beyond city limits, as well as the economic and environmental inefficiencies of current suburban development practices, Byrum makes a convincing case for intervention in area housing markets. His dire warnings aside, however, the question remains whether policy makers from diverse metropolitan jurisdictions will overcome mutual suspicion to formulate a common approach to shared problems.

Besides failing to offer a credible political strategy for implementing his metropolitan proposals, Byrum also must be faulted for his disappointingly shallow treatment of some urban social problems. By his own admission in the chapter dealing with poverty, the author is a lifelong physical planner and administrator who finds discomfort writing on social issues. Yet as evident from his discussion of voluntary racial segregation and its detrimental effects on residential property markets, Byrum is keenly aware of social trends and their often critical role in urban development. Issues of less obvious or immediate significance to the urban landscape—crime, unemployment, homelessness—were not explored so thoughtfully.

In the final and most ambitious chapter, Byrum identifies the goals and components of his metropolitan strategy to combat inner city decline. Boldly calling for reduction in the cultural and economic differences between cities and their surrounding communities, Byrum suggests "reaching consensus" and "building leadership" as though both goals were easily accomplished. Here again, a lack of specificity detracts from the author’s valuable and well-founded ideas.

None of the minor problems identified in this review offset the quality or depth of Byrum’s analysis, however. By shedding light on the complexity, interdependence, and historical development of urban problems while instilling an appreciation for metropolitan-level remedies, Old Problems in New Times is a valuable read.

JOSEPH TESTA
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