COMMUNITY DEVELOPMENT STRATEGIES ON THE NORTHERN PLAINS

KEVIN A. CHOY
RICHARD C. ROUNDS

Brandon University
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by

Kevin Allen Choy
Richard C. Rounds

The Rural Development Institute
Brandon University
1992-8
Canadian Cataloguing in Publication Data

Choy, Kevin Allen

Community development strategies on the northern plains

Includes bibliographical references.
ISBN 1-895397-11-1


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PREFACE

If development is viewed in its proper long-term context, the communities on the Northern Plains of North America have been faced with significant change. Agricultural restructuring has left progressively fewer and larger farms, rural out-migration has drained away residents, and the agglomeration effect of larger centres has attracted most new industry. All change resulted in the continuing process of rural depopulation, which is the underlying cause of many rural concerns. Growth, not decline, is supposed to be the rule in western economies, and society’s entire structure is designed to promote and receive the benefits of growth.

But most communities on the Northern Plains rely heavily on agriculture for continued existence. Recent international trends in primary production have increased both risk and uncertainty in farming. Agriculturally-dependent communities, therefore, are faced with both immediate and significant risk and uncertainty, and are forced to change or slowly diminish. Change, however, can be difficult, especially if it involves elements of basic lifestyle or non-traditional uses of available resources.

This book is designed to bring together two essential components needed for effective rural change. First, it surveys rural community leaders from Minnesota, Manitoba, North Dakota, Saskatchewan, Montana and Alberta regarding their perceptions of various development strategies. This is done to ascertain how rural leaders are reacting to new opportunities and options, what they are willing to accept, what they expect, and how they feel about change. Second, we present an overview of the theory behind development strategies to empower community leaders with knowledge of systems that have evolved through time. This is done in a straightforward way to provide insight into available options and allow rural leaders to choose those that are most likely to help their community. By reviewing both Canadian and American development in a coterminous region, we hope to bring new ideas to the table. Let the process begin.
ACKNOWLEDGEMENTS

We gratefully recognize the J.W. McConnell Family Foundation (Montreal) for funding for this project. Special gratitude is extended to the community leaders in the 230 cities, towns and villages on the Northern Plains who took the time to respond to our survey. Many provided extensive written comments that allowed determination not only of their actions but also of their feelings about the future of their communities and the region.

Joan Rollheiser, Administrative Assistant at RDI, prepared the manuscript for publication. Patrick Cherneski served as cartographer for the project. June Welsted and Tom Stacey proof-read the final manuscript. Dr. Meir Serfaty, former Vice-President Academic and Research at Brandon University, supported all phases of the project. The Rural Development Institute is housed by Brandon University and supported by the Universities Grants Commission and Department of Rural Development of the Province of Manitoba.
INTRODUCTION

In the 1920s, rural community life peaked in both population and economic prosperity. The culmination of land improvement, the adoption of new technology and capital and the shift to individual farm tenure "fostered massive rural expansion" (Troughton 1990:24). Since that time, the fortunes of rural livelihood have reaped fewer returns as economic performance has dwindled with the depopulation of many rural communities. According to Luther (1990:193) "the agrarian ideology inspired by the Jeffersonian vision of a democracy based on agriculture and holding up rural life as somehow morally superior is obviously under seige."

Many reasons are given for rural decline, including increased technological change, inappropriate national policies and the rise of transnational rather than national or local issues. Specific to Canada, authors contend that fluctuating exchange rates with the United States undermined national policies designed to reverse rural decline.

Technologically-induced change had dramatic effects on the labour requirements of the agricultural sector as the increased scale of processing transferred local control to agribusiness. This was further accentuated by the economic depression of the 1930s which ended hopes of further rural expansion. The demands of post-war urban industry also encouraged rural decay under the urban concepts of 'specialization,' 'efficiency' and 'productivity' which were "largely developed in the non-rural context" (Troughton 1990). Rural manufacturing also diminished as traditional skills were replaced with new technology. The urban concentration of higher education and professional training further led to the exodus of the rural population.

In a contemporary commentary, Rosenau (1988) adds that the shift from an industrial to a post-industrial order, especially the microelectronic revolution, has made social, economic and political interactions much faster and distances much shorter. Korschning and Hildreth (1987:1-2) also address the negative impact of technology,
claiming that modern technology is not location-specific and will lead to both continued depopulation of rural areas and weakened political control:

By the end of the century, emerging technologies could enable cattle ranchers to raise larger cattle, dairy farmers to control sex of their calves and to increase milk production by more than 10 percent without increasing feed intake, and increase farm management skills through the use of computer and electronic technology. ...The impact, however, of these technologies upon agriculture will be to increase size and capitalization of farm firms, and to further reduce the farm population.

The information age allows massive increases in people’s abilities to organize, store, retrieve, and transmit information. For rural areas, the greatest pressure is on the infrastructure that seemingly does not possess the technologies...and skills to facilitate rural America’s entry into the information age. ...Combined with this movement is a changing locus of decision-making. The rapid movement of massive information allows increased economic decentralization and increased vertical linkages in all industries. Local communities will be taking on a larger share of the responsibilities for the welfare of their own citizens.

In the 1950s, success of the United States’ Marshall Plan led to capital investment projects aimed at industrial expansion. Increases in Gross National Product (GNP) were thought to "trickle down" to stimulate rural development. The rural sector was considered a passive resource with excess labour and saleable commodities to support other sectors. By the 1960s, however, there was general agreement that equating GNP growth with rural development was an error (Gerace 1990).
With rural life assaulted by technology, a growing urban perspective and the mistaken adoption of a 'trickle-down' policy, traditional agricultural production was forced into greater concentration among fewer producers. Technology increased yields and economies of scale for those with the monopoly of skill, wealth and resources. This is perhaps best summarized by Korschning and Hildreth (1987:1-2):

Farms are increasing in size. They are tending to become more specialized and are becoming even more capitalized. ...A dual structure of agriculture is emerging, consisting of many small farms that produce very little, a few large farms that account for the majority of the agricultural production, and the disappearance of the medium, family sized farms. As this occurs, there is a continued reduction of the farm population.

Further to the increase of larger farms with fewer owners, other sectors have suffered low wages. Only the service occupations have grown in rural areas, and even this sector is generally minimum or low wage and does not increase rural wealth substantially. The total effect of concentrated farming and lower paying jobs outside of the agricultural sector has led to an exodus of rural inhabitants to urban centres.

The failure of the GNP 'trickle-down' strategy in rural development has become evident since the late 1960s. Major problems include "accelerating under-employment, inequities in income distribution, numbers (and percentages) of people below defined standards of poverty, rural-to-urban migrations, and deteriorating economic status of the developing world (the 'periphery') reflected by rapidly mounting indebtedness and debt-servicing burdens" (Gerace 1990).

There are numerous 'adaptations' to rural community development across Canada. Unfortunately there are no trends. Various provinces have approaches varying from 'rural affairs' in Saskatchewan under the department of agriculture, to community development initiatives in New Brunswick under the ministry of labour. In Ontario
the approach to community development is strategic economic development but the program does not extend to the vast majority of agricultural communities in southwestern Ontario. Such is the disarray in Canada that it makes an overview either simple or depressing—depending on your point of view.

Community development is not really an effective force in Canada. Where it exists it does so at the margins of political power. In Canada, community development has not been able to generate an integrated approach based on community action. Many challenge that view, pointing to numerous innovations and experiments unfolding around the country. But this is input, recent and sometimes desperate. When you start looking for successful output over the long term the plate is far emptier (Davidson 1990:86-88).

In the United States, the current context of rural life is summarized by the following scenario:

* The shift from a largely rural to a largely urban suburban U.S. society.
* Actions of the U.S. federal and state governments that adopted an increasingly regulatory rather than developmental emphasis for the nonagricultural sectors of the economy, particularly the manufacturing and chemical sectors, which came to be dominated by powerful corporations.
* Accelerating successes in converting the massive U.S. federal and private investment in petrochemical and biological research into highly productive agricultural technologies. These technologies were based on major additions of cheap energy, mechanization, fertilizers, irrigation, and chemical pest controls.
* Large increases in both enrolments and state and federal investments in a much more diverse U.S. higher education system.
* Federal investment in individual investigator, peer-reviewed, competitive basic research grants, which replaced the former dominance of the agricultural experiment station and private foundations as support for research (Cantlon 1989:3).
* The economic competitiveness of rural areas is diminishing.
* Rural communities are dependent on too few sources of income.
* Service demands on local governments and community organizations are growing while attendant resources are diminishing.
* Rural families and communities are having difficulty adjusting to the impact of political, economic, and social change on rural life.
* Rural revitalization is dependent on skilled community leadership.
* The quality of the natural resource base is critical to revitalizing rural communities (Byrne 1989:16).

Rural change is caused by the uncoupling of the primary products' economy from the industrial economy, and industrial production from industrial employment. In the former, the agricultural sector has diminished in structural importance. Similarly, industrial growth does not rely on increases in either production or supply of raw materials. For example, the "collapse of prices for agricultural and non-oil raw materials Commodities began in 1977 and has continued. Meanwhile, industrial production has grown steadily, contrary to the logic of traditional economic theory" (Fuller, Ehrensaft and Gertler 1990:4). In other words, "raw materials are no longer a major element in most new products" (Christenson, Fendley and Robinson 1989:16).

The uncoupling of industrial production from industrial employment is evident in the declining proportion of blue-collar workers in the labour force. "In all industrial nations, manufacturing output has steadily increased and maintained its share of the GNP while employing fewer workers. This restructuring of the industrial economy is largely due to the substitution of capital and technology and labour" (Fuller, Ehrensaft and Gertler 1990:4).
In addition to the uncouplings, some contend that the driving force of the world economy has shifted from trade in goods and services to the international movement of capital. "Capital movements, exchange transactions, and credit flows are now worth several times the value of world trade transactions" (Fuller, Ehrensaft and Gertler 1990:4). The rise of capital over material movements between countries has de-stabilized rural economies dependent on export trade, especially the Canadian Prairie region:

The world monetary system has been transformed by the relative decline of the industrial and financial dominance of the United States in international trade and investment. From the 1970s onwards, there has been a gradual erosion in the capacity of the U.S. dollar to serve as the international monetary unit of account. The stable linkage of the U.S. dollar to gold and the stable linkage of the U.S. dollar to other major currencies have been replaced by fluctuating exchange rates that vastly complicate international trade and national economic policies.

For an export-oriented country like Canada, fluctuations in exchange rates are quite capable of overriding the intended consequences of national commodity policies aimed at supporting the farm, forestry, fishing, and mineral sectors. Increases in the value of the Canadian dollar can potentially swamp the efforts of industrial policies to increase the competitiveness of our manufactured products in international trade (Fuller, Ehrensaft and Gertler 1990:5).

**Purpose of the Northern Plains Project**

From the above overview of the current state of rural life, this book attempts to examine strategies aimed at community economic development at the rural level. This effort emerged from an exploratory survey conducted in 1990 that sought to determine the state of community development in small centres across the Northern
Plains. This survey initially identified business strategies and local development needs.

Funded by the J. W. McConnell Family Foundation of Montreal, the Rural Development Institute of Brandon University began further investigation of local development strategies in the spring of 1991. Four major strategic areas were identified: inter-community cooperation, high-technology, entrepreneurship and financial strategies. Literature was reviewed with special attention given to the potential impact the four areas of strategy have on rural development.

Complementing the literature review, an international survey was conducted across the Northern Plains. Jurisdictions surveyed include the Canadian provinces of Alberta, Manitoba and Saskatchewan, and the states of Minnesota, Montana and North Dakota in the United States. All cities, towns and villages, and rural municipalities when deemed appropriate, were sent a questionnaire concerning both their actions and perceptions relative to a variety of rural development issues. Establishing appropriate survey techniques was difficult owing to variations in incorporation of urban municipalities both within and between nations. It also was difficult to determine which towns near major cities were truly rural, and which were suburban communities. Rather than make arbitrary decisions, we mailed surveys to all municipalities (rural and urban) listed in the directories of each province or state. A total of 1157 surveys was mailed out.

Data from returned questionnaires were collated and entered into a computer. Statistical analyses were designed to identify international, regional (provincial and state), and community population differences among responses. Qualitative comments also were compiled to help interpret numerical results and to provide greater insight into the specific challenges facing small rural communities.

Seven chapters follow. Chapter 2 presents a general discussion of the leading theories of community development, and provides the basis for understanding the essential elements of development strategies. All strategies, for example, fall into either a supply or demand mode. Chapter 3 reviews the strategy of inter-community coordination. The benefits of networking and forming cooperative
linkages among communities and regions are examined. Chapter 4 defines and reviews the high-technology in community development. Chapter 5 reviews the requirements and constraints of entrepreneurial success. Direct strategies are essential to development and include increasing the efficiency of existing firms, creating and expanding local firms and capturing existing dollars. The role of economic incubators also is reviewed.

Chapter 6 reviews the various financial mechanisms local communities can utilize in funding development attempts. It covers the current context of rural financing, including the mechanisms of venture capital and development corporations. Chapter 7 reviews government-supported financing, and Chapter 8 lends perspective to the survey of Northern Plains' communities.

Survey Returns

Two hundred and fifteen usable questionnaires were received from the 1157 mailings (19 percent). Many other communities returned survey forms with comments to the effect that they were suburban rather than rural or were too small to have organized development programs or networks. Similarly, mailings to rural municipalities often were inappropriate because no town was included within the jurisdiction. Responses of this nature suggest that the 216 communities that did return questionnaires represent a higher percentage of "appropriate" mailings than indicated.

Ninety-seven Canadian communities responded, including 37 from Alberta, 42 from Manitoba, and 19 from Saskatchewan. The four population size categories ranging from <500 to >10,000 residents all were well represented, although approximately half of the responses came from towns and villages of less than 1000 people (Table 1). A similar number of responses was received from the United States (n=118), but distribution among the four smallest population size categories was more even. Overall, distribution of responses according to population of towns was very even among the four smaller categories, but larger towns and cities were not well represented.
Responding communities were widely distributed among the 6 jurisdictions (Figure 1).

Table 1. Population classification of responding communities

<table>
<thead>
<tr>
<th>Jurisdiction</th>
<th>&lt;500</th>
<th>500-999</th>
<th>1000-1999</th>
<th>2000-9999</th>
<th>&gt;10000</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>Alberta</td>
<td>18</td>
<td>5</td>
<td>5</td>
<td>7</td>
<td>2</td>
<td>37</td>
</tr>
<tr>
<td>Manitoba</td>
<td>7</td>
<td>18</td>
<td>7</td>
<td>9</td>
<td>1</td>
<td>42</td>
</tr>
<tr>
<td>Saskatchewan</td>
<td>5</td>
<td>3</td>
<td>5</td>
<td>2</td>
<td>4</td>
<td>19</td>
</tr>
<tr>
<td>Canada</td>
<td>30</td>
<td>26</td>
<td>17</td>
<td>18</td>
<td>7</td>
<td>98</td>
</tr>
<tr>
<td>Minnesota</td>
<td>7</td>
<td>20</td>
<td>18</td>
<td>25</td>
<td>2</td>
<td>72</td>
</tr>
<tr>
<td>Montana</td>
<td>10</td>
<td>7</td>
<td>4</td>
<td>5</td>
<td>2</td>
<td>28</td>
</tr>
<tr>
<td>North Dakota</td>
<td>4</td>
<td>6</td>
<td>6</td>
<td>2</td>
<td>0</td>
<td>18</td>
</tr>
<tr>
<td>United States</td>
<td>21</td>
<td>33</td>
<td>28</td>
<td>32</td>
<td>4</td>
<td>118</td>
</tr>
<tr>
<td>Total</td>
<td>51</td>
<td>59</td>
<td>45</td>
<td>50</td>
<td>11</td>
<td>216</td>
</tr>
</tbody>
</table>

Population Change And Community Development

Communities were asked to rate three questions regarding the state and future of development of their community (Table 2). Average ratings were derived for responses to a question ranking the perceived importance of population change in community development. An average rating of 1.0 represents little importance and an average of 7.0 represents extreme importance.

Communities believe that increasing population is important in community development (Table 2). Retaining youth is more important than attracting retirees as a strategy for increasing population. In fact, retaining youth is more important as a strategy than simply increasing population. More than 75 percent of the respondents rated retaining youth as an extremely important aspect of community development.
Table 2. Perceptions of the impact of population change on community development on the Northern Plains

<table>
<thead>
<tr>
<th>Strategy</th>
<th>Not at all important</th>
<th>Important</th>
<th>Extremely important</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>X</td>
<td>No. %</td>
<td>No. %</td>
</tr>
<tr>
<td>Increasing</td>
<td>5.8</td>
<td>4</td>
<td>2</td>
</tr>
<tr>
<td>Retaining</td>
<td>6.1</td>
<td>0</td>
<td>0</td>
</tr>
<tr>
<td>Attracting</td>
<td>4.6</td>
<td>9</td>
<td>4</td>
</tr>
</tbody>
</table>

Associations were determined between the importance of increasing population with country of origin, region, and size of community. A significant difference occurred between countries with Canada’s average rating (X=6.2) higher than that of the U.S. (X=5.5). Although a significant difference was not found between the importance of increasing population and size of community, smaller communities rated the importance of increasing population higher than did larger communities (p=0.06). Communities with populations under 500 rated the importance of increasing population the highest at 6.1, followed by communities with populations between 500 and 1000 at 6.0. All other communities rated the importance of increasing population lower than 6.0 on the scale.

A significant difference also was apparent between countries on the importance of retaining youth (p<0.01). Canadian communities ranked the importance of retaining youth higher (X=6.4) than did American communities (X=5.9).

In general, communities believe that increasing population is important in community development. Although not statistically significant, smaller communities did emphasize the importance of increasing population more than did larger communities. Significantly, population change was considered more important in Canada than in
the U.S.. As part of this perception, Canadian communities rated retaining youth higher than did American communities.

Perceptions of the Present and Future Status of Community Development

An historian would tell you that you cannot know where you are going if you do not know where you have been. Similar reasoning led us to ask five questions about the present state of rural development, and people’s perception of where it is going in the future (Table 3). Responses provide a benchmark against which to interpret rural people's thoughts concerning not only what has happened to date, but also where they think rural development should go and will go in the future. Average ratings were derived from responses to a question ranking perceived development. An average rating of 1.0 represents under development, and an average of 7.0 represents over development. An average rating near 4.0 is considered to be about right.

Table 3. The state of community development on the Northern Plains

<table>
<thead>
<tr>
<th>Community development</th>
<th>Under developed</th>
<th>Just about right</th>
<th>Over developed</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>1 No. % 2 No. %</td>
<td>3 No. % 4 No. %</td>
<td>5 No. % 6 No. %</td>
</tr>
<tr>
<td>Presently</td>
<td>2.2 67 31 77 36 43 20 19 9 5 2 2 1 1 &lt;1</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Should move towards</td>
<td>6.1 0 0 1 &lt;1 6 3 18 8 24 11 62 29 102 48</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Will move towards</td>
<td>5.3 4 2 7 3 6 3 47 22 41 19 51 24 46 26</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Compared to others in</td>
<td>3.0 41 19 43 20 41 19 66 31 10 5 10 5 4 2</td>
<td></td>
<td></td>
</tr>
<tr>
<td>my area</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Compared to others in</td>
<td>2.7 49 23 55 26 44 21 48 23 12 6 5 2 0 0</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>
Variations are evident between the present state of community development and where it is heading in the next five years. With a low overall average rating of 2.2, community development is perceived as underdeveloped presently. However, communities believe that there should be movement towards greater development in the next five years with a goal represented by an average rating of 6.1. This optimism is tempered somewhat by the perception that community development will move higher than the present level, but only to an average rating of 5.3. Although what people think will occur is less than what they would like to see, expectations suggest optimism in rural communities.

A significant difference (p<0.01) was apparent in perceptions of smaller towns’ (500-1000) residents concerning the current level of development. Small towns rated present development at 1.8, considerably below the overall average of 2.2.

Communities also were asked questions on the state of their development relative to that of other communities in their area and region. In general, communities felt that they were "underdeveloped" when compared with others. An average rating of 3.0 was given when communities compared their town with others in their area, and 2.7 when compared with others within their region.

A significant difference (p=0.02) was evident between ratings by communities with populations between 500 and 1,000 (who rated development in their community lower at $\bar{X}=2.6$) and ratings of other communities ($\bar{X}=3.0$). A significant difference (p=0.01) in ratings also occurred for all communities with populations less than 1000; these rated development in their community lower than others in their region. Communities with populations under 500 rated development lowest ($\bar{X}=2.3$). Communities with populations between 500 and 1000 rated development slightly higher. It is apparent that the smallest communities perceive themselves as being in the weakest position within rural areas.
COMMUNITY ECONOMIC DEVELOPMENT THEORY

Theory provides background for understanding planned development. Without a conceptual framework, for example, rural practitioners may symptomatically treat economic change through "quick-fixes on local employment, tax revenues and expenditures and short-term business attraction. Moreover, the use of economic, social, environmental and fiscal planning techniques are limited to gauging change without a broad understanding of the impacts of change." Malizia (1986:490) further states that simply mitigating or advancing the effects of change" does not raise new public goals or local government functions particular to economic development. In other words, the anticipation and management of local economic change are parts of local planning generally and do not represent economic development planning specifically."

There is no clear-cut theory of rural development. Instead, various original and modified theories have evolved from the literature and debates range across many dimensions of rural life (Figure 2). Attempts to define the goals of rural development outline seven unresolved debates ranging from who should benefit from rural development to how development is to improve rural life (Hill, n.d.). The "most pervasive ambiguity" in rural development is defined as the complex relationship between rural development and rural industrialization, which are not necessarily synonymous. The benefits and costs of industrialization are multitudinous and include questions of what types of industries located in what types of areas bring what types of benefits and impose what kinds of costs both to communities and to groups within communities.
Figure 2

SCHEMATIC OF RURAL DEVELOPMENT THEORIES

Approaches to Rural Development

Supply-Demand

Supply Theory
- Utilizing idle resources
- Expanding Resource base
- Increasing Productivity

Demand Theory
- Greater market opportunities (increased demand)
- Timely use market signals (changing demand)

Time Frame

Short term Growth orientation
- Increase profit/wage
- Change economic equilibrium

Long term Development orientation
- Diversification of economic base
- Public intervention

Initiator

Corporate (private)
- Create favourable investment climate
- Entrepreneurial
- Non-targeted job creation
- Business/industrial recruitment
- Expansion of local businesses/industry
- Impact substitution
- Reappraising tax dollars

Alternate (public)
- Public planning process
- Public intervention
- Targeted job creation
- Increase welfare disadvantaged
- Human resource development
- Job training
- Targeted groups
- Local ownership and control
Moreover, terms or concepts are used interchangeably without definition. Hill (n.d.:18), for example, claims that "rural development" is an "elusive phrase" owing to

the very complexity of the matters involved in rural development. In part, it results from very limited and sometimes misdirected research efforts. In part, it results from the failure to specify and differentiate possible component meanings of the concept of rural development.

"Community vitality", however, remains a clearly defined concept:

[It is] the capacity to respond to changes inside and outside the community, creating a need for some kind of adjustment. Vitality means shifting resources and responding to changing markets in order to provide the jobs and incomes and life styles the community desires. ... vitality includes the sense or belief that solutions will be devised for problems facing the community (Hill, n.d.:17).

The Supply Versus Demand Theory Of Development

The supply versus demand theory of development distinguishes rural development strategies based on elementary economics (Figure 2). Supply side initiatives assume that community economic hardship is caused by under utilization of resources. Development begins with a general mobilization of the community towards revitalization. Morale-building, convincing people that the revitalization of their community is essential for survival and motivation to carry out improvements are required. The efficient use of capital and labour, for example, may be intensified to generate greater output and income. Capital and labour also may be reoriented when resources used to produce something have a lower than expected maximum-possible-use value to society.

In short, the measures undertaken to achieve local-community development on the supply side involve three basic kinds of activities:
• utilizing idle human and physical resources;
• expanding the community’s resource base; and
• increasing the productivity of local resources (Canada 1990a:5-7).

Local job creation for unemployed people and training and development programs for improving existing labour productivity are options to mobilize idle human resources. The use of volunteer workers provides another means to increase productivity of local resources. Increasing the size of the local labour force through immigration and hiring previously unemployed workers also improve human resource use.

Expanding the community’s resource base includes "the generation of new infrastructure (including institutional infrastructure); direct business investment; and increasing the supply of financial capital available to the community" (Canada 1990a:5-7). If communities make physical improvements on sewage and water and transportation systems or develop industrial parks they may provide new industries with the capacity to produce efficiently. Industrial parks may be used to market a community to attract new industries.

Direct business investment involves cash outlays for community business or industrial expansion. Cash may originate from either the private-sector through individual or joint efforts, or the public-sector either independently or in conjunction with privately initiated projects.

Increasing the productivity of local resources often is coupled with increasing the supply of capital within a community. Local savings, for example, may be invested along with imported capital. Shifting capital from unproductive to productive uses within the community is another option.

The cost of capital to local businesses may be reduced through short-term, small-scale loans at lower-than-market rates for community enterprises, cooperatives, worker-owned businesses, and low-income projects. Money-management and counselling services to these borrowers may be part of the plan for raising capital. Pooling government funds and local capital to make loans to businesses is another means of raising capital. The provision of basic financial ser-
services is another means to improve the accessibility of financial assistance for community development (Canada 1990a:5-7).

Finally, local productivity may be increased through adoption of a new technology that increases output. Included are improvements in the physical plant used in the production of goods, and use of new distributional techniques to optimize the movement of locally produced goods and services.

Demand side approaches to rural development emphasize greater market opportunities from increased external demand. The timely use of market signals that point towards changes in market demand and preferences is important. Market analysis and marketing management techniques are essential in demand side strategies. Demand approaches, however, do not stand alone, as substantial support from various supply side sources is necessary. Linkages between the export and non-export sectors, the distribution of income from the export sector and the ownership of resources are important. The availability of a skilled workforce also is essential in translating external demand into local economic change (Shaffer and Summers 1988).

In summary, the supply versus demand approach provides a fundamental basis for understanding rural development strategies. Simply, supply side initiatives include those that relate to the supply of resources for the production of goods. These include, for example, capital resources, human expertise and labour, physical resources and adequate infrastructure. Demand side initiatives are those that lead to increased demand for local goods and services. These are found in the marketing of goods and services. All rural development strategies can be classified into either supply side or demand side approaches.

**Growth Versus Development Theory**

Growth versus development theory provides another approach to understanding rural development strategies. A distinguishing criterion lies in the duration of development. Growth theories target short-term changes in the economy within an existing setting. Changes in the quantity of production, consumption, income, employment and trade are part of attempts to change economic equilibrium. Export
base theory, growth models and trade theory are familiar components of growth theory.

A less technical and more common enunciation of growth theory is the familiar goal of increasing the rate of economic growth through job creation and expansion of the local tax base. Growth theory, therefore, is equated with business development and real estate development. It is straightforward, familiar to local actors, and often is a politically popular strategy for economic development.

In contrast, development theory focuses on changes in economic structure over the long term. Unlike the clear-cut goal of increasing economic growth, development theory is more complex and often more difficult to communicate. It is, therefore, often less popular because it is not well understood and may undermine short term private interests. Long term changes include modifications of the local economic structure in the areas of industry mix, product mix, occupational mix, patterns of ownership or control, firm size and age, technologies in use, and degree of competitiveness (Malizia 1986). The quality of production and distribution of consumption are emphasized for the long term goal of improving economic capacity. Entrepreneurship and dependency theories are part of development theory.

A major component of development theory is its emphasis on public intervention. The goal is to combine public intervention with private initiatives without hindering the latter. Therefore, public intervention is not in competition with the private-sector. Unlike growth theory, in which the goal is for managers to seek higher profits and workers to seek higher wages (i.e. "growth"), little emphasis is placed on increasing private production for better prices, quantity and quality. Instead, the focus is on improving the long-term economic structure of a community under clear public goals.

**Corporate-Centre Versus Alternative Theory**

Considered a modification of growth versus development theory, corporate-centre versus alternative theory espouses the distinction between private and public supported initiatives and the beneficiaries of development strategies (Figure 2).
Similar to growth theory, the corporate-centre approach emphasizes the stimulation of economic growth from actors in the local private sector. The assumption is made that the benefits from private sector initiatives eventually will trickle down to disadvantaged residents, thereby benefitting all economic groups. The corporate-centre approach targets the central business district. Moreover, headquarters and branch plants usually win out over locally-owned and worker-owned establishments (Robinson, C. 1989).

A favourable investment climate is created through the demand side of the labour market. Job creation strategies are aimed at addressing the needs of the chronically unemployed. Through increased job creation, community investment and greater demand for local goods and services will ensue. Reshaping urban space, especially in the central business districts, is emphasized in the attempt to attract advanced service establishments and other growth sectors.

Strong private sector leadership and decision-making are common in the corporate-centre approach. Little attention is devoted to direct public sector attempts at generating economic growth. Negotiations frequently are limited to government and business representatives, which narrows participation but increases consensus and agreement.

The non-targeted job creation component of corporate-centre development focuses on business growth without addressing who will be employed or what services can prepare people for employment. Individual development is, therefore, relegated to the view that targeted job creation is cumbersome, difficult to design and administer and costly. Non-targeted job creation is based on the concept that monetary incentives to the private sector will lead to job creation. A suitable labour environment is assumed to be present with either an appropriate existing labour force or a potentially trainable one. The central objective remains to assure the success of an enterprise or to attract business.

The primary role of the public sector in the corporate-centre approach is the creation of an economic and social environment conducive to increased private investment (Robinson, C. 1989). Publicly funded support places few requirements or limitations on
private initiatives. Few efforts are made to coordinate job creation with the upgrading of skills of individuals in the local labour force. Popular incentives include subsidized technical assistance for small businesses, venture development capital in the form of start-up capital, and acquisition and expansion monies (White 1985).

In contrast to the corporate-centre approach, the alternative approach assumes active community intervention to ensure that benefits produced by economic development activities flow to disadvantaged low income residents (Robinson, C. 1989). Emphasis on human resource development, job training and other labour supply and distributional considerations is designed to ensure benefit to local citizens. In short, the specific needs of the disadvantaged are addressed through job creation, income redistribution and district development. A significant component of the alternative model is emphasis on an open planning process. Decision-making is less restricted to business and policy-making leaders than was the case in the corporate-centre model. In contrast, a broader range of interests from low income and minority residents is included. Another distinctive feature of the alternative model is the emphasis on public funding. Projects are either wholly paid for by public funds or paid in partnership with private monies with specified conditions.

Targeting is an integral part of economic development policy in the alternative model. With the goal of aiding the disadvantaged, human resource programs are aimed at specific income or ethnic groups. Examples include direct public service employment and the granting of employment subsidies designed to create jobs in the private sector.

Targeted job creation includes public funding for training programs. Self-employment also may be a goal. Training and economic development programs are linked to ensure that targeted groups receive the benefits from the publicly assisted economic development activities. For example, job creation programs may be designed to pay employer training costs. Local business development is encouraged through the alternative model in that local ownership is linked to a greater commitment to local development (Robinson, C. 1989).
Identifying Economic Development Strategies from Theory

Specific strategies can be identified within the theoretical development framework. Here we outline the main strategies used in rural development. Included are the growth-based strategies of 1) business and industrial recruitment, 2) expansion of existing local business, 3) community development corporations, 4) import substitution, training programs and reacquiring tax dollars. The major development-based strategies explored are 1) business and industrial recruitment, 2) expansion of local business and industry, and 3) import substitution, and small business development.

Growth-Based Strategies

A common development strategy includes the recruitment of industry into a community. An inventory of resources is completed to assess local economic strengths and weaknesses. Supportive structures that serve to attract new industry are promoted, and other structures are assessed for improvement. A survey is then conducted to identify potential businesses, industries, branch plants and business ideas that have merit. Finally, a list is made of supportive core mentors with local experience in business development to match various new business start-ups. Pulver (1983:59) provides the following checklist to apply in business and industrial recruitment strategies:

1. Expedite introduction of new employers through development of local industrial sites, public services, potential employee information.
2. Develop community and regional facilities necessary to attract new employers, e.g., transportation, recreational facilities, communications, business services.
3. Encourage collective action through formalization of organizations such as industrial development corporations.
4. Organize community capital resources to assist in attracting new business.
5. Identify most desired type of employer with greatest potential, through research.
6. Identify specific public programs, projects, offices, and/or services which could be located in the community and help organize politically to secure them.

Attempts to recruit industry also include an assessment of the related industries and sectors of the economy that a new industry will require or affect. Educational and health care facilities, supportive infrastructure, adequate shopping outlets and recreational facilities also must also be assessed. Malizia (1986:497) provides the following areas to consider in designing a strategy to improve economic structure:

the economic developer should be concerned with the quality of education, at all levels, the quality and cost of housing, the quality and cost of private goods and services, the convenience of transportation and commuting times, the local tax burden relative to quality of public services, the cultural, recreational, and other amenities in the area, and related factors that bear on the quality of life. In other words, the development of the local economy and the quality of local living conditions are interrelated and mutually reinforcing.

Expansion of Existing Business and Industry

Expanding existing industry and increasing local employment is another development strategy. Program strategies with these objectives include provision of management and technical assistance services designed to improve the efficiency of existing firms. Aiding existing industries in understanding who their customers are, what customers want, what is available locally or nearby, and what feasibly might be offered in the local economy is central to the strategy. The supply-oriented dimensions of this strategy include infrastructure development, marketing assistance, aid in the implementation of new production technologies, and efforts to maintain an appropriate workforce through training programs and financial assistance. These are an integral component of this strategy.
Community-Development Corporations

Community-development corporations (CDCs) direct business ventures that encourage expansion of existing local business. CDCs produce an environment in a community to implement an economic-development strategy and to earn revenue to promote future economic development. Operated like a privately owned business, CDCs are more autonomous, subject to less rigorous public participation requirements, and can respond more rapidly and flexibly to problems or opportunities. They remain credible as long as they allow reasonable process and maintain a posture of objectivity and fairness.

CDC management determines daily operations, production and employment levels and competitive strategies. Unlike public agencies, CDC, under the direction of an appointed board, can easily make personnel decisions. As in the private-sector, investment strategies are planned and implemented in a competitive environment. Funding can be reduced or eliminated if management disregards its public mandate or is ineffective. Roles that deserve attention in small cities, towns and rural areas include analyst (economic forecasting, market research), catalyst (identifying projects and new ventures that meet public and private goals), service provider (technical and management assistance and counselling to local business and developers), facilitator (negotiation and mediation services to achieve agreements on local projects), implementer (loan packaging and financing of local projects/ventures), and evaluator (comparing project results and effects to relevant public purposes).

Import Substitution

Recruitment of new business and industry and expansion of existing industry can be combined to pursue the strategy of import substitution. The objective is to promote the purchase of local community goods and services. Interindustry linkages connecting export sectors and other sectors of the economy (such as service-providers) are examined. Improvements in these linkages are thought to generate increased employment and local income.
Training Programs

Job training is linked to the strategy of expanding local business. Programs offer customized education for an existing or prospective employer. This is most effective in areas where market niches and flourishing demand exist. Training programs can be identified and implemented easily in such environments.

Reacquiring Taxed Dollars

The strategy of reacquiring taxed dollars is built on the concept that taxed dollars enhance potential local spending. They represent recaptured income in the form of support for local schools, highways, special purpose grants and even Social Security benefits (Shaffer and Summers 1989).

Development-Based Strategies

Unlike growth-based strategies, development-based strategies aim for long term economic development. Accordingly, strategies used in growth-based approaches are either rejected or modified in development-based strategies. For example, industrial recruitment strategies rarely are utilized in development-based approaches since the attraction of branch plants that produce standardized products into a rural setting has limited capacity to generate further growth. Even when new industry mixes are introduced into a community, production of a standardized product already produced elsewhere offers little towards community growth. An area’s competitive potential, therefore, is not necessarily improved with the attraction of standardized product manufacturing (Malizia 1986).

In contrast to the attraction of new business and industry, the expansion of local firms is considered a developmental strategy. Expansion of local business promotes long-term community viability and competitiveness since locally owned and operated firms are deemed to have longer-term local commitments with a greater dependency on local resources.
Import substitution and export promotion are not considered developmental strategies unless significant improvements in productivity are made which would create new markets.

Developmental strategies also exclude small business development because most new small businesses fail in a few years. Similarly, strategies to promote the expansion of the service sector are not recommended, since the growth of new service businesses usually comes at the expense of existing service businesses in rural areas. In developmental strategies, therefore, effort should be concentrated on new business creation and the long term viability of existing firms.

**Small Community Business Strategies on the Northern Plains**

Communities on the Northern Plains were asked to respond to four questions regarding the importance of expanding local, or attracting new businesses or industries in the development of their community (Table 4). Average ratings were derived from a seven-point scale, with an average rating of 1.0 representing little importance and 7.0 representing extreme importance.

Communities rated the attraction of both new business and new industry higher than the expansion of local business and the development of existing industry. Attracting new business and industry was rated equally as very important ($\bar{X} = 6.1$). The expansion of local business and the development of existing industry were important, but rated slightly lower ($\bar{X} = 5.6$ and 5.7).

Associations were determined between the rated importance of each business strategy with country of origin (U.S. and Canada), region (i.e. province or state) and categories of communities based on population. Although a significant difference was not found between the importance of expanding local business and size of community, smaller communities rated the importance of expanding local business lower than did larger communities ($p=0.08$). Communities with populations of less than 500 rated the importance of expanding local business lowest ($\bar{X} = 5.3$), followed by communities with populations between 500 and 1000 ($\bar{X} = 5.4$) and communities with populations
between 1000 and 2000 ($\bar{X} = 5.8$). Towns with between 2000 and 10,000 residents rated the importance of expanding local business highest ($\bar{X} = 6.2$). Towns and cities with populations of more than 10,000 rated this component $\bar{X} = 5.9$.

Table 4. Perceptions of basic strategies in development in communities on the Northern Plains

<table>
<thead>
<tr>
<th>Community strategies</th>
<th>Not at all important</th>
<th>Important</th>
<th>Extremely important</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>1 2 3 4 5 6 7</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Expanding local business</td>
<td>5 6 2 3 1 23 11 27 13 49 23 87 41</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Attracting new business</td>
<td>6.1 0 0.2 &lt;1 5 2 21 10 23 11 53 25 108 51</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Developing existing industry</td>
<td>5.7 5 2 9 4 5 2 17 8 34 16 63 30 78 37</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Attracting new industry</td>
<td>6.1 1 &lt;1 5 2 5 2 14 7 27 13 51 24 111 52</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

Similar findings occurred between the importance of developing existing industry and community size. Smaller communities rated the importance of developing existing industry lower than did larger communities ($p=0.09$). The importance of expanding local business increased steadily with increases in size of community (<500 and between 500 and 1000 residents $\bar{X} = 5.4$; 1000 - 2000 residents $\bar{X} = 5.7$; populations of 2000 - 10,000, $\bar{X} = 6.1$; populations between 10,000 - 100,000, $\bar{X} = 6.5$).

A difference was apparent in the importance of attracting new business, as Canadian communities rated that variable significantly higher at $\bar{X} = 6.4$ than did American communities at $\bar{X} = 5.8$ ($p<0.01$). Similar results occurred between the importance of attracting new industry and country. Again, Canadian communities rated the importance of attracting new industry significantly higher ($\bar{X} = 6.4$) than did American communities ($\bar{X} = 5.8$: $p<0.01$).
Qualitative comments provided little insight to account for the observed differences. For example, respondents from both Canada and the United States made comments criticizing the strategy of 'smokestack chasing'. An Albertan claimed that "instead of chasing 'smokestacks' to get businesses to re-locate into a community, it is far more important to identify and foster businesses that, having originated within the community, can expand in that community, given modest assistance." A Manitoban added that "small businesses locally owned and operated is much better and stable than 'bringing in' outside large corporate interests." A Saskatchewan respondent added that "too often, towns look for development from outside of their community and great efforts are made to attract outside development whereas, little effort is made to promote development within the community. It is a known fact that most successful development occurs from within the community."

Respondents from the United States made similar remarks. A Minnesota respondent claimed that "as a strategy 'smokestack chasing' is a waste of time, money and effort and can be demoralizing for most small cities. Limited financial resources and the efforts of volunteers should be directed at local, existing businesses and/or local entrepreneurs and for strategic planning."

Another Minnesotan added that "if a business decides to locate in a small community there has to be an element of luck involved. All the planning, advertising, hard work and dedication that goes into attracting business can be for naught if there isn't a manufacturer or business out there looking for a place."

In general, attracting new business and new industry ranked higher in importance than either expanding local business or existing industry. Smaller communities generally ranked expanding local business and developing existing industry lower than did larger communities (>2000 population). Consistent differences were found between Canadian and U.S. communities in the importance of attracting new business and new industry. In both strategies, Canadian communities rated the importance of new development higher than did American communities.
Specific Business Strategies in Communities on the Northern Plains

Four questions were asked regarding the importance of specific strategies for community development (Table 5). Average ratings were derived, with an average rating of 1.0 representing little importance and 7.0 representing extreme importance.

Table 5. Responses from Northern Plains' communities to questions concerning specific strategies for rural development

<table>
<thead>
<tr>
<th>Strategy</th>
<th>Not at all important</th>
<th>Important</th>
<th>Extremely important</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>X No. %</td>
<td>1 2 3</td>
<td>4 5 6 7</td>
</tr>
<tr>
<td>Improving local employment</td>
<td>6.3 0 0 4 2 2 &lt;1 11 5 16 8 56 26 124 58</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Diversification of local economic base</td>
<td>5.9 1 &lt;1 3 1 3 1 21 10 30 14 72 34 84 39</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Improving local tourism</td>
<td>5.4 7 3 9 4 18 8 20 9 38 18 54 25 69 32</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Improving local infrastructure</td>
<td>5.3 3 1 8 4 15 7 33 16 44 21 52 25 56 27</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

Local Employment

Communities rated the importance of improving local employment as very important ($\bar{X} = 6.3$). Associations between the importance of improving local employment and country of origin (U.S. and Canada), region (i.e., province or state) and size of community were significant only between countries. Canadian communities rate the importance of improving local employment higher ($\bar{X} = 6.5$) than do American communities ($\bar{X} = 6.1$; p<0.01).
Diversification

Diversification of the local economic base was rated at $\bar{X} = 5.9$ or very important for all communities. A significant difference (p<0.01) occurred between the U.S. and Canada on the importance of diversification, with Canadian communities rating the strategy higher ($\bar{X} = 6.2$) than American communities ($\bar{X} = 5.7$).

Qualitative comments point to an ambivalent view of local diversification efforts. Generally, respondents commented that diversifying the local economy was good.

An Albertan pointed out the conservative nature of small communities by claiming that economic development is a ‘two-edged sword’:

Small communities do not like to have their way of life altered to a great extent. When you try and attract business it has to be a small retail or manufacturing type of say 10 employees. The infrastructure, community facilities and service industries are unable to handle a large influx without turmoil and large expense.

In short, although diversification was rated as being very important, some communities noted limited interest in diversifying their local economy.

Tourism

Communities rated improving local tourism as important ($\bar{X} = 5.4$). Canadian communities rated the importance of tourism higher ($\bar{X} = 5.7$) than American communities did ($\bar{X} = 5.1$) (p<0.01). No other significant associations resulted from analysis.

All respondents who wrote qualitative comments felt that tourism should be expanded. One Manitoba respondent claimed that:

Tourists should be made to feel more welcome e.g. on our major highways we subject them to R.C.M.P. harassment. Tourism is the world’s largest industry
and travellers are important. We should make them feel important since they are tourists, not terrorists.

A Minnesotan claimed that:

Small town development is not like grabbing a piece of urban sprawl. There are a lot of very viable strategies - business retention, industrial parks, downtown revitalization. There are even some junky ideas - like turn your town into an Amish village - even though you're not Amish just because a few Amish live outside town. Basic, long-term city commitment to community development is very valuable.

A respondent from Montana added that local criticism by outsiders is detrimental enough, let alone local criticism on local economic development.

**Improving Local Infrastructure**

Communities rated improving local infrastructure as important ($\bar{X} = 5.3$). Association analysis revealed no significant differences among countries, regions or sizes of communities for any of the variables. Respondents in both Canada and the United States, however, pointed out the importance of infrastructural improvements in their communities. An Alberta respondent claimed that communities should be "prepared for development - land available, services to offer, clean, friendly community that attracts developers." A Manitoban felt that local government could aid infrastructural improvements by providing "more upgrading to the local provincial park and funding to help offset costs to infrastructure upgrading."

Related to comments on infrastructure were those concerning the importance of information support. Community respondents from both Canada and the United States felt that economic development would be greatly enhanced with information and technical support in various areas. A Manitoban claimed, for example, that governments should provide information in two ways. Governments should "research market opportunities in general and assure local cooperation
regarding siting and infrastructure and provide minimal red tape for zoning changes - title changes, etc." A Saskatchewan respondent felt that governments should "provide communities with lists of industries or corporations which are considering expansion or relocation and provide legal and professional assistance to small communities." An Albertan added that a "better information on-line computer" would aid communities on program information.

Respondents also felt that technical support was needed in assisting communities with development. In addition to a number of comments on the need for assistance with feasibility studies and legal interpretations, respondents required expert help in applied community development. The hiring of a full-time or visiting community development officer often was noted. One respondent from Montana illustrated the need in his claim that:

Every meeting set up for assisting towns is geared to large communities much larger than the 300 - 500 in most small towns around us. We go to learn but not much applies to the small towns. We need to know where to start with projects. We have started a recycling group which works to a point. We are fixing up main street frontage, but with no funds and don't know where to look for assistance. There must be information out on how small towns do a project so there's no need to reinvent the wheel....

In general, all of the community strategies surveyed were perceived as important in community economic development. Although few qualitative comments point to differences, Canadian respondents rated all of the strategies higher than did their American counterparts. This may reflect a stronger sense of need or a more serious situation in Canadian communities. It also may relate to differences in government programs that have differentially made communities aware of various development strategies.
COMMUNITY ECONOMIC DEVELOPMENT THROUGH COORDINATION AND ZONING

Coordination provides a means to maximize resources, capture the resources of others and respond to mandates from superordinate organizations. Mulford et al. (1979:8), states that coordination occurs when "organizations use decision rules to deal collectively with a shared environment." The term "clustering" may be used to indicate inter-community coordination.

Coordination occurs when a community or organization is interdependent with others. It is likely to occur when leaders have a positive attitude towards sharing and others with similar interests also are seeking coordination. Geographical proximity acts as a facilitator because it allows informal communication between key decision makers and staff. Coordination also is "more likely to occur when it is mandated. But contradictory mandates sometimes exist that inhibit coordination. Overlapping political and geographical domain designations occur frequently" (Mulford et al. 1979:15).

In rural development, coordination can take the form of developing linkages between small communities. Resources, institutions, and people can be united into a regional community. According to Dykeman (1990a:18), "communities must think in terms of a 'community of communities' and therefore must learn to set aside parochial concerns, accept that the community can not be all things to all people, and develop methods that will encourage communities within a region to work together through partnerships."

Cooperation may be achieved through the establishment of a networking procedure so that resources may be shared and multiplied across jurisdictional boundaries in a region. According to Pigg (1986:11), the "most cost-effective way of accomplishing this is through computer conferencing networks, although opportunities to meet face-to-face significantly expand the utility of indirect network-
ing.” As part of the process, program administrators establish the means of sharing personnel within the region, and assemble a directory of personnel resources to facilitate this effort in a decentralized fashion. Linkages also can be developed involving personnel practices that include the "joint use of staff, collocation of staff, staff transfers and staff outstationing...." (Mulford et. al. 1979:13).

Financial linkages may be formed through joint budgeting and transfer sharing of funds. Planning and programming linkages also can be developed. For example, evaluation services may be shared to include "joint record keeping, common grant management, and use of common support services such as clerical, printing and postal services" (Mulford et. al. 1979:13).

Development in rural Saskatchewan may best summarize the benefits of coordination in rural development:

The formal act of intermunicipal co-operation required in establishing a DPC (District Planning Committee) is in itself an important component in the larger economic development process.... Urban and rural municipalities need to work together to ensure that the necessary physical expansion of rural service centres occurs in a manner acceptable to the agricultural community that surrounds most of these centres.... Much of the material assembled in the preparation of a district plan will be of use in understanding the area and in identifying economic development opportunities.

[It is recommended that] the Province develop a funding program to support district planning.... Provincial funding should be limited to 'front end' cost sharing for the preparation of district plans.... Ongoing administrative costs should be the responsibility of participating municipalities.... In designing a program, provision should be made for ensuring that provincial assistance to existing DPCs is rationalized to be consistent with assistance to new DPCs. (Brown, et. al. 1985:289).
Community Unification And Diversification on the Northern Plains

Communities were asked to rate five questions concerning the importance of community unification and diversification in the development of their town or village (Table 6). Ratings were derived, with an average rating of 1.0 representing little importance and 7.0 representing extreme importance.

Table 6. The importance of unification and development in communities on the Northern Plains

<table>
<thead>
<tr>
<th>Uniting with other communities</th>
<th>Not at all important</th>
<th>Important</th>
<th>Extremely important</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>X No. %</td>
<td>No. %</td>
<td>No. %</td>
</tr>
<tr>
<td>Responses</td>
<td>4.8 12</td>
<td>6 12</td>
<td>6 20</td>
</tr>
</tbody>
</table>

Communities rated the importance of uniting with other communities as moderately important with an average of 4.8 on the seven-point scale. Forty-four of the 213 responding communities, however, did not consider clustering to be important. No significant differences (p<0.05) were apparent in ratings of the importance of community unification between towns in the United States and Canada, among states and provinces, or among communities of different sizes.

All communities that commented on coordination and clustering felt that cooperating with other communities was an important strategy. Both Canadian and American respondents felt that working together on a regional basis would enhance the use of their resources and marketing capacity. Respondents felt that a joint powers agreement that outlined the responsibilities and accountability of each community would ensure fairness in regional planning.
Comments often were based on perceptions of two factors that stymied small community development: 1) that large centres were taking away their resources and existing markets, and 2) that communities were detrimentally jealous of each other. One Manitoba respondent stated that "jealousy among small communities hinders the cooperation for the betterment of all."

Two Alberta respondents claimed that "in a small community, unless you have some exceptional drawing card, you must co-operate with government and other communities to make your region more attractive to outside industry, etc. When and if this was accomplished every community would benefit as a result." Also, "rural communities recognize more and more the 'strength in numbers' and increasingly band together by region for the benefit of many." A Manitoban added that "cooperation with surrounding communities for regional development can be worthwhile provided the process is conducted fairly. Each community by itself has only limited resources from which to draw."

Two Minnesota respondents added that the priority of cooperative efforts should be in "a commonly shared vision of the future," since "what's good for the county or another community usually creates spin-offs for another." A North Dakotan added that "we have learned the hard way that small rural communities within a 30 mile radius all benefit from development and that it's best to work together." Perhaps the most succinct comment on the importance of cooperation came from a Saskatchewan respondent who surmized that:

Communities must commence working together and do things or promote the area rather than their own individual community. If the area has development and is prospering, all the communities within that area will benefit.

**Economic Development Through Zoning Practices**

Zoning practices can provide benefits for small communities. Most rural land use policies in small towns and the countryside essentially are copies of zoning regulations with density limits set by urban proximity. The rural poor generally have been neglected by and indifferent to zoning measures since they receive little benefit from
them and view them as a means to protect the countryside homes of wealthy urbanites. In rural economies based on recreation and tourism, zoning has been a measure to sustain wealthy ruralites "to maintain a regime that had no place for the rural poor.... Similarly, there is little evidence that poor or small farmers greatly support farmland preservation programs that rely on state zoning, since they often want a chance to sell their land to a developer to provide for their retirement" (Popper 1984:329).

Some local governments have pursued land use policies that depart from urban origins in an effort to pattern zoning after rural needs and those of the rural poor. These new policies are more concerned with local economic development than were previous policies. New zoning practices attempt to accommodate or encourage market forces without abandoning environmental or conservationist goals.

Local governments, for example, may not expressly legislate preservation areas. Instead, financially marginal farm areas are supported in the effort to resist competing land uses. Preferential treatment for farmland owned by poor people is an example of the reorientation of landuse regulations towards one form of economic development. Tax breaks also can be given to nonfarm ruralites who have low incomes or are land-poor.

Conversely, another means of reorienting zoning practices is by neglecting landuse and density restrictions to promote growth. Minimum lot size requirements and the insistence that localities be zoned may be de-emphasized in an effort to speed up the process of encouraging landuse. The permitting of different land-use also may be encouraged by developing a central place to provide development applications. Through centralizing decisions on development proposals, local authorities can suggest immediate recommendations to expedite the development process.

A more radical approach to dealing with the effects, and regulation of land uses involves community land trusts. "Land is owned by a nonprofit (and, therefore, lightly taxed) group that rents it, usually at below-market prices, to individuals for timbering, farming, or homesties for as long as ninety-nine years" (Popper 1984:331). Land often is obtained by donation. Rental income is collected for property
taxes, other costs, and the purchase of additional land. Land trusts currently are being organized and promoted by a number of organizations on the Northern Plains.

Local communities also may adopt enterprise zoning, the purposes of which include the "geographic targeting of both private and public sector reinvestment to encourage more efficient use of existing social overhead capital. In this sense, the locational effect of the enterprise zone on business development is consistent with program goals" (Rubin and Wilder 1989:426-427). Enterprise zones facilitate employment growth and business investment through zone designations and development incentives such as tax credits (Hall 1977; Butler 1981).

Although enterprise zoning suggests increased job generation, "there appears to be no relationship between the size of the fiscal incentives claimed by a sector and the extent of job generation in that sector" (Rubin and Wilder 1989:427). In Evansville, Indiana, for example, even though the transportation sector generated the greatest number of jobs and received the highest tax credit, most tax credits went to firms that created no new employment. Unstructured tax incentives, therefore, are not necessarily effective in directly creating new jobs.

Unstructured tax credits can have positive political impacts. Tax abatement programs are popular among legislators for establishing enterprise zone programs. For example, "incentives may be considered a political prerequisite to zone development, even though they contribute to job generation in an indirect manner" (Rubin and Wilder 1989:427). This is especially evident in political claims that enterprise zones enhance the multiplier effect of new manufacturing. The belief that enterprise zones produce many benefits assumes that industrial development will play a major role in the economic recovery.

The establishment of enterprise zones, however, may produce few local benefits if a significant component of the tax incentives leaks out. This is especially the case with large companies that have headquarters outside the local community where job creation is imported. According to Shaffer and Summers (1989:188-190), there are at least three reasons that explain this situation:
First, many of the new jobs are filled by commuters from outside the community.... Second, a sizable portion of the new jobs are filled by in-migrants who either transfer to the community from another plant operated by the firm or who migrate to the area to take advantage of the new jobs.... Finally, new jobs often are filled by persons who previously have not been in the labour force. Consequently, only a small fraction of the jobs created by a new industry provide employment for those people in the community it was intended to help.

Despite the above, the attraction of new industry through enterprise zones can have a positive effect on income, population and retail sales. Industrial jobs typically pay a wage that is higher than the local rate. New industry, therefore, may raise the average income in a community "while depressing the relative income status of some segments of the population--particularly the elderly, the unemployed, and others whose incomes are not increased by the new industry, directly or indirectly" (Shaffer and Summers 1989:188-190). Moreover, new industry may halt the population decline of rural communities. Although young people may continue to leave their rural hometowns, other young families may move in to take their places. New industries also may increase the level of retail sales in a community. This reflects both the aggregate growth in income and population increase.
HIGH-TECHNOLOGY INDUSTRY IN RURAL ECONOMIC DEVELOPMENT

‘High technology’ is now a common term in rural economic development. The concept is recent and stems largely from structural changes in business stimulated by the economic recessions of the 1980s which exposed the "shortcomings of specialized regional economies, as seen in the massive employment reductions in steel, auto, and heavy equipment manufacturing centres," (Malecki, 1984:262) and thereby supported the importance of high-tech industry.

High technology focuses on the activities of local firms, not the products or services they produce. Emphasis is on the type of production activities and the requirements and quality of the workforce. Innovation and nonroutine production are involved, and may include the areas of research and development, experimental and prototype manufacturing, and small-volume production of new and changing products.

High technology focuses on science-based, emerging products and processes that employ state-of-the-art knowledge. Moreover, the technical skills required by labour are more important than the manufacturing of products. The manufacturing of computers, for example, is not as important in a local development sense as the knowledge-base and technical skills required of workers. The construction of medical diagnostic scanners and military missiles is readily seen as high technology, whereas routine standardized manufacturing of microelectronic chips, personal computers, or textile product is not. Industries that require skill-intensive and specialized labour are considered high-tech operations.

Diversity is a distinguishing feature of the high-tech industrial sector. The strategy of using high-technology in local economic development stresses diversity in that it includes not only manufacturing and services but also administration, research and development.
Diversity makes a local economy less vulnerable to the influences of cycles and structural changes (Malecki 1984:265). In short, regional economies that are limited to manufacturing and local service jobs are more vulnerable to economic change than those that include non-routine, technical labour. Peltz and Weiss (1984:270) provide the following definition of what high-tech development strategies should target:

1. research and development of innovative products and processes (i.e., those that have the capacity to improve productivity or the use of resources in various sectors of the economy);
2. commercial application of innovations and the associated creation of new firms;
3. attraction, expansion, or standardization of production among producers of innovations; and
4. application of new technologies by established users of innovations.

The Non-Rural Milieu Of High-Technology Industries

Attracting and keeping educated professional workers is the highest priority of any high-tech strategy. Scarce and specialized skills required for research and development create a need to provide attractive amenities for prospective scientists. Although housing (i.e., prices, availability and turnover) remains an important factor for attracting workers, the proximity to university resources and cultural and employment opportunities that provide personal growth is essential.

Consequently, high-tech strategies function best in urban settings. Scientists, engineers and other educated professionals prefer relocating in urban areas that have good supporting structures. Malecki (1984:266-267) claims, for example, that:

[requirements include] ... a job market that allows individuals (and spouses) to switch jobs without relocating is the type of place where high-tech activities are found. Although 'the boonies' are typically thought to be small, isolated towns, recruitment difficulties in a large urban area like Chicago show
that subjective factors related to the ‘ambience’ and high-tech reputation of an area also enter into the locational preferences of skilled personnel. In short, the traditional checklists of location factors (markets, transportation, labour costs, taxes) fail to be very relevant in the light of a professional labour force that largely determines which sites succeed or fail as high-tech regions.

Large centres also provide necessary infrastructure both to attract high-tech workers and to support their industries. Accessibility to a local airline service, for example, "is the most important location factor for corporate offices and is second (after professional labour) for research and development. If areas can improve their airline service, the payoff in employment growth can be significant" (Malecki 1984:267). The components of ‘quality of life’ that include cultural and social activities (i.e. symphony orchestras, opera and dance companies, theatres, museums, and libraries) also are important in attracting high-tech industries into an area. Finally, professional employers are attracted by good schools and well-maintained public facilities, which generally are found in communities with relatively large tax bases. Quinn (1983:82-83) describes a high-tech environment as follows:

1. Characterized by rapid change both in products and process;
2. Characterized by a high-skilled, well-educated corps of scientists, engineers, and technicians;
3. Generally prefer to cluster; and
4. Location-wise are footloose but with an emphasis on life quality situations, particularly education facilities.

**Direct Strategies for Implementing High-Tech Development**

*Government Support.* In formulating a high-tech strategy, local governments can provide impetus for attracting high-tech firms and employees into a community. According to Peltz and Weiss (1984:271), "general economic or industrial development offices have
played leading roles in policy formulation and program development" through implementing task forces on high technology development. Task forces can provide the necessary background research and establish program delivery requirements for high-tech firms by developing guidelines. Included is assistance in acquisition of equity and near-equity capital, venture capital information and referral, research grants to promote innovation in firms, tax changes to increase equity investment, regulatory changes to increase the availability of venture capital, and direct public investment (Peltz and Weiss 1984:276).

Government financial support is especially crucial in 'early-state' companies that are ready to market after years of product development. According to the Canadian government’s Grassroots Initiatives, such companies require ‘patient capital’ to nurture commercial opportunities after years of pure research (Science Council Of Canada 1990:11).

Government also can provide training programs geared to the high-tech sector. Job training, vocational-technical schools and high-tech centres, community college training programs and retraining programs are areas where government support can play a key role (Peltz and Weiss 1984:272).

Research parks provide another means of linking high-tech industrial resources. Although risky, and often underutilized, such parks can provide an area for long-term development of various research and development industries. Generally located near a university campus or research centre, research parks also provide a means for clustering of private and public research facilities. Inter-industry networks and technology transfer are made more feasible in such designated areas.

In summary, government can provide free sites, buildings, worker training, tax relief, and a variety of packaged financial incentives to attract high-tech firms into communities. The Western Diversification Office in Canada, for example, suggests that:

Public investment in university research, research institutes, contract research, technology trade shows, and technological licensing all help to foster an attractive and modern business climate.... The Western
Diversification Fund could be used to help sponsor joint ventures in research and development, shared use of expensive research equipment, technology licensing agreements and new technology demonstration projects and prototypes. The Western Diversification Office should also support the formation of high tech consortiums (eg. consulting engineers) who wish to joint venture in major export markets (Exell et al. 1988:19-20).

Community Support. Community action also can stimulate the prospect for high-tech development. Direct strategies include: 1) high-tech firm participation in school classrooms, 2) organization of annual 'industry open house days' or 'high-technology industry tours' to expose the community to advanced-technology enterprise and activities, 3) sponsorship of science fairs, scholarship competitions, science and technology clubs and scientific and technical classes by high-tech firms, and 4) promotion of technology exhibits in museums, libraries and other public institutions (Science Council of Canada 1990:12).

Financing high-tech enterprise can be initiated by local people. Venture capital clubs and the creation of local technology venture networks can "encourage potential investors to collaborate in the establishment of community-based venture capital funds" (Science Council of Canada 1990:16). Local residents also can make extensive use of networking and databases. Identifying and contacting potential investors are essential. Local business, professional, scientific, industrial, and educational associations can be encouraged to collect and pool information about their high-tech activities (Science Council of Canada 1990:11).

In summary, local communities can provide support towards the implementation of a successful strategy to attract high-tech industries. Direct strategies, such as financing, networking and database support are three areas where local people can contribute. Curran (1986:71) summarizes what small communities should do to promote successful high-tech ventures:
1. The key to success is the economic application of new technology to existing industrial processes, products and services.

2. The applications should be rooted in the basic industries so that there can be a strong partnership between new and established economic thrusts.

3. There is a strong thrust for local ownership of high technology companies in the prairie region.

4. There is already a history of entrepreneurial attitude which results in the creation of new companies. The universities have been active in fostering this attitude.

5. High technology industry cannot survive on the prairie market alone, it must use its local market as a base to compete globally.

The strategy of stimulating high-tech industry in communities provides a means for intensive industrial recruitment of science and technology-based firms. The implementation of a high-tech strategy must involve a cooperative effort by the local university, private industry, and local leaders.

With the importation of science and technology workers, high-tech firms can contribute to a community's pool of human resources and knowledge. The technological development of leading firms which have an enlarged and knowleagable workforce results in the spinoff of small entrepreneurial firms. Spinoff companies may be attracted in such situations by "cheap space, a trainable labour pool, and close proximity to research centres" (Mullin, Armstrong and Kavanagh 1986:59). In highly successful high-tech strategies, the phenomenon of "critical mass" also can occur when "enough people become involved in innovative activities for the activities to become self-sustaining. The accumulated knowledge base of the community feeds the process of commercializing new technologies, products and services. A process of sustained growth takes over" (Science Council of Canada 1990:12).

Spinoff benefits are expected from new demand for financial, retail and wholesale services. Job creation, for example, is expected
to expand in the service and trade sectors that support the new labour force and special infrastructural needs of high-tech industries.

**High-Technology In Rural Communities**

As a rural development strategy, however, attempts to attract high-tech industries does not necessarily offer advantages over traditional industrial development. The supportive infrastructural requirements of high-tech firms are found only in large centres (i.e. with universities and airports), and the urban preference of imported workers hinders high-tech success in small communities. Farley and Glickman (1986:414) claim, for example,

that an R&D-based economic development strategy has applicability only for cities that possess highly regarded university research facilities that are specialized in science and engineering. ...Locales that lack those preconditions should be wary of an R&D approach.

The very nature of high-tech industry also can prove a hindrance as a strategy for small community development. First, "high-tech jobs tend to be in large firms and large establishments; despite the publicity about small high-tech firms, most high-tech activity takes place within units of the nation’s large corporations or large multinational firms" (Malecki 1984:264). Secondly, strong corporate economic and political influences may be involved, and local growth management schemes may be neglected in favour of the economic benefits promised by the relocation of large high-tech firms. The process may overshadow local growth management objectives, such as environmental protection and efficient use of existing infrastructure. Large corporations’ substantial economic clout is easily translated into local political clout when thousands of jobs are at stake (Farley and Glickman 1986:416).

In addition, with distant head offices and special labour requirements, high-tech branch plants offer few local linkages and few opportunities to generate new local jobs. This is especially true when
the local employment mix is composed mainly of routine, unskilled manufacturing, retail and service jobs. As Malecki (1984:268) claims, "the absence of local examples of success in nonroutine activities (and the ready availability of jobs for those with few skills and no university education) discourages many from seeking education that would qualify them for jobs other than in routine activities." In addition, branch plants "often do not purchase many of their materials locally and, thus, do not increase demand for locally produced materials" (Brown, Applebaum and Salmon 1970:52-55).

Potential success of high-tech strategies in rural communities appears fraught with weaknesses. Lynch (1986:57-58) claims that:

the degree to which new technologies will be developed here in the prairies will be limited. Developments will, by and large, take place in areas of existing manufacturing and technological excellence...the bulk of our future jobs will not be found in future factories manufacturing high technology equipment. The greatest opportunities to benefit from...the so-called technological revolution will lie in the application and adaptation of basic technologies developed elsewhere to our particular conditions and, above all, to our basic industries -- agriculture, oil and gas production, mining -- and perhaps potash mining in particular, and some aspects of transportation including grain transportation and electrical transmission.

In summary, high-tech strategies appear best suited to large centres with supportive infrastructures to suit the special requirements of high-tech industries and their workers. This has led some to argue that public funds used to attract high-tech industries might be better spent recruiting traditional industries. This is perhaps best supported by the conclusion that:

local industrial policies should be concerned with supporting existing firms that use the fruits of research and development to make production processes more efficient and flexible, because such com-
panies would contribute to a more diverse economic base and enable localities to respond rapidly to changing international markets" (Farley and Glickman 1986:416).

Perceptions of High Technology and Rural Community Development on the Northern Plains

Communities were asked to respond to two questions regarding the importance of technology and community development (Table 7). Ratings were derived, with an average rating of 1.0 representing little importance and 7.0 representing extreme importance. Overall, communities rated development of high-technology industry at 4.9 or moderately important. Development of an industrial park was rated lower, with an average rating of 4.1.

Table 7. Perceptions of development of technology in rural communities on the Northern Plains

<table>
<thead>
<tr>
<th>Strategy</th>
<th>Not at all important</th>
<th>Important</th>
<th>Extremely important</th>
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<tbody>
<tr>
<td></td>
<td>1</td>
<td>2</td>
<td>3</td>
</tr>
<tr>
<td>Developing high-tech technology</td>
<td>4.9</td>
<td>6</td>
<td>3</td>
</tr>
<tr>
<td>Developing industrial park</td>
<td>4.1</td>
<td>23</td>
<td>11</td>
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</table>

Associations were determined between the importance of developing high-technology industry and an industrial park with country of origin, region and size of community. Significant differences were found between American and Canadian communities on the importance of developing high-technology industry (p<0.01). Canadian communities rated this strategy higher ($\bar{X}=6.4$) than did American communities ($\bar{X}=5.8$). The qualitative comments are perhaps indicative of Canadian concern for high-tech industries, as only Canadians responded with strong comments on the importance of
high-tech industries in their economic development plans. As a departure from primary industrial development and conventional specialized agricultural research, one Albertan felt that advanced technology applications to value-added processing is a solution for small community development:

It's time we stopped kidding ourselves of the economic viability of many communities across the plains...agriculture is not a growing industry (except in specialized niche areas) and cannot support the growth that we saw in our communities from 1945-1980...we must encourage governments to adopt strategies which will enhance the potential for new industries which fit our area and have growth potential...advanced technology applications to value-added processing of agricultural products is the only hope for many areas...we can no longer rely on primary industries such as farming, oil and gas, mining and forestry to provide us with a high standard of living...a highly educated workforce with good training centres are necessary to encourage new manufacturing and processing developments...in Canada we spend millions supporting agricultural research centres that do nothing in terms of relevant, economically viable potential for businesses...we don't need new strains of wheat, what we need are ways to process that wheat into products which are in demand around the world.

Similar comments were made by Manitoba respondents claiming that a major concern is for "locals developing new innovative industries complementing our existing agricultural base... this is different from asking governments or existing business to locate or relocate in our area." Also, "the products we grow should be processed here instead of the raw product being shipped or exported...then we could have by-products to use...smaller communities may be able to have people live there instead of in cities as it is cheaper to live in small communities." These comments may suggest a lack of understanding of high-tech industrial development. Value-added
processing generally does not require high-technology, but may if highly specialized products are involved.

Significant differences also were found on the importance of developing an industrial park and community size. Smaller communities rated industrial parks lower, with communities under 500 rating the lowest at $\bar{X}=4.3$ and those with populations between 500 and 1000 at $\bar{X}=4.9$. All communities with more than 1000 residents rated the importance higher. One assumption that can be made is that smaller communities not only lack the necessary infrastructure for an industrial park, but also lack amenities necessary for attracting technical workers.

Amenities are a major concern among all of the regions. Common concerns were expressed on the impact of school funding cut backs and the importance of recreational and cultural activities in smaller communities. Also, the lack or poor quality of amenities in rural areas contributed to people moving to larger centres. As one respondent claimed "people move to areas with better schools and health care." Chances are poor, therefore, to attract people back to such towns.

In general, both the development of high-technology industry and the development of industrial parks are considered moderately important by communities on the Northern Plains. Canadian communities rated the importance of high-technology industry significantly higher than did American communities. Smaller communities rate the development of an industrial park lower than do larger communities.
ENTREPRENEURSHIP AND RURAL DEVELOPMENT

Entrepreneurship remains a broad strategy for rural development. The process links human resources with community leadership, with success largely determined by the qualities of the implementers. Shapero (1983:117), for example, states that "entrepreneurship occurs when you have the following conditions: (1) an individual or group takes initiative; (2) they bring together resources and form an organization to accomplish something; (3) they run it with relative autonomy; and (4) they succeed or fail with the event."

Other writers claim that successful entrepreneurship requires flexibility in the continuing search for new market opportunities. Pulver (1987b:94) claims that entrepreneurship "provides an ability to absorb abrupt change in the economic, social and political environment and bounce back. The more entrepreneurial community is characterized by resilience, initiative-taking, diversity and the ability to generate anew and experiment." Young and Charland (1991:48) add that entrepreneurship is wholly community oriented, requiring both the identification of community needs and public support. It is the community that "should be both responsible and accountable for the development projects under the program. Entrepreneurial programs require a long term commitment from the community regarding its development efforts." In the context of sustainable communities, entrepreneurship is distinguishable from development in that "entrepreneurship is for the longer term where development has to do with the future existence and growth of a community" (Shapero 1983: 117). The process of motivating and building self-confidence must be committed to the long term (Dykeman 1990a:8).

Knowledge systems are required for successful entrepreneurship and access to information is important. With greater information the
"current separation of study and action" is broken down and decision making is improved (Dykeman 1990a:4-5).

The Requirements For Successful Entrepreneurship

Successful entrepreneurship in rural development has five basic requirements:

1. educational requirements;
2. agricultural system requirements;
3. government assistance;
4. the capacity for cultural change, and
5. adequate information.

Education is important for successful entrepreneurship because it improves the capacities of the local work force. An educated work force operates with greater efficiency and takes advantage of development opportunities. Business and entrepreneurial education at the secondary and post-secondary levels, for example, can aid the beginning entrepreneur. Universities also provide avenues for the testing of new technology which can stimulate entrepreneurship. In short, the investment "in high quality education systems (primary, secondary, technical, university) insures that all individuals have the maximum capacity to recognize and take advantage of unique new development opportunities" Pulver (1987b:22). Either or both new and existing business owners can be linked with available public employee training programs, and government support to train workers can be matched to business needs. New ventures can gain knowledge about their business environment with support from existing businesses.

In communities with an agricultural base, advocates of entrepreneurship point towards greater production and marketing flexibility. Greater value added processing, for example, is emphasized, with the production cycle carried several steps beyond initial processing. Communities are encouraged to move towards producing end-products from raw materials.

Entrepreneurship also requires serious marketing by the local community, especially when end-products are produced and marketed.
For example, a strong agricultural entrepreneurship includes attempts to produce ... "new agriculturally-based enterprises, making new use of existing raw materials and/or packaging speciality items; market locally grown and produced items to consumers; process raw agricultural products close to home; conduct any of the activities listed above (assistance to new small firms), with specific attention to building agriculturally-based businesses (Stark 1987:130-131).

The public and private sectors must work together to coordinate the life-cycle financing needs of business. This is particularly important when someone is deciding whether or not to start a business, expand an existing enterprise, or close a business. Government, for example, may relax regulatory policy "to encourage banks to become risk-managers, not risk avoiders" (Friedman 1987a:5). In addition, tax laws may be modified "to provide existing businesses with incentives to encourage investments in innovations resulting in long term benefits as contrasted to decision making focused on short term bottom line profit taking" (Pulver 1987b:100).

Government assistance is important for successful entrepreneurship, and ranges from direct financial assistance to improving the effectiveness of regulatory policies. Entrepreneurship strategies used by government may involve establishment of carefully monitored demonstrations to test the effects of relaxing regulations. For example, the licensing requirements of selected fields or business operations may be reduced or eliminated. Such measures may improve the capacity for local businesses to expand their operations without bureaucratic restrictions.

One-stop permitting centres for new and existing businesses also may improve the productivity of local firms. (Pulver 1987b:100) states, for example, that "lengthy lags in bureaucratic responses to permit requests may mean the death of a business idea before it starts". Time delays may be shortened considerably by eliminating a lengthy and complicated application process for compliance with health, labour and environmental regulations.

Government also may provide consultation services. Professional development of financing and business management schemes is an
important area for government support. Accounting and legal services also may be provided by government (Webster 1987).

The public sector also may provide essential information to small communities. According to Watkins and Allen (1987:23), "knowledge of markets or marketing methods is commonly lacking and is perhaps the most important deficiency of many entrepreneurs." Although public sector attempts to improve information may create problems regarding differential advantages afforded to different entrepreneurs, the provision of market information is helpful in entrepreneurial ventures. In summary, eight areas for public intervention in communities are recognized:

1) enhancing entrepreneurial skills;  
2) developing networks of venture capitalists, innovators, and community leaders;  
3) providing public research funding and/or ensuring small business access to capital for research and development activities;  
4) providing technical assistance in establishing export markets;  
5) setting up seed and venture capital pools, using vehicles such as pension funds;  
6) establishing tax and/or other incentive systems;  
7) providing special regulatory relief to small business;  
8) establishing subsidized employee programs.

The final requirement for successful entrepreneurship lies in effective cultural change. Cultural change implies an actual shift in perception by a community towards understanding the importance of both the leadership and motivational aspects of entrepreneurship. Potential entrepreneurs must not limit themselves. As Friedman (1987a:5) claims, it "takes sending out the signal that entrepreneurs are not simply coming from a narrow class, race, or gender, but that they can come from the most unlikely groups and the most unlikely of places."

Specific strategies towards engendering an entrepreneurial environment include educating the public on the importance of entrepre-
neurship. Understanding that economic development and the generation of wealth is a community endeavour is paramount, and can be achieved through the formation of local business clubs for both youth and adults to lead to a better understanding of business. Recognizing and publicizing the successes of individuals who start businesses, lead changes in existing business (technology and markets) or stimulate improvements in the efficiency of government may account for part of this strategy.

**Entrepreneurial Leadership**

Successful entrepreneurship requires strong and motivating leadership. Garkovich (1989:210-211) claims that "entrepreneurs are made, not born, and there is a need for "entrepreneurial excavating", that is, identifying potential entrepreneurs and assisting them in developing potential new ventures." Traditionally, entrepreneurs are thought of as the founders and owners of small businesses who possess "the characteristics, drive, capabilities and organizational skills necessary to obtain and manage the variety of inputs necessary to successfully undertake a business venture" (Watkins and Allen 1987:17).

A distinction exists, however, between the community entrepreneur and the autonomous entrepreneur. Whereas the civic entrepreneur considers the development of the community as a main personal goal and strives to maintain himself/herself as a community manager, the autonomous entrepreneur considers the community as a means for attaining personal goals and strives for personal development in a founder-manager role. A civic entrepreneur approaches authorities as potential supporters and builds on local personal networks. In contrast, autonomous entrepreneurs "see authorities and other interest groups in society as hindrances and threats if they are not subservient to [their] own objectives," and "build [their] own personal networks" (Hawker 1990:83).

The traditional definition of civic entrepreneurship can be expanded to include specialized leaders who either initiate or translate new approaches to existing business. Entrepreneurial leaders exploit local strengths, "are models that stimulate other entrepreneurial efforts, and are an important aspect of local capacity building...."
Shaffer and Summers (1989: 185) claim that entrepreneurial leaders "bring together the resources, take the necessary risks, have the ideas, provide the ingenuity and the energy to create new products and services, and search out markets..." They further add that entrepreneurs generally possess the following characteristics:

1. an ability to perceive market opportunities accurately and to devise effective strategies for exploiting them;
2. the capacity to identify and meet resource needs...;
3. skills in the management of political relationships...; and,
4. an ability to manage interpersonal relationships, because the individual cannot do it alone. Successful entrepreneurs are able to build a team of people to work with them in creating an effective business organization.

Young and Charland (1991: 40-41) summarize six aspects of successful leadership in entrepreneurial communities:

1. In all cases there was one dynamic leader or 'sparkplug' who got things started, made sure things got done and kept things moving. In most cases the 'sparkplug' was a local elected official, usually the Mayor.
2. In all cases the local leaders realized that if they wanted things to happen that they would have to do it themselves.
3. In all cases local leaders were able to mobilize the community to support their development initiatives.
4. In all cases communities had to create a positive attitude, rebuild investor confidence and entrepreneurial spirit.
5. In some cases a succession of local leaders had to carry the torch over a long period of time.
6. In all cases the local leaders created a development organization to spearhead the development initiative.

Constraints To Entrepreneurship

Entrepreneurship may be hindered in rural communities. One reason is that educational levels generally are lower, and the number of entrepreneurs who have the capacity and experience to engage in market research and state-of-the-art production techniques is lower.
Moreover, an educated workforce with the capacity to work on complex, often specialized, industrial tasks is limited in rural areas. Branch plants, for example, commonly require an educated workforce to maintain the technical production of goods. For this reason branch plants frequently import educated labour to rural areas rather than hire local labour.

Rural entrepreneurship also is limited by lack of available wealth for investment. Urban counterparts, with centralized banking and lending institutions, and households with higher average income, have greater options for investment. This is especially true in the case of initial investment. Friedman (1987a:3-4) claims that most seed money or business start-up funds...."come out of personal savings or savings of friends, family and associates. That informal financing system works quite well overall, but it works spottily in middle-income communities and not so well in poor communities or communities hit hard by dislocation."

Finally, geographic and demographic constraints limit the success of entrepreneurship in rural communities. Rural communities are further from major markets, increasing the cost and difficulty of bringing goods to market. This constraint limits the competitive marketability of rural areas. Similarly, the lower rural population density limits entrepreneurship because product marketing is dispersed rather than concentrated. The development of close supportive networks is limited by small populations.

**Strategies In Entrepreneurship**

There are three general strategies for promoting entrepreneurship in small communities: (1) increasing the efficiency of existing firms; (2) promoting the creation and expansion of new firms; and (3) improving the ability to capture dollars.

**Increasing the Efficiency Of Existing Firms**

For enterprises to meet changing market demands, existing firms must increase efficiency and competitiveness. Business management and counselling can provide a means for greater efficiency, and regular
visits with community leaders and the managers of local businesses may uncover constraints to entrepreneurship. For example, local business visitations enable leaders to learn about the frustrations and needs of entrepreneurs, allowing leaders to "use the information gathered to improve the local business climate; if possible, speed up and make corrections to roads, traffic patterns, zoning and permitting procedures, etc.; link interested businesses with nearby job training and retraining resources offered by community and technical colleges, the county or state" (Stark 1987:130-131).

There is a continuing need for new enterprises to meet changing demands resulting from population change or evolving goods and services. Accordingly, individual counselling and intensive education may be provided to those interested in business establishment. Studies of market potential identify opportunities for new endeavours.

Linking business with technology also may increase the efficiency of local firms. By establishing a mechanism for assistance between entrepreneurs and technocrats, businesses can improve their productivity and competitiveness. This could include consultation with scientists, the building of prototypes, product testing and a range of activities that are vital to product and service startups. A specific strategy for improving the efficiency of local firms may include the establishment of development policies aimed at diversity. Implementing such policies reduces the dependency of one community on another and the development of monopolies. This strategy may involve limiting the "granting of unnecessary monopoly power to local businesses such as cab companies and cable television" (Pulver 1987b:100).

**Creation And Expansion Of New Firms**

Rural communities adopting a strategy of attracting new firms gain by means of the multiplier effect. New businesses generate not only new jobs and income, but also related services that are required for the new employees. Strategies designed to encourage new businesses include the provision of enticements for branches to locate in a community. These may include site provisions for industrial, office or commercial relocation, and the promotion of community facilities such as transportation, communication and business services.
Once the basic infrastructural requirements are met, specific strategies can be implemented. Included are devising a campaign to promote the community to new firms and identifying promising local businesses. This requires local market studies to identify potential entrepreneurs in new retail, wholesale, service and industrial input-providing businesses. Market studies may include "input-output, location quotients, population/employment ratios and trade area capture. More specific information can be provided by consumer surveys or other forms of market feasibility analysis" (Pulver 1987b:97).

Other strategies to develop new enterprises include promoting business funding programs targeted to small businesses, offering new businesses affordable operating space, developing projects to foster an enterprising spirit and advertising available public assistance to businesses (Stark 1987).

The development of small, home-grown businesses also can play a key role in initiating entrepreneurship. Shapero, (1983:132) claims that

by attracting desirable small businesses instead of corporate divisions to a community you can raise the probability of new companies forming as well as acquire the requisite diversity that makes a community invulnerable to unexpected events. The more small businesses in a community, the more likely it is that you will have more formations.

A strategy aimed at promoting home-grown businesses often requires the raising of local funds and the relaxing of local zoning regulations. This strategy must "make certain that requirements are not overly restrictive and tending to discourage appropriate home-based business development" (Stark 1987:130-131).

**Improving The Ability To Capture Dollars**

Marketing techniques are important in retaining capital within a community for retail and wholesale goods and services. Improving the market share of capital requires the implementation of buyer sur-
veys on consumer, industrial and local government buying intentions. The information gathered can serve to expand, refocus, or change the community’s or area’s retail offerings; market locally produced goods and services through the distribution of business directories, special sales, promotions, etc.; encourage local buying by senior citizens, who have social security and/or retirement income and a desire to shop close to home [and] organize downtown revitalization activities (Stark 1987:130-131).

The strategy of retaining dollars within a community may include recapturing social security payments to the elderly. Programs may be aimed at attracting retirees into a community by providing transportation, meal services, health care and other geriatric services. Communities can make retirement living more comfortable and create local jobs.

Investment in an area’s tourism potential also can benefit a community. Capitalizing on natural attractions, promoting cultural or historical sites and publicizing special events can improve a community’s position to recapture dollars. Local natural topography consisting of rivers, gardens, lakes and mountains can be promoted. Recreational facilities, zoos, antique shops, monuments, memorials, birthplaces of famous people and historic buildings can be promoted to attract visitors.

**Business Incubators**

The small business incubator is a successful new approach to promoting entrepreneurship in small communities. This is an attempt to provide a protected environment for new businesses by keeping overhead low through the sharing of services, and retaining access to free or low-cost consulting services in the form of planning, marketing, or financial aid and venture capital. The goal of a small business incubator is to "graduate" its clients; that is, to see them leave the protected environment of the incubator and pursue their businesses in another facility" (Webster 1987:138).
The incubator usually begins as a single site designed to house a variety of new businesses. Common business types include small service organizations, light manufacturing and high technology businesses. Centred in a single physical facility, the incubator becomes politically attractive. As Bernier and McKenney (1987:47) claim, by.... "pulling together several small firms and placing them in a physical facility that can open with a ribbon cutting ceremony, the small business incubator becomes nearly as valuable to a politician as would a new branch plant or industrial park or a speculation industrial building."

Incubators are a component of a long term small business development strategy. They provide an alternative to industrial recruitment through the nurturing of new local businesses. With political support, incubators have been successfully implemented as part of small community entrepreneurship.

**Entrepreneurship in Communities on the Northern Plains**

Communities on the Northern Plains were asked two general questions concerning entrepreneurship. One concerned who should best initiate community development (Figure 3), and the second asked for identification of the major factor limiting community development (Figure 4). In general, communities believe that development should be initiated at the local level by citizens, government, business or a local development office. These responses account for 91 percent of all responses. Both the regional and federal levels of government are perceived as insignificant as initiators of development (Figure 3).

Lack of sufficient funding is the most frequently mentioned factor limiting community development, but it is followed closely by lack of citizen interest (Table 2). A lack of knowing how to develop and a lack of business and government support also were mentioned.
Figure 3
Responses of communities on the Northern Plains to the question "Community Development is Best Initiated By"

![Bar chart showing responses to the question: Citizens, Local government, Local business, Comm. Dev. office, Other, Regional government, Federal government, None of the above]

Figure 4
The main factor limiting development listed by communities on the Northern Plains

![Bar chart showing factors limiting development: Lack of funding, Apathy, Lack of know-how, No business support, Lack of govt. support, None of the above, Other]
Qualitative Comments On Local Entrepreneurship

Comments written on surveys returned by Northern Plains communities confirm the numerical points noted in Figures 3 and 4. In addition, not only specific problem areas, but also solutions were identified. Comments have been condensed into the categories of citizen apathy, lack of entrepreneurial knowledge, outside shopping, and lack of community pride. These constitute the majority of the responses.

Citizen Apathy

**Problem:** Apathy, or a lack of citizen interest was noted 46 times in the comment section of the survey. Although many respondents claimed that the local workforce was industrious and hard working, they noted that citizen participation was poor in local economic development (especially in Canada). "Citizens want things but they expect 'somebody' else to do all the work," noted one Albertan. Other common remarks claimed that "economic times have produced a lethargic feeling among the populace and it seems everyone is waiting for the next person to start" (Manitoba), and that a major problem is the "indifference of local citizens to working for community survival or growth" (Saskatchewan). In addition to indifference or "let 'George' do it" (Manitoba), other respondents noted that the "fear of taking risks is, without a doubt, the greatest obstacle" (North Dakota). Those "movers and shakers" who do take risks are "so busy and on so many groups that they burn out" (Saskatchewan).

**Solution:** Respondents felt that community development efforts were best made towards cultivating successful local entrepreneurial leaders and recruiting new outside ones. One Alberta respondent noted, for example, that "existing entrepreneurs who have earned a reputation for being willing to take a chance should be encouraged to develop new ventures." A Minnesota respondent similarly added that "as a strategy, 'smokestack chasing' is a waste of time, money and effort and can be demoralizing for most small cities.... Limited financial resources and the efforts of volunteers should be directed at local, existing businesses and/or local entrepreneurs for strategic planning."
Existing leaders exhibited the characteristics of both risk-taking and community-building, two important elements of entrepreneurship. One Minnesota respondent claimed that:

Our community has thrived in recent years. This is due to the vision shared by our community leaders. In addition to this vision they have had the financial capability and support to pursue their vision. The cooperation and community pride which is exhibited by these leaders has allowed our community to develop while others have not. Small towns must continue to work on their community pride for their strength; once this pride is lost, it is reflected in attitude throughout the community. More than anything I think small towns must be willing to take some risk if they are to succeed in business development.

Other respondents suggested that entrepreneurial leaders or 'movers and shakers' be sought out. One suggestion for implementing this strategy was made by a North Dakota respondent who stated that a community should have "one or two individuals working strictly with contacts and changing laws and funding sources." Overall, community respondents felt that although the general populace was apathetic and unmotivated, entrepreneurial leaders could champion local development efforts. Leaders either had a previous record of successful risk-taking and community-building or could be recruited from other areas.

Lack Of Entrepreneurial Knowledge

Problem: Local development also was hindered by a lack of knowledge about local entrepreneurship. According to one Manitoba respondent, "those with ideas either have too little education, too little experience, and too few expert contacts to make a go of potentially viable ideas. Expertise was perceived as lacking most in the areas of business experience and marketing.

Solution: Community leaders in Northern Plains’ communities felt that education and training could help solve the limited knowledge
local people had of development strategies. This would involve "educating the current citizens in the advantages of growth" (Alberta), and providing "educational opportunities and incentives to teach people creative thinking and know-how to make their own opportunities" (Manitoba). Brainstorming ideas also was suggested by two respondents in the area of food-processing and local tourism.

**Outside Shopping**

*Problem:* Survey respondents noted that small community entrepreneurship was hindered by local consumer purchasing of goods and services outside of the home community. One Manitoban addressed jealousy as a major part of this problem in his claim that "there is an obvious attitude in this town about not supporting businesses developed by local citizens...it is almost as though nobody wants to see his/her neighbours get ahead." An Alberta respondent attributed the problem to adherence to the "highly conservative and confrontational" tradition, or a lack of consumer understanding of the importance of shopping locally. Another Albertan added that:

> Being a farming community one of the main assets were grain elevators...as you are probably aware many have gone out of business or are building huge elevators on county properties, as the taxes are lower, [and] many services such as water and sewer are not supplied...small communities have to look for other assessable businesses, but the surrounding area is still a farming community...not only is this bad, but also [we] have to compete with neighbouring larger centres.

*Solution:* No solutions were offered to offset outside shopping.

**Lack Of Community Pride**

*Problem:* Another frequently noted problem in local entrepreneurship was the lack of community pride in local residents. Sixty-three respondents noted that local people had a lack of faith in the future of their community. "This aspect has virtually dried up any potential investment capital which used to be available" (Alberta).
Solution: Community leaders felt that community pride could be enhanced through unifying efforts, positive thinking, promotion, providing better service and beautifying the community. Building community pride required an effort "taken by the citizens of the community along with local merchants and government to develop an organized and integrated approach with short term and long term goals for community growth and development" (Alberta). A North Dakota respondent noted that disparate opinions weakened community efforts at promotion: "We are in a crucial stage at this point. We have promoted ourselves through sport shows and advertisements. In three years we have attracted a number of projects to our community but unfortunately, two members of city council show little interest, not to mention support of the projects."

A unified long-term vision is essential for community development. A Minnesota respondent added that:

small town development is not like grabbing a piece of urban sprawl. There are a lot of very viable strategies - business retention, industrial parks, downtown revitalization. There are some junky ideas - like turn your town into an Amish village - even though you're not Amish just because a few Amish live outside town. Basic, long-term city commitment to community development is very valuable.

Another Minnesotan stated that "unfortunately, we, like many communities, are experiencing a decline in our population. The inability to attract sufficient numbers of new people and retain our youth is frustrating. We must begin to cooperate more fully. This will result in the community shared vision of the future." Along similar lines, one Montana community leader added that: "in my opinion, small towns must create a plan or vision statement identifying advantages and goals, organize a small economic development committee to draw up guidelines for development and make recommendations to the local government, who, hopefully, are in touch with reality and are willing to take risks to make progress."
In short, the goal of building community pride and promoting the community must include a unified desire for growth. Internal dissension and conflict on the goals of development hinder efforts at community-building.

Positive thinking and promotion also are required. Respondents suggested that positive talk and ambassadorship aided the overall promotion of their community since "if one negative is said it takes ten positives to counter that one negative" (North Dakota). By being better ambassadors for their community, individuals project a positive community image and make every visitor feel welcome. According to one Montana respondent, local criticism by outsiders is detrimental enough, let alone local criticism:

The one thing remaining to be said is that the rural West of Montana is a viable section of Montana and the nation. We do not deserve the treatment frequently allotted to rural America. We do not deserve the stories such as in the National Geographic magazine in September stating that the majority of people in Webaur, Montana, make their living by illegal poaching, or the article in the Billings Gazette about people in agriculture and their attitudes toward wildlife as the killing fields. We don't deserve the promotion of the press of the eastern college professors that the only thing we are good for is to be turned into a 'buffalo commons' - and the people migrate to cities. What would we be there? Why do we, so few people, bother so many people so much?

Community pride also could be enhanced through better service engendered through customer service training and collective retail marketing. Respondents recommended local businesses join either with others in advertising and promotion or with a "neighbouring county's development corporation to 'sell' the area for development" (North Dakota). Fifty-two respondents suggested that community-building involves local shopping. With better service to their existing customers and products and services geared to individual community
markets, respondents felt a "you support me - and I'll support you" atmosphere of reciprocity could be created.

Finally, community pride and promotion could be increased by means of general maintenance and upkeep of private property. This effort could lead to community promotion as "an ideal location for 'clean' industries such as warehousing, truck/bus terminals, etc." (Saskatchewan). A Minnesota respondent accepted the limited resources of small communities, but emphasized the importance of making good impressions:

Most really small towns (1,000 or less) do not have the simple basics completed - (i.e. a listing of available buildings, size and attributes) or an option on land that could be used for industry. We have concentrated on growth of existing or new local industries as we haven't the resources to chase smoke stacks. More towns need to realize that quality of life issues and housing are important in attracting business and industry. Make the town appear busy, as no one locates in your town because it looks like it is needy. You must learn to promote and market the town. If you feel there's 'nothing to see or do' in your town, the prospect will surely agree. [What's] needed is cooperation, communication, coordination, and commitment - the four C's of economic development.
FINANCING LOCAL ECONOMIC DEVELOPMENT

One of the most formidable challenges in local economic development lies in obtaining adequate financing. Provision of capital and operating funds is an important part of any economic strategy, and rural firms have capital needs similar to those in metropolitan areas. Bivens (1984:6) claims that both need "(1) permanent financing provided by equity capital, (2) seasonal and cyclical liquidity and cash flow provided by working capital, and (3) long-term financing for growth and change in an evolving economy." Equity capital "which claims an ownership stake but does not require repayment on a scheduled basis or with a guaranteed return," is required along with debt capital which "requires a scheduled repayment and a defined rate of return but does not make a claim to the ownership of the business" (Nathanson 1987:102, 109).

Rural communities, however, face exceptional challenges in raising capital. The perception that rural businesses represent big risks poses a major obstacle. Unlike urban businesses, which can focus on serving local markets, rural businesses must rely on markets outside their local area for growth. For this reason, they appear to be greater risks because their markets are not precisely defined. Hite (1989:2) claims that:

[It] is clear that rural areas, by virtue of their remoteness from markets, face certain economic disadvantages that result in lower aggregate income. ... At the extreme, certain remote communities situated geographically beyond the extensive margin of market activities may be forced into subsistence economies wherein infrastructure can be developed and maintained only by wealth transfers from the urban areas or by a kind of taxation in kind.
Rural areas also are perceived as being higher risk for other reasons. Lenders generally perceive rural businesses as having greater uncertainty and a lower ability to repay investments or attain an expected rate of return. Lenders also believe that rural defaults are more difficult to liquidate than are urban defaults. This perception is based on the belief that the smaller rural businesses’ financing requirements for equipment, inventory and working capital “do not provide particularly strong collateral for lenders” (Nathanson 1987:105).

Financing of rural business faces other challenges. First, rural business seldom is tied to universities and research institutions, suggesting that venture capital is rare. Second, rural businesses must compete with their urban counterparts in untargeted public sector programs. Although such programs do not differentiate between urban and rural businesses, urban communities generally have economic development departments or agencies with professional staff who can develop funding proposals. In general, rural businesses “have no comparable advocates and as a result are not able to compete as successfully for capital” (Nathanson 1987:105).

Finally, one of the most challenging tasks for rural businesses lies in obtaining bank support. Centralization of banking has worked against the financing of rural small town economic development. In the United States under the State Bank Holding Company Acts, large urban banks can expand operations into small towns by buying existing banks or building new ones. Based on economy of scale, replacing independent small town banks by large city banks is inevitable, and the Bank Holding Company Act may bring about a new era of economic development:

Banks in rural areas as extensions of the big banks with their up-to-date computerized methods will mean greater internal operational efficiency with lower costs and higher bank profits and, more broadly, the farmers and small town residents will enter a new era of economic development brought about through access to the great financial strength, wide range of services, and broad-visioned, dynamic policies of the bigger banks (Gudenberg 1985:163).
This results in fewer banks in rural areas to provide avenues for financial support. Furthermore, rural lenders often are less familiar with "business loans and tend to avoid investments that are not extremely well secured" (Nathanson 1987:105). Small town bankers are "made to appear as backward fellows clinging to outmoded and inefficient banking practices and denying their rural areas the blessings which such large banks would surely bring" (Gudenberg 1985:163). Shapero (1983: 134) states:

Most local bankers, like most people in any field, tend to stick to the kinds of things with which they are familiar. However, local bankers would really like to be more responsive than they are given credit for, and the attitudes and practices of local financial people can be influenced through awareness and education. Where the local financial community is not amenable to change it may be possible to invite others from the outside.

More important, however, is the fact that economies of scale lose the personal contact between a banker and an investor in a rural area. Without personal knowledge of people, judgements on risk potential are based solely on collateral and not on the personal traits of local business investors. Brace (1985:45) claims that:

Banking in this country has not been developing so as to improve ruraldom's access to credit.... When the locally owned small bank making traditional 'character' loans sells out to a statewide bank, the personality disappears, to be replaced by uncomprehending technicians not rooted in the community. These new banking units are still not large enough to offer the industry specialists that their seniors in metropolitan areas can afford small business.

Exell et. al. (1988:5) summarize the problems of financing small rural communities in five categories:

1) tight lending policies, that are insensitive to individual circumstances;
2) extreme collateral/security requirements;
3) high cash-flow requirements;
4) arbitrary alternation of lending and administration practices; and
5) inadequate expertise of lending officials.

Solutions to Rural Financing

Non-Profit Corporations

Financing local economic development can be enhanced through the creation of a non-profit corporation, which can be used to assist public/private investment capital formation projects. Various financial tools can be implemented, including self-sustaining straight equity investments, the raising of seed capital through the selling of shares and bonds, and the pooling of local registered savings plans and pension funds into a community mutual fund. Non-profit corporations act as the general partner of a limited partnership composed of private sector participants. The "personally beneficial effects of the limited partnership organization can be channelled to private sector investors who would not otherwise be attracted to the project at hand" (Brace 1985: 46).

Non-profit corporations also make the spending of public monies more accountable. Public monies "channelled into such non-profit general partner corporations are likely to be far more effective than public money spent directly in projects themselves" (Brace 1985:46). Instead of simply doling out government funds, local economic development committees are encouraged to work on behalf of their communities through a non-profit corporation. Community development can be generated by local efforts and local income and savings resources. In short, a non-profit corporation serves to solidify local commitment to enterprise development.

A non-profit corporation also enhances the financing of local economic development by setting an agenda. By involving a cross-section of interests, local citizens are able to determine and implement their own actions. Representation, for example, may include leaders from education, agriculture, corporate and family economic enterprises, organized labour, government, advocacy groups, and
community enhancement organizations as well as parents and youth. Once assembled, task specific action committees can be formed with interrelated activities (Gudenberg 1985:132-133).

Finally, a non-profit corporation can provide technical assistance to local entrepreneurs through specially trained financial 'packagers'. These "technical assistance entrepreneurs' are governmentally employed but enjoy performance incentives from royalty payments by successful cases" (Brace 1985:51). In advising local entrepreneurs, technical assistance they can provide to analyze market opportunities. After negotiations, a packaged deal could be made between the technical assistance entrepreneur and business person or investor. A defined royalty on sales or earnings over a specific period of time would be made from the project to the technical assistant.

**Bank Community Development Corporations (BCDCs)**

In the United States, local development corporations (LDCs) can receive long-term Small Business Administration (SBA) loan guarantees. One means is through establishment of state and federally chartered commercial bank subsidiaries geared towards community investments that stimulate economic development. Targeted to serve primarily low- and moderate-income people, these guarantees can be both debt and equity investments on commercial and industrial projects (Bivens, 1984: 10).

The SBA, in effect, guarantees bank loans to small businesses made through LDCs to finance land acquisition and expansion or rehabilitation of existing plants. Direct loans also are possible to LDCs from the SBA, or may involve loan guarantees involving LDCs and private lenders.

**Certified Development Companies**

Certified Development Companies (CDCs) sell SBA-guaranteed debentures to raise money for fixed-asset loans to small businesses. Development companies "can be profit-making or non-profit corporations and can make long-term loans for up to 40 percent of the cost of building acquisition or construction (including expansion and renova-
tion) and the purchase of machinery and equipment. Loans cannot exceed $500,000 and maximum maturity is 25 years" (Bivens 1984:8).

**State Business And Industrial Development Corporations**

Business And Industrial Development Corporations (BIDCOs) are quasi-private extensions of state governments and have the support of state banks and utilities. BIDCOs can make equity investments and loans, and can "offer opportunities for financing deals which combine equity participation with loans, loan guarantees, or both" (Bivens 1984:8). Monies made available can finance local economic development.

**Small Business Investment Companies**

Small Business Investment Companies (SBICs) are licensed private corporations created to provide venture capital for small business, including relatively risky loans and equity investments. Up to "four dollars from SBA for every one dollar of private money invested" can be loaned (Bivens 1984:8). However, the program is designed so that "risky investments are leveraged in a manner promoting risk aversion. It takes a conservative approach, emphasizing convertible, interest-bearing loans rather than straight equity investments" (Bivens 1984:8).

In summary, the benefits of pooling investment and enhancing accountability are priorities of non-profit corporations in economic development. Various structural forms exist, but all are designed to improve the financing of local development projects.

**Capturing Tax and Cash Transfers**

Capturing tax and cash transfers is an important strategy in local economic development. In both Canada and the United States, transfer payments, and associated investment income represent nearly one-third of total personal income. Capturing transfer payments benefits the local economy because they increase the demand for goods and services in local markets, and represent capital for development of local projects.
Transfers include social security or insurance, medicare, military retirement, unemployment insurance, and public assistance. The public assistance role of transfer payments is de-emphasized in local economic development. Public assistance is an income maintenance instrument, with minimal payments administered in temporarily weakened economies. Communities with substantial public assistance payments are likely to be experiencing employment declines and payments may not be seen as potential development instruments.

In contrast, when transfer payments are used in local economic development, they stem primarily from deferred income involving large per capita payments. Consequently, "transfer payments from deferred income funds and linked property income often constitute a source of money for economic development" (Summers, et. al. 1988:141-142). Capturing transfer payments involves three major strategies:

1. Insure correct use of public assistance programs for the elderly, handicapped, and others who cannot work through organizations of educational and other program efforts.
2. Utilize aids from broader government whenever possible (e.g., streets, parks) through active monitoring and support of the activities of local officials.

One important action communities can take is to make their town more livable for elderly persons. Home deliveries such as health services, laundry, groceries, hot meals, hair dressing and barbering, house cleaning, reading programs and other personal services would benefit the elderly (Summers, et. al. 1988). In short, various techniques to improve the life of those receiving transfer payments would attract recipients into a local community. Expenditure of their transfer income on the purchase of local goods and services, and the use of their income to fund local projects represents a financial strategy for local economic development.
Venture Capital And Local Economic Development

Raising venture capital is a means to finance emerging firms and small businesses. Venture capital investors usually provide equity capital in anticipation of substantial capital appreciation within a three to six year period. By imposing restrictions on the managers of the firms in which they invest, they somewhat protect their investment against mismanagement. Although Bivens (1984:7) claims that for "most rural businesses, access to financing from the venture capital industry is highly unlikely," it is an important source of funding in local economic development. Public venture capital funds are especially significant to the local economic development of small communities.

The Need For Public Venture Capital Financing

Publicly operated venture funds have different investment criteria than do private funds. Longer time horizons, lower tolerance of risk, and lower required rates of return are characteristic of public venture funding. Public funds, therefore, fill a gap in the availability of capital rather than displace private capital. On the other hand, one should not expect public funds to earn high rates of return; the rate of profitability will be lower because private funds will take the bulk of the big winners, and because there are higher transaction costs associated with handling a larger number of smaller investments (Fisher 1988).

Public venture capital often is targeted towards new and small firms which require equity financing rather than debt financing. Although local firms commonly obtain start-up capital from personal savings, friends or family, the early growth phase of a business generally is faced with negative net income and fixed interest payments. As Exell et. al. (1988:8) claim, "the individuals who start businesses are usually inadequately financed, with few business assets and a limited track record. A lack of vital working capital represents a particular problem to survival of new businesses." For these reasons, equity capital is required for firms to grow. Venture capital, therefore, is "most effective in stimulating entrepreneurship at the seed capital stage--before the new product, service or process has proven its profit prospects" (Pulver 1983:98).
Public funding is especially significant when private institutional financing is inadequate. Fisher (1988:169) states, for example, that some recent evidence "indicates that traditional institutions, such as banks, may not supply adequate financing to small firms because of a bias against small businesses and a lack of expertise in small business investing." Given the lack of traditional financing, venture capital can serve to finance rural small businesses with lenders demanding a higher rate of return.

For these reasons, certain criteria are required for venture investments. Local firms first must prove that financing is unavailable from traditional sources. Evidence of business viability over a long period of time also is necessary. High-risk, short-term gain business propositions, therefore, may be left out of venture capital financing. According to Pulver (1983: 98), for example, there "is some debate as to the wisdom of creating public institutions to finance risky businesses. The public institutions may become more conservative than private investors because of the necessary requirement to defend their decisions before legislatures which are highly sensitive to short-term political pressure." This is especially true in the case of public venture funding since "large and well-publicized failures carry substantial political costs, even though some failures are inevitable in the venture capital business. It is even likely that very large gains by a public fund would be something of an embarrassment" (Fisher 1988:173-174).

**Venture Capital And Small Business**

Publicly invested venture capital is a means of financing the operations of small businesses. The attempt is to plug a 'capital gap' and to promote development of the small business sector and technology-based innovations. According to Fisher (1988:174), public capital investment rests on the following assumptions:

The first is that the particular economic activity financed would not have occurred...but for the public investment; i.e., the program induces 100 percent of the assisted economic activity. The second assumption is that the resources used by the recipient firm had no opportunity cost; that is, the labour, capital
and land utilized otherwise would have been idle, so that their productive use by the recipient firm has no economic costs and is entirely a net gain.

In short, the rationale for government action is an economic one: "it justifies intervention in private markets on the basis of market failure, but only to the extent necessary to correct that failure" (Fisher 1988:166).

Venture capital investment in small businesses represents a different strategy than the branch plant approach that state and local economic development officials often take. Public venture capital investment rests on the hope that promoting the small business sector will help stimulate the growth of the network of supporting industries and services. A second benefit is based on the assumption that small firms are likely to be locally owned. Stimulating locally owned businesses will maximize the recirculation of profits within the local economy and minimize capital leakages to corporate headquarters in other cities. A third benefit is that a small-business strategy may be more effective in attaining diversification of the local economy and enhancing stability over the business cycle. This occurs because a "portfolio" of many small firms is much less variable or risky than a portfolio of a few large branch plants, in terms of community income generated, so long as the small firms represent several industries" (Fisher 1988:175).

Public investment in small businesses also is based on the hope of new job creation. Establishments with fewer than 20 employees accounted for two-thirds of the net new jobs created by the 5.6 million establishments in a sample dating between 1969 and 1976. Eighty percent of the jobs were in establishments with fewer than 100 employees. Businesses four years old or younger had created about 80 percent of the replacement jobs during that period. In short, small businesses, particularly new ones, seemed to be the major generators of new employment in the American economy. Similar trends are evident in Canada.

Venture capital investment for small businesses, therefore, is a means to generate significant employment growth. This is especially
important during the start-up or early growth stages. The funds "typically provide both debt and equity, the equity investment taking the form of a stock purchase or a warrant for future purchase of stock, or the provision of convertible debt" (Fisher 1988:166). These funds generally are capitalized with federal grants or sub-national appropriations. Local bond issues also can provide the capital, with administration of venture funds organized through non-profit corporations or public authorities.

True net public benefits can be accomplished by redirecting investment to change the structure of the economy or the nature of jobs and production significantly. Various direct strategies include the following:

- the enhancement of long-term growth and stability through local ownership, local reinvestment of profits, and local control over capital investment and plant closing decisions;
- the enhancement of employee welfare (job health and safety conditions, employment stability and security, opportunities for training and advancement, pay levels and fringe benefits); and
- the enhancement of community welfare through the production of something useful and healthful and through ensuring that the production process is not harmful to the environment or to public health and safety (Fisher 1988:174-175).

In summary, venture capital for small businesses brings the benefit of localizing development options. Profits are recirculated locally with various firms benefiting through the exchange of products and services. New demand enhances small community job creation.

**Bonds And Local Economic Development**

The use of bonds to finance local economic development is another strategy for small communities. Bonds are commonly issued in the United States by state financial intermediaries which serve as multi-purpose bond banks. These institutions package small local bond issues into larger, marketable sale issues for the national market.
The basic technique is the purchase of local bonds with funds derived from the sale of a bond bank's own bonds. These, in turn, are backed by local bonds and a reserve fund. The "diversified package of bonds, the bank's investigation of local credit worthiness, and the sharing of relatively fixed costs mean lower borrowing costs for participating local governments" (Bivens 1984;20). Tax exemptions often are sanctioned by the government on the interest from bond investments.

Local government financial intermediaries also are involved in the administration of bonds. They serve to "issue debt, build facilities, and then lease them to the government" (Bivens 1984;20). The direct marketing of small denomination, tax-exempt bonds by local intermediaries saves the costs associated with third-party underwriting such as using a broker to sell the bonds. Governments can obtain the full monetary benefits of bond investments by 'retailing' them. As part of a long-term debt-financing strategy, lease or rental payments from the local government are used by the authority to retire the principal of the bonds and make interest payments. When the debt has been retired, the "authority usually is dissolved and ownership of the facilities is conveyed to the local government" (Bivens 1984;20).

Bonds commonly appear in the form of an 'umbrella' bond, with the proceeds used for a number of entities instead of a single one. For example, umbrella bonds are "being developed for revenue bond funding of smaller enterprises who cannot pay high fixed accounting, printing and legal expenses of a small bond issue" (Brace 1985:45).

The Canadian Federation of Independent Business has suggested that government-guaranteed bonds be implemented with the condition that the purchaser also make an equity investment in the local business community. The 'bond component' of the investment would help absorb the risk of solely private investing. Like the umbrella bond, bond purchases of this type could be enticing if the interest earned could be exempted from taxable income. This incentive would be "targeted primarily at relatives and friends whom an entrepreneur might be hesitant to approach for capital that is 100% at risk" (Exell, et. al. 1988:17). A regional enterprise agency, such as a non-profit corporation could collect, manage and guarantee the bond component of the investment.
Specific Bond Instruments

Various forms of bonds are available for local development. The following are outlined briefly: 1) bond insurance; 2) long-term financing; and 3) short-term financing.

Bond insurance has become a popular technique for increasing the credit worthiness and marketability of long-term bonds. Through bond insurance, buyers are "attracted by the protection against defaults and the enhanced secondary marketability provided by the Standard and Poors’ triple-A rating of insured bonds" (Bivens 1984:20-21).

Long-term financing is the most common method of financing public facilities. As Bivens (1984:22) claims, "no longer is the 'plain vanilla' serial bond, in bearer form and carrying the general obligation designation, the main way local governments finance capital projects. More common are revenue bonds of various kinds, particularly those issued by special districts and authorities." The following bond instruments may be used, and are outlined by Bivens:

- traditional general obligation bonds;
- limited tax bonds;
- double-barreled bonds;
- guarantee bonds;
- moral obligation bonds;
- special tax bonds;
- special assessment bonds;
- traditional revenue bonds;
- tax-exempt leveraged leasing financing;
- bonds with warrants;
- original-issue discount bonds;
- stripped coupon bonds;
- compound interest bonds;
- stepped or escalating coupon bonds;
- tender option (put) bonds;
- super sinker bonds;
- floating/flexible/variable rate bonds;
- tax-exempt certificates of participation.

When short-term financing is the goal, various instruments can be used to get projects underway prior to securing longer-term financing. As bridge funding to fill cash flow shortfalls, short-term borrowing can facilitate adjustments to fiscal and capital market situations in the short run. Short-term bond instruments are outlined in Bivens (1984:23) and include bond-anticipation notes, tax anticipation notes, revenue anticipation notes, tax-exempt commercial paper, bank credit facility, installment sale financing, and tax-exempt demand master notes.
Obviously there are many different bond options available to finance local economic development. The complexity of the different instruments makes it essential to be aware of what is available, what is required, and the duration of the loan before any one or combination of funding arrangements is chosen.

**Perceptions On Financing Community Development On the Northern Plains**

Communities on the Northern Plains were asked to rate three questions regarding the financing of community development (Table 8). Average ratings were derived, with an average rating of 1.0 representing little importance and 7.0 representing extreme importance. Communities perceived improving the local tax base as very important (\(\bar{X} = 5.9\)). Nearly three out of four communities rated this aspect as extremely important. Communities also rated recapturing taxes from government and obtaining government financial support as important, but the average ratings of 5.3 and 5.4 were somewhat lower than that for improving the local tax base. Still, about half of the communities rated the two factors as extremely important.

**Table 8. Perceptions of financing development in communities on the Northern Plains**

<table>
<thead>
<tr>
<th>Strategy</th>
<th>Not at all important</th>
<th>Important</th>
<th>Extremely important</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>1 2 3 4 5 6 7</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Improving local tax base</td>
<td>(\bar{X}) 5.9</td>
<td>2 &lt;1 7 3 5 2 19 9 26 12 52 24 102 48</td>
<td></td>
</tr>
<tr>
<td>Recapturing taxes from government</td>
<td>5.3 7 3 7 3 14 7 30 14 34 16 64 31 52 25</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Obtaining government financial support</td>
<td>5.4 6 3 4 2 10 5 29 14 52 24 48 23 64 30</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>
Associations were determined on the importance of improving the local tax base, recapturing taxes from government and obtaining government financial support with country of origin, among jurisdictions within the region and among sizes of communities. No significant differences were found suggesting that perceptions and ratings of general strategies for financing rural development are similar between countries, regions and communities with different populations.
GOVERNMENT SUPPORTED FINANCING

The oldest model for public investment in rural areas involved the development of the basic infrastructure of roads, sewers, water systems, schools, security and fire protection on the Northern Plains. Infrastructure investments are believed to be the prerequisite for industrial expansion in rural areas. The public underwrites most of these expenditures. The next sections outline various public programs initiated in both Canada and the United States for financing local economic development.

Local Level Financing

Local governments can secure funding by various traditional and non-traditional means. Traditional funding sources include levying of business taxes to raise tax revenue from the commercial sector. One means is to make the traditional designation of mill rates variable. This enables municipalities to encourage a particular sector of industry to locate in a community, or to help expand an existing one. In short, variable mill rates give local governments a degree of autonomy and flexibility which they can use to foster their own particular needs (Brown, et. al. 1985:284-285). Other local approaches designed to secure funding include locally initiated Public Actions (Nathanson 1987:101-102) such as zoning, permitting and similar measures. These options are outlined below.

Tax Increment and Special Districts

Tax increment or special districts are commercial, industrial and limited residential developments that have tax revenue increases earmarked to public facilities and services in designated areas. Depending on state or provincial law, these districts may be initiated by a public body, a group of property owners, or a community association. Districts begin with the definition of a baseline tax need. Tax revenues from new development are then used to pay for public improvements,
either by reimbursing the local government for funds expended or by retiring bonds issued to finance the improvements. However, an element of risk exists since there is no guarantee that anticipated tax increments will be realized. New development, for example, may occur only in a limited form or not at all. Consequently, "taxpayers outside of the tax-increment district may be forced to pay part of the costs one way or another" (Bivens 1984:20).

**Front-End Transfers and Exactions**

Local funding can be accomplished by the use of front-end transfers and exactions, which are requirements imposed upon developers for permission to build. Variations include development fees, development impact taxes, mandating dedications, and fees in lieu of dedication.

Development fees are one-time levies imposed on developers to finance all or a portion of the capital costs of installing basic public facilities. The levy is made towards the costs of building streets, sidewalks, lighting, water and sewer lines and other infrastructure. The fee can be expanded to cover off-site development including "water treatment capacity, fire stations, schools and libraries" (Bivens 1984:14). In return for the fee, developers are given clearance to proceed without the normal impediments and delays of government regulations. Normally the fee is paid when a building permit is issued.

Development impact taxes also are one-time levies imposed in addition to normal property taxes. The levying of these taxes is designed to finance a pro rata share of the costs of off-site facilities. Similar to development fees, impact taxes are collected during the approval stage of new construction when building permits are issued. The taxes are assessed on property valuation and facility needs and costs.

Mandatory dedication involves the transfer of private property to public ownership as a condition for governmental approval of property development. Such requirements typically are specified in local subdivision regulations, but may be subject to negotiation between the developer and local officials (Bivens 1984:14). When mandatory land dedication is not feasible, fees in lieu of dedication may be charged.
These may be part of negotiations between the developer and the local government during the approval stage, or may be part of zoning regulations. Value of these fees is determined by either a sum equal to the value of the land that would otherwise have been dedicated, or set charges per lot or building based on area.

These local forms of raising capital have been administered with varying success. As a local development strategy, the imposition of overly costly levies may lead to the loss of potential developments or investments to other areas. Land developers oppose front-end exactions and argue that financial viability depends on passing the costs of such charges to the purchasers or renters of the developed land and improvements. The most common version of the argument focuses on housing affordability, maintaining that "the front-end costs imposed by local governments are necessarily added to the selling prices of new homes, making them unaffordable to many potential homebuyers" (Bivens 1984:14).

Direct Strategies To Access Public Funding

In addition to the strategies discussed above, local community organizations can modify their financial situation by effecting change. One strategy includes the forming of nonbank capital groups to invest private funds. A local capital pool for equity or debt investment can provide necessary funding to promote initial success of a business startup. These pools, unlike the various instruments described earlier, can be arranged informally with a loosely knit group of local citizens.

Another direct strategy involves linking potential entrepreneurs to available capital sources through information programs. Financing involves a complex array of institutions that include commercial banks, venture companies, community development corporations, and several state, provincial and national programs for special purposes. In addition, entrepreneurs may be unaware that a complex set of financial instruments are available. In fact the ....

range of information that firms can put to productive use—about markets, production, technologies, funding sources, and other matters—is virtually infinite. The challenge is to reach selectively and efficiently
into this pool and to extract, sort, and transfer information relevant to the needs of a specific firm in a specific community (Canada 1990a:9).

Although "no one hoping to start a business can expect to know them [programs] all" (Pulver 1987b:98), various structures can be developed to enhance the formal and informal information networks available. Flexible networks are especially important and involve groups of businesses that collaborate in order to compete. They are flexible because "their structure changes as market conditions change. Networks are formed around a certain project or task and then disband and regroup under a different structure for a different project or task" (Council Of State Community Development Agencies 1992:2).

Small businesses have limited resources, capacity, and scale to gain a competitive advantage. They often rely on only a few contracts to maintain operations, leaving them more vulnerable to economic downturns and foreign competition. By entering a network, small businesses are able to work cooperatively to gain the capacity in skills and resources and to achieve the economies of scale and leverage they could not achieve alone. As a strategic alliance, flexible networks of small businesses provide more effective competition in bidding for contracts, produce a wider variety of products, develop new markets and aid in purchasing of materials and services more cheaply. The activities of a network can range from "collaborative product development to simply sharing industry information" (Council Of State Community Development Agencies 1992:2).

Local or community development offices (LDOs) also are useful in developing networks because they usually represent a cross-section of the community and are structured in a manner to perform this function. For example:

LDOs can meet market information needs either by taking the initiative in supplying information or by responding to requests for information. The latter mode entails maintaining up-to-date files and data bases on government departments and programs that monitor market opportunities, on publications that
provide reliable information, and on information networks available to business. ... The second major new area for local economic development efforts is the promotion of the community to outside buyers of locally produced goods and services and to potential incoming investors in the community's business sector (Canada 1990a:9).

The Western Diversification Office also suggests business-led community development in a manner similar to that of the 'Business in the Community' (BiC) initiative in the United Kingdom. The BiC program links business enterprises, central and local government, chambers of commerce, the trade union movement and voluntary, professional and educational organizations in a partnership by contributing financially, turning over unused buildings and/or providing other financial support, by reallocating staff to BiC and their projects, and by suggesting that employees join in local activities. A major feature of the program is the establishment of community-based enterprise agencies to provide business counselling and information. According to Exell et. al. (1988:15), they ... "differ from the academically-led incubation centres currently in vogue across Canada in that they are managed and supported by established local businesses, providing practical solutions and a wealth of hands-on expertise. They also differ from the other traditional approach which is to structure government departments or offices throughout the West to provide the information flow to interested business."

Other means to further the sharing of information include developing an effective crossroads or forum concerned with public/private investment. Wall and Luther (1988:19), for example, suggest the following ten strategies for linking rural schools with economic development:

1. Chamber-School Committee Membership. Appoint educators to Chamber of Commerce committees; appoint business people to school committees. Ask participants occasionally to report to their respective boards on what they are doing.
(2) Joint School Board-Chamber Meetings. Schedule regularly a joint meeting of the School Board and the Chamber of Commerce to share information relevant to economic development.

(3) Economic Surveys By School Classes. Ask high school classes or clubs to conduct community surveys to help determine current economic activities, trends, and projections.

(4) Career Awareness Days. Ask local employers to act as 'mentors for a day' for high school students as a means of career exploration.

(5) Teacher-Business Exchanges. Sponsor a one-day 'job exchange' program, asking teachers to work in businesses and business people to work in schools. Hold a follow-up discussion.

(6) Entrepreneurship Education. Sponsor a class in the high school on starting and operating a small business, with guest speakers from local businesses as an integral part of the instructional plan.

(7) School Facilities as Incubators. Make available underutilized school facilities as small business incubators. Hire students to provide support services.

(8) School-Based Businesses. Initiate a program that will help students explore, start and operate businesses filling gaps in available local services.

(9) Joint Economic Development Planning. Ask the School Board, County Board, Town Council and Chamber of Commerce to develop a joint area economic development action plan, using the unique strengths and contributions of each partner.

(10) Public-Private Partnership for Leadership Development. Develop a public-private partnership for leadership development, focusing the program on developing local capacity and nurturing local resources that are critical to economic renewal.

Communities also can encourage banks to make one more 'high risk' loan than it otherwise might have made. Although an inducement
may be required, high risk loans could make a significant improvement in financing rural community development. Exell et. al. (1988:7-8), for example, outline the following precautions for securing high risk loans:

 Guarantees should only be available for loans that are made at interest rates that reflect significant risk (e.g. 2 1/2% over prime). The interest rate should not be capped at a level that has the effect of interest shielding. Combining the efforts to leverage risk financing with interest shielding will discourage banks from considering risk loans and will encourage the guarantees to be used for lower risk loans that do not require the additional incentives. The single purpose of the guarantee must be to maximize the leveraging of resources to higher risk initiatives that would otherwise not proceed.

 In addition, Pulver (1987b:99) outlines the following measures communities can advocate for securing financing:

 (1) Reform tax laws to provide special advantages to gains received from riskier investments in innovations such as new products/services or business startups.

 (2) Allow commercial banks and other financial institutions much greater latitude in establishing interest charges and other loan conditions so that their risk taking can be rewarded. This might include provisions for some equity participation by traditional lending institutions.

 (3) Educate potential entrepreneurs, as well as others in the community who are interested in investment, about the degrees of risk in startup and the mechanisms by which risk can be rewarded.

 (4) Link return rates from public or quasi-public investments in entrepreneurship to a share of gross sales or some other performance related indicator. In this manner the amount of the reward can be connected to the degree of risk. Government or community loans which require standard terms of collateral, equity and repayment are of limited use to business startups even if they offer slightly reduced interest rates and/or take secondary positions. Most new
businesses have limited collateral and equity to pledge and may need longer repayment periods.

In summary, not only standard programs, but also various direct strategies for financing are available to small communities. These strategies may either complement or stand independent of sub-national and federal programs in Canada and the United States. In combination, many avenues are not only possible, but also used by rural communities and citizens to initiate or maintain entrepreneurial ventures.

**Provincial and Federal Financing Programs In Canada**

Centralized development institutions such as provincial, state or national governments, generally are not as well aware of local resources and potential as are local administrations, but have command of high level information and capital resources. According to Coppack (1990:88), "local institutions, such as Chambers of Commerce, economic development organizations, business clubs, merchants' associations and union locals, have good access to information on local resources (or potential)—both physical and human—but do not usually have the capital resources to realize this potential." However, provincial governments are expected to provide economic assistance to rural communities owing to their "understanding of the special circumstances and needs of middle-sized communities," but are not supposed to become involved in community planning, because communities "must have some autonomy to decide what development should take place and how it should take place" (Baker and McConnell 1979:19-20).

In Canada, most provincial governments "have only about 10 to 15 percent of all expenditures which are 'free,' in that their alteration can be undertaken without legislative revisions" (Mason 1986: 52). This has led to a conservative fiscal stance by most provincial finance ministers, and explicit policies for industrialization using provincial resources are limited.
Provincial assistance is provided to local governments under two broad categories: conditional and unconditional grants. Conditional grants have ‘conditions’ attached to the financial assistance. Specific purposes, for example, may be outlined. However, “most municipalities are in favour of having conditions because it enables them to deal with local pressures to undertake low priority projects, and it eliminates the undue influence of pressure groups or the danger of favouritism by a strong council member(s) who could control the use of unconditional funds” (Mason 1986: 52). Unconditional grants, on the other hand, have few, if any, ‘strings attached’. These grants give municipalities flexibility and local autonomy on the spending of funds.

Alberta Development Programs

The Province of Alberta provides a wide variety of programs. In agriculture, the Agri-Food and Processing Development Program provides individuals and businesses engaged in the processing and marketing of food or feed products with grants on a 50 - 50 cost-sharing basis. Monies cover projects such as increasing technological awareness, developing products and processes, developing packaging and promotional material, undertaking feasibility studies, and providing management or marketing education.

The Alberta Agricultural Development Corporation (ADC) is a Crown corporation which provides direct lending and loan guarantees for Alberta farmers and agri-businesses. The Corporation targets beginning farmers by providing loans at preferred interest rates, and acts as a lender of last resort for agri-business loans. The Farming for the Future program funds a wide range of research and demonstration activities in agricultural production processing and marketing. In addition, the Alberta Market Development Assistance Program provides financial assistance to cover a portion of the costs incurred for market identification, out-of-province trade fairs and exhibitions, incoming buyer visits, outgoing sales trips and market feasibility studies. Other programs and offices include the Alberta Special Crop and Horticultural Research Centre, Alberta Tree Nursery and Horticultural Centre, Food Laboratory, Food Processing Development Centre, and Lacombe Field Crops Branch.
Many programs exist to help Alberta businesses in economic development and trade. The Alberta Opportunity Company (AOC) is a Crown corporation intended to stimulate the establishment of new businesses and assist in the expansion of existing enterprises. The company may either provide loans or guarantee loans of other lenders and may provide management counselling or other services. Investments based on equity also are made in manufacturing, tourism and selected advanced technologies. Its Seed Funding Division provides an investment of up to $250,000 in the development and commercialization of unique or proprietary products.

Alberta’s Business Counselling program provides ‘self-help’ oriented professional counselling services to new and expanding businesses or to businesses wanting to improve present operations. Expert counselling, and workshops and seminars on specific business and economic development topics are provided.

The Business Initiatives For Alberta Communities Program provides financial assistance on a cost-shared basis up to a maximum of $12,500 to Alberta communities with populations of 10,000 or less to develop and implement strategies to enhance local business growth. Eligible applicants include municipal governments, local business organizations, economic development committees and similar groups.

The Business Line is operated by professional staff who are available to answer general questions on financing, marketing, manufacturing, and available business assistance programs. Similarly, the Business Site Locations Program provides assistance to companies to effectively consider the comparative advantages of suitable locations throughout Alberta. The Business Locations sector assists with site visits and appropriate contacts for prospective clients, as well as with data gathering.

The International Business Information Service (IBIS) provides a computer-based bulletin board that lists current information about trade opportunities, market intelligence, and support programs to assist Alberta municipalities in collecting data needed to market their communities to potential prospects. Other programs available include Action on Waste, Alberta Motion Picture Development Corporation,
International Business Information Service, Investment Matching Service of Alberta, Export Loan Guarantee Program, Long-Term Management Assistance Program, Market Development Assistance Program, Market Feasibility Assistance, New Exporters to Border States Program, New Exporters to United States South, New Exporters to Overseas, Quality Assurance Program, Transportation Export Services for Trade, Venca Equities Alberta Limited, and Winning Initiatives Through Trade Shows. These programs provide various information, funding and management assistance to Alberta businesses. A Management Assistance Program exists to provide funding to chambers of commerce or other local organizations interested in upgrading the management skills of small businesses in the community.

Programs related to recreation and parks in Alberta that can directly support local community development initiatives include the Contract Service in Provincial Parks and Joint Venture Initiatives Program. The program offers small-sized and medium-sized private sector operators an opportunity to provide services such as maintenance, grass cutting and solid waste removal on a contract basis in provincial parks and provincial recreation areas. The Provincial Park and Provincial Recreation Area Capital Development Program involves planning, design and construction in selected areas for the purpose of replacing or upgrading existing facilities to support tourism and improve services for the travelling public.

Programs that support the tourism sector include the Business Development Services Branch that provides consultative services to tourism entrepreneurs. The Branch provides a ‘one window’ approach to investor/developer counselling to enhance the financial solvency and attractiveness of active and proposed tourism businesses. The Community Tourism Action Program provides funding to Alberta communities pursuing new projects in tourism marketing and development on the basis of completed Community Tourism Action Plans. The Team Tourism Marketing Program is a joint government/private sector marketing program funded from lottery revenues to help industry market tourism destinations on a regional basis.
The Travel Alberta Zone Assistance Program is an annual grant program that supports 14 tourism zones within the Tourism Industry Association of Alberta. The program is designed to help the zones fulfill their regional 'In-Alberta' marketing and development initiatives. A Market Skills Program provides practical step-by-step workshops which have been designed to assist Alberta businesses and communities in developing their marketing plans and selecting the most effective promotional tools to reach their markets. Finally, infrastructure development is supported by the Alberta Rural Gas Program which provides grant assistance for the construction of rural gas distribution.

**Manitoba Development Programs**

The Province of Manitoba provides various financial and technical support programs for its rural communities. Manitoba Agriculture aims to sustain and enhance the economic and personal well being of participants within the agriculture and food sector through leadership and a variety of services. Specific services include marketing designed to expand international opportunities for both primary and value-added food products, and training and extension information programs to improve planning, management and the technical skills of producers.

The Department of Rural Development provides a variety of services and programs to the municipal level of government, community-based organizations and entrepreneurs. Support includes community economic development, planning, and infrastructure, resource conservation, building inspection and municipal assessment. Professional assistance and financial support are available to assist individuals and local economic development organizations. Seed funds are available to assist formation of Community Round Tables through the Community Choices program. Round Tables are designed to formulate community development strategies. The Rural Economic Development Initiatives (REDI) Program provides funding support on projects which enhance communities by improving economic opportunities in the areas of business development (including manufacturing and processing), rural infrastructure, conservation, environment, tourism development, commercial water and gas projects and export

The Manitoba Marketing Network, Inc. is a private-public partnership between members of Manitoba’s business community and the Department of Industry, Trade and Tourism. Practical marketing assistance is provided by a network of active entrepreneurs and business executives. Individual business proposals and plans are designed without charge.

Municipal Advisory and Financial Services is a branch of Manitoba Rural Development that provides municipalities with consultation and advisory services. It develops and maintains legislation necessary to ensure the financial stability and viability of Manitoba’s municipalities in the areas of accounting, auditing, capital borrowing and administration.

Manitoba’s Workforce 2000 program, administered by Manitoba Education and Training, encourages private sector involvement in human resource development and workplace training. In its training advisory and brokerage role, Workforce helps small and medium-sized firms to assess their human resource needs. Training strategies are based on the assessments. Financial incentives to small and medium-sized firms are provided for entry-level training, retraining and upgrading. Priority areas include high demand occupations, skill shortage areas and the introduction of new technological equipment and processes. The Workforce program shares direct costs of training and development with the firms. Tuition and instructor fees, wages of in-house trainers, development costs of learning resources and instructional materials, costs of renting and leasing equipment and wage assistance for new full-time employees are provided.

The Manitoba Department of Industry, Trade and Tourism leads planning and coordination of economic development activities with other agencies in Manitoba. It provides information and counselling services to new, existing and potential businesses, and the general public. Information services include self-help management guides, reference materials and contact support with other provincial govern-
ment departments. Information is especially strong in the areas of consumer and agricultural trends, farmers markets, trade show seminars, direct seller workshops and services to co-operatives. Training seminars are given on a variety of topics, including financial management, customer service and bookkeeping.

Industry, Trade and Tourism provides many financial assistance programs. Its Technology Commercialization Program and Manufacturing Adaptation Program are targeted to assist technology transfer and use of high-technology. Loans also are made through the Department for projects that involve significant capital investment and job creation. The Manitoba Industrial Opportunities Program and the Manitoba Recruitment Initiative provide various loans with business and industrial job creation requirements. The New Canada/Manitoba Agreement - Capital Projects provides loan support for modernization and expansion projects.

Feasibility and strategic studies are funded through the Department for development of health industries development under its Health Industries Development Initiatives. Small Business Start-Up program provides loan guarantees of as much as $10,000 from existing financial institutions. The program focuses on rural and women-controlled enterprises with the exception of insurance, professional and primary production businesses. Finally, assistance is provided for attending trade fairs and trade missions, and for marketing plan costs. This program targets firms with products or services that are presently being exported or have export potential.

Federal Programs In Canada

The Federal Business Development Bank (FBDB) provides two programs to assist small businesses. The Counselling Assistance for Small Enterprise program is a business counselling service available to any business in Canada which has 75 employees or less. FBDB also promotes and assists small and medium sized businesses in Canada through a number of financial services. The Bank’s Financial Division offers term loans and loan guarantees to finance a variety of projects, while its Management Services Division offers management training in the areas of starting a business, marketing management, financial
management and personnel management. It also offers strategic planning in preparing reports to be used by financial institutions to assess applications for funding.

The Canadian International Development Agency (CIDA) supports the Export Development Corporation, a federal Crown corporation designed to expand Canada’s export trade by providing insurance, financing, and guarantee facilities to Canadian exporters. Competitive financing also is provided for foreign buyers to enable them to buy Canadian goods and services. The Program for Export Market Development helps incorporated Canadian businesses develop, increase and sustain their activities by sharing with them specific marketing exports. The New Exporters to Border States Program is aimed at companies wishing to explore export opportunities with U.S. border states. Business tours are designed to familiarize small and medium-sized firms with the steps they will encounter in the export process.

Industry, Science and Technology Canada provides a number of programs. The Business Service Centres offer information products, programs and expertise as well as internal and external contacts for businesses across Canada. The Small Business Loans Act (SBLA) helps new and existing small businesses obtain intermediate-term loans from chartered banks and other designated lenders to help finance specified fixed asset needs. Direct loans are made by approved lenders to small business enterprises with the SBLA providing for loss-sharing arrangements between the lenders and the federal government. Business improvement loans up to $100,000 are available.

Revenue Canada provides two programs to help small businesses. The Customs and Duty Drawbacks program under the Customs and Excise Department assists Canadian businesses that import goods and materials to be further manufactured and exported. Customs duty and taxes are returned on certain imported products that have been used or disposed of in a manner that qualifies. Its Special Investment Tax Credit Program promotes investment in economically disparate areas. Under the program, the federal government selects areas on the basis of census divisions containing the five per cent of the population suffering most from high unemployment and low per capita income.
There is no project size limit, and the project can be a new facility, an expansion, or a modernization.

Western Economic Diversification Canada provides three programs to aid small community development. The International Marketing Initiative program provides organizational and financial support to assist western businesses wishing to participate in international marketing events to promote products for export. The Quality Assurance Assistance Program assists companies in upgrading to meet consistency and quality control standards required for federal contracts and some overseas markets. Finally, the Western Diversification Program is designed to assist projects of strategic importance to Western Canada that would otherwise not proceed without support. Projects must involve new products, new markets and new technologies, including import replacements and improved productivity enhancements for Western Canadian industry.

Contemporary federal efforts also include the Community Futures program, which emphasizes community-based planning with federal support. As an agreement between the community and the federal office of Employment and Immigration (EIC), the goal is to engage in a process of local development and adjustment for up to six years. Community Futures begins with a local strategic plan that identifies the problems, resources, assets and liabilities of the area. Reasonable and realistic targets for development or adjustment are developed with the EIC providing several 'pre-packaged' anticipatory responses to the strategic plans. These include the following:

a) The training option provides some exceptional access to training support and conditions of trainee eligibility.

b) Relocation and Travel Assistance provides financial support for unemployed workers whose skills would be better utilized elsewhere.

c) Community Initiatives Fund provides financial support for activities that are integral to the strategy but cannot be funded elsewhere.

d) Business Development Centres provide a capacity at the local level, implement an enterprise dimension to the local strategy, provide business support services to poten-
tial entrepreneurs and existing small businesses, establish a locally managed loan fund to assist the establishment or expansion of local small business, and assists maintenance of threatened businesses.

e) Self-Employment Option allows Unemployment Insurance beneficiaries and Social Assistance recipients to 'trade in' their benefits for income support for up to fifty-two weeks while they are starting their own business (MacDonald 1990:106-107).

The approach has been 'mercenary', in that the planning process has been used to trigger visible, tangible activities through pre-packaged responses. Improvement in the area of developing strong, durable local capacity to fulfil strategic goals is required. MacDonald (1990: 106-107) claims, for example, that:

We need to back away somewhat from specific pre-packaged responses/options and focus more on tailor-made responses to heightened expectations of local strategies... We do not yet provide adequate support to the development and training of local resources in development... We have created a significant increase in the demand/requirement for expertise in local development--for practitioners, board and committee actors as well as our own staff. We need to become more substantive actors in ensuring the availability of trained people and in training people who execute these roles... We need to facilitate the networking of local capacities for expertise strengthening.

State and Federal Financing Programs In The United States

According to the newsletter of the State Community Development Block Grant Clearinghouse (CDBG) (United States 1991c:3) "no statutory changes were made to the list of eligible economic development activities from 1988 through 1990; so this component of the states' programs also remained constant." Thus, economic development projects continued to consist of loans to for-profit businesses,
infrastructure projects in support of economic development, industrial park development, business incubators, and funds for working capital. Program differences between states exist in the specific administrative requirements for economic development programs. Thresholds vary among states on "necessary or appropriate" determinations, grant minimums and maximums, rating and ranking factors, application procedures, match requirements, and other rules.

Business-related thresholds include job creation and low- and moderate-income (LMI) persons benefit. Thresholds are set to determine a level for new job creation or job retention in a community where employment would be lost without the CDBG funds. Moreover, "at least 51 percent of any jobs created or retained with CDBG assistance must benefit LMI persons" (United States 1991a:4). Viability thresholds are considered in Wisconsin and businesses "must demonstrate viability and ability to repay the loan applied for" (United States 1991a:4). Evidence such as profit and loss statements, business plans, financial histories and revenue projections are reviewed as part of the criteria of business viability.

Businesses also must demonstrate need. Proof that a business has exhausted all attempts to finance a project by other means must be available in the form of rejected loan applications or other similar documentation. This is essential since CDBG-funded business loans are more risky than conventional loans. CDBG funds also are not intended to be a subsidy, but rather a "'gap' financing tool which facilitates economic growth, most of which benefits low- and moderate-income persons. Without the 'gap', the business applicant usually cannot establish a need for CDBG money" (United States 1991a:4).

The criteria of administrative capacity must be met to obtain CDBG funds. In general, small jurisdictions are more likely than their larger counterparts to lack the administrative resources to "maintain detailed CDBG files, ensure that citizen participation requirements are met, supervise environmental impact assessments, track the jobs created or retained by the business, determine whether those jobs were made available to or taken by low- or moderate-income persons, monitor program income and carry out other related administrative
activities" (United States 1991a:5). State administrators need the assurance that a community has the capacity to manage a CDBG grant.

Another important aspect is establishment of cost criteria per job created or retained. In addition to the criterion that jobs be full-time, permanent positions, various limits on CDBG spending per job have been set. They range from $10,000 to $20,000 for every job created or retained.

**Minnesota Development Programs**

The State of Minnesota offers a variety of financial and technical resources for small community development. The Minnesota Department of Trade and Economic Development provides financial resources to "stimulate business growth and expansion through development, acquisition and construction" (Minnesota 1990a:3). Technical assistance programs aim to "provide small and medium-sized businesses with planning and management expertise, information, export market intelligence, access to research and technology, problem-solving and marketing skills, and other customized assistance" (Minnesota 1990b:11).

A single Community Development Application, designed to be user-friendly and cost-effective, can be submitted to the Department of Trade and Economic Development, Community Development Division for grant applications. The application provides a more coordinated, effective utilization of Minnesota’s community assistance programs and places the emphasis on assisting overall community needs rather than on grantsmanship. Specific programs include the Agriculture Resource Project, CANDO Program, Capital Access Program, Capital Improvement Plan, Challenge Grant Program, Corrective Action Grant Program, Economic Development Grants, Joint Venture Tourism Marketing Fund, Minnesota Enterprise Zone, Minnesota Export Finance Authority, Minnesota Job Skills Partnership Board, Minnesota Marketplace Program, Minnesota Pilot Community Development Corporations, OMNI Program, Outdoor Recreation Grants, Small Business Development Loan Program, Individual On-Site Wastewater Treatment Systems Grant Program, Small Cities Development Program, State Independent Grants Pro-
gram, Tourism Loan Program, and the Water Pollution Control Revolving Loan Program.

Financial programs also are available to support community development organizations, including the Community and Neighborhood Development Organization, or CANDO Program. This program attempts to encourage residents to take greater leadership and participation responsibility in shaping their communities and neighborhoods through community-based development organizations. The Minnesota Pilot Community Development Corporations program is designed to create employment opportunities for low-income people by providing financial or technical assistance to area businesses.

Financial programs to help small business include the Capital Access Program which provides small and medium-sized businesses a reserve fund from participating banks. Under the program, banks make loans which do not meet the normal underwriting standards, yet the banks do not absorb all of the risk. The Challenge Grant Program provides dollar-for-dollar fund matching with private monies to establish regional revolving loan funds to provide loans to new and expanding businesses.

The Agricultural Resource Project enables the approval of loans for the development or expansion of agri-processing businesses and fish and turkey production. Projects granted loans under this program must enhance the local tax base and create or retain employment opportunities. Economic Development Grants also are available for local economic development projects that retain or create jobs, stimulate additional private investment in business developments and increase the local tax base. These grants may be used for business loans or public improvements needed to support an economic development project.

The Minnesota Enterprise Zone program uses state and local tax credits to reduce businesses' cost of operating in Minnesota. The two-part program includes the Border Cities program which helps retain existing businesses, and the Competitive Zone program which helps municipalities attract new and/or expanding businesses.
To help ease the financing of small business exports, the Minnesota Export Finance Authority offers four major programs: an Export Loan Guarantee program; a Receivable Insurance program, an Agency Liaison program; and a Counselling and Training program.

To bring employers with specific education needs together with educational institutions, the Minnesota Job Skills Partnership Board awards grants for cooperative education and training projects. The program includes a referral service to Minnesota’s public and private educational institutions, and current information on industry trends in education and training, emerging occupations and growth industries.

The Minnesota Marketplace program is intended to reduce dependence on product imports and increase employment opportunities in Minnesota. The program attempts to make Minnesota businesses aware of resident vendors who can meet their goods and services needs, identify business creation opportunities where supply requirements cannot be met by Minnesota vendors and increase employment and business opportunities within the state. The Opportunities Minnesota Inc., or OMNI Program, provides subordinated loans to industrial and manufacturing enterprises for land acquisition, buildings, machinery and equipment, building renovations and other fixed-asset purchases. The Small Business Development Loan Program enables the approval of loans for business expansions at fixed interest rates for land acquisitions, building construction/renovation, and machinery and equipment.

Funding for the tourism sector is available from the Joint Venture Tourism Marketing Fund which provides matching funds to stimulate expansion of private sector marketing programs that generate increased travel into and throughout Minnesota. The Tourism Loan Program also provides low-interest loans to existing tourism-related businesses that provide overnight lodging.

Financial programs to help small communities improve their infrastructure include the Capital Improvement Plan to allow counties to borrow bond monies for capital improvements without conducting a local referendum for voter approval. The Energy Conservation Investment Loan Program provides financing for conservation mea-
asures that include the installations or modifications which reduce
energy consumption or allow the use of an alternative energy source
in buildings owned and operated by public school districts or local
units of government. Outdoor Recreation Grants are intended to
increase and enhance outdoor recreation facilities for local govern-
ment units, while the Small Cities Development Program provides
grants to rehabilitate existing housing, to construct or rehabilitate
public infrastructure and to assist businesses and industries.

Various funds are available for developing wastewater treatment
infrastructure. The Corrective Action Grant program provides grants
to municipalities that have recently constructed wastewater treatment
facilities which have failed to meet performance standards. The
Individual On-Site Wastewater Treatment Systems Grant Program
also provides grants to municipalities to assist owners of individual
on-site systems in upgrading or replacing failing systems. The State
Independent Grants Program provides grants for the design and con-
struction of wastewater treatment facilities. The Water Pollution
Control Revolving Loan Program provides financial assistance to
municipalities for the planning, design and construction of publicly
owned wastewater treatment facilities and essential collection systems
improvements.

The State of Minnesota also offers technical resource programs.
The Business Retention and Expansion program is designed to assist
existing businesses to identify issues that may be inhibiting local
business development by using an industry survey, and an aggressive
follow-up program. The Economic Development Capacity Building
Program offers a professional team of economic development
specialists to help local governments design and implement strategies
to retain and attract businesses and to create a professional economic
development organization ready to work with business prospects.

The Environmental Resource Development program conducts
activities that stimulate local citizen action to improve and beautify the
state and enhance conditions for economic development. The three-
part program includes the Minnesota Beautiful/Community Pride pro-
gram, the Governor’s Design Team program and the Minnesota Main
Street program. The Beautiful/Community Pride program provides
training, resources and limited financial assistance towards beautification projects for volunteer groups, businesses, communities and individuals. The Governor’s Design Team is composed of architects, landscape architects, planners and other professionals who volunteer their time in communities during an intense, three-day visit. The Minnesota Main Street program helps towns and cities revitalize their traditional downtowns while preserving main street’s heritage.

The Export Outreach and Education program offers training seminars on international trade topics, including exporting information for small to medium-sized businesses. International Marketing and Investment provides market intelligence for Minnesota companies ready to evaluate and enter foreign markets. Trade missions are arranged to visit promising markets around the world.

The Industrial Site Selection Assistance Service identifies locations and arranges site visits for businesses considering relocation in Minnesota. Information about existing buildings is collected and coordinated with the physical and locational needs of a business. Location Fit Analysis describes and analyzes Minnesota business location factors. At the request of a qualified firm, analysis may examine markets, labour conditions, taxes and input costs.

The Minnesota Small Business Assistance Office is a central source of initial and continuing contact for business planning, management and regulatory assistance for the start-up, operation or expansion of a small business. The NASA Link program enables technology-intensive businesses to access NASA literature, technical findings and patented technologies free of charge.

Two programs provide training to citizens. The National Development Council Training program helps provide the skills necessary for public sector financial analysis. Participants receive professional economic development certification after successfully completing four one-week courses. Similarly, the Star Cities Program is a job creation/retention program to help Minnesota cities with populations of more than 1500 develop their organizational, marketing and problem-solving abilities through a rigorous, 11 step course in economic development. A related TOOLS program is an industry
finder and marketing guide software program to help businesses and communities with economic development.

The Wood Products Industry Specialist works to attract direct investment in wood processing facilities to Minnesota. The specialist assists existing Minnesota businesses with problems and opportunities involving sources, processes, internal organization, financing, product development and marketing. In a similar manner, the Health Care Industry Specialist serves as a liaison for corporations, individuals, associations, and educational institutions involved in health care.

**North Dakota Development Programs**

The State of North Dakota provides a variety of programs to assist small communities. In 1991, legislation brought sweeping changes to the state’s economic development delivery system. The Growing North Dakota plan under the Governor’s Select Committee on Economic Development recognized problems ranging from a need for more active economic development to a lack of an agenda to encourage and assist women in business.

Prior to the legislation, however, various programs were in place to encourage economic development. North Dakota’s Future Fund and Community Development Loan Fund are available to "an individual, corporation, partnership, or association which through the employment of knowledge or labour, adds value to a product, process, or service that results in the creation of new wealth" (North Dakota n.d.d.:5). Sectors involved include manufacturing, food processing and export businesses. The Future Fund provides 'gap' financing not available from conventional sources. Innovative financing options are available to provide both long and short-term capital for new, expanding or relocating businesses. Forty percent of the fund’s capital is reserved for rural areas with populations of less than 30,000. The funds are available through direct loans, participation loans, subordinated debt or loan guarantees with a maximum award being the lesser of $300,000 or 50 percent of required capital. Equity investment funds are available under the program through common stock, preferred stock or limited partnerships. Finally, matching grants are made available with a maximum award of $100,000.
The Community Development Loan Fund provides financing for the primary, retail, day care and tourism sectors through a partnership between local government and state and federal funding programs. Eligibility includes the sponsorship of a local government organization. Matching funds of one dollar for every dollar requested from the fund, and an equity investment by the principals in a business that equals at least 10 percent of the total project cost are required. In addition, 51 percent of the people hired must be in a low-to-moderate income category at the time of hiring. For retail sector or day care projects, the minimum and maximum amount of support ranges from $5,000 to $50,000. For primary sector projects, the minimum and maximum amount of support ranges from $15,000 to $300,000. For tourism projects, the minimum and maximum amount of support ranges from $10,000 to $150,000. All sectors are limited to no more than $500,000 during the life of the program.

Venture Capital Financing is in place to provide a source of investment capital for the establishment, expansion and rehabilitation of North Dakota businesses under the Myron G. Nelson Fund. Businesses may qualify for funds based on growth potential, management abilities, objectives, plans and personal goals of the business’s principals. Fund participation is limited to 40 percent of equity.

Other loan funds are available. The Tourism and Recreation Investment Program (TRIP) provides loans up to $10,000 to tourism related businesses with the interest rate held to 1 percent below the Bank of North Dakota base rate for the portion of the loan held by the Bank of North Dakota, and 4 percent above the Bank of North Dakota base on the portion held by the lender. The Micro Business Loan Program provides loans of not more than $10,000 for businesses with a net worth less than $150,000, with interest rates similar to those in the TRIP program.

North Dakota also has various Tax Incentive Programs. There are five-year property tax and corporation income tax exemptions for new business projects. Wage and salary income tax credits for new business projects and income tax deductions or credits for investments exist for businesses that are not eligible. A business may take an automatic income tax credit equal to 1 percent of all salaries and wages
paid for the first three years and 0.5 percent of all salaries and wages for the next two years.

North Dakota is one of five states that allow a corporation to deduct the entire amount of its federal income tax liability from its income. If a corporation income tax rate ranges from 3.0 percent to 10.5 percent, the effective rates are much lower because a corporation may deduct the entire amount of its federal income tax liability before calculating its state liability. The effective North Dakota rate, therefore, ranges from a low of 2.55 percent to a high of 6.93 percent.

Income tax credits also apply to research expenditures. Income tax credits of 8 percent for the first $1.5 million of spending in research and development and 4 percent on the excess over $1.5 million are available. If the tax credit exceeds current income tax liability, any unused tax credit can be carried back for three years and then forward for up to fifteen years.

North Dakota also has various programs for the agriculture and agricultural-related sectors. Under the Agricultural Product Utilization program, funding and assistance are provided to private industry for the establishment of agricultural processing plants for manufacturing and marketing of agriculturally-derived fuels, chemicals and other processed products. The Farmers Home Administration (FmHA), through its Business and Industrial Loan Program, guarantees loans for businesses in rural areas that create and maintain employment and improve the economic climate of the rural community.

Other programs exist in North Dakota to help small businesses. In export financing, the Small Business Administration Revolving Line of Credit program provides financial assistance through loan guarantees for equipment, facilities, materials, working capital and specified market development activities. Up to 90 percent of a loan for businesses which meet Small Business Administration qualification guidelines can be guaranteed.

The Bank of North Dakota also provides three programs for exporters. Under the Export-Import Bank Working Capital Guarantee program, repayment guarantees of up to 90 percent are available to eligible lenders on secured loans. Export-Import Bank Medium and
Long Term Loan programs also are available, covering up to 85 percent of the export value of product sales facing foreign competition. Under the Export Credit Insurance program, insurance policies protecting U.S. exporters against the risk of nonpayment by a foreign debtor is made available to exporters.

The Bank of North Dakota also provides financial support through its Partnership in Assisting Community Expansion (PACE) program. The program provides interest buy-downs to finance businesses through carefully orchestrated partnership between local lenders, local governments and the Bank of North Dakota. It is available to all North Dakota businesses, whether new or expanding, for use to meet real property, equipment, expansion, working capital and inventory needs. There are no funding limits or equity requirements.

North Dakota’s Match program is a low interest program to attract strong companies to the state. Up to $25 million is available to companies rated ‘A’ or better at 0.25 percent above the U.S. Treasury Note rate. The funds can be used for acquiring land, building a plant, or lease or purchase of equipment and machinery.

Economic Development Administration (EDA) Grants and Loan Guarantees are available to North Dakota communities. Under the EDA Grant program, local communities can be awarded up to 80 percent of the cost of infrastructure improvements. The program also provides a guarantee of up to 80 percent of the principal and interest on loans to businesses in designated areas of high unemployment or low income. Grants are available for communities to attract new industries and encourage expansion of existing industries to generate new jobs.

North Dakota’s Job Training Partnership program provides funds to help train unemployed and economically disadvantaged North Dakotans. Funded by the federal Government Employment and Training Forum, this program can provide customized on-the-job training and subsidizes up to 100 percent of employment and other educational costs. Other options include open ended - open exit enrollment in technical schools, multiple scheduling of classroom training, coupled on-the-job training, non-credit adult education programs at the state’s
universities and access to multi-district vocational centres and community college programs. Financial and technical assistance in developing a training program to meet the needs of a business is available from the department of Vocational Education. Funds for trainers’ salaries, instructional materials and supplies, equipment leases and contractual services are available.

The North Dakota Spirit program is a self-help approach to local economic development targeted to rural North Dakota Communities. Communities are guided through the process of organizing to confront the challenges they face of survival and growth in a changing economy. The goal is to have the community work together in the planning process with training in the principles of economic development, community assessment, goal setting and organizing to implement specific development strategies.

‘Dakota Spirit’ provides communities with the information and tools to create their own economic development strategies through four phases. Phase one involves community evaluation of preparedness and commitment. Interested citizens meet with a resource team to discuss the community’s current economic development status and collect community data to provide primary information about local assets and limitations. Committee members also visit civic groups to gauge interest and support for the program.

In phase two, or the community empowerment phase, a steering committee representative of the community is organized. Tasks include coordinating activities, discussing economic development terms and concepts, reviewing historical economic and demographic trends, identifying community resources and needs, setting priorities for development strategies and communicating action plans.

The third phase, or community mobilization phase, involves retention and expansion of existing businesses, new business start-ups, the recruitment of outside businesses and the marketing of the community. In the final program evaluation and certification phase, a plan is developed or updated and economic development strategies are coordinated and evaluated. This phase also involves the certification of the community in the Dakota Spirit program.
Federal Credit Programs In The United States


Accounts Receivable Financing (ARF) represents the most common form of secured working capital financing. ARF liens are made against accounts receivables by both commercial banks and commercial finance companies for loan advances of "70 to 90 percent of the value of outstanding receivables (which serve as collateral under a security agreement)" (Bivens 1984:7). Receivables are turned into cash for small and medium-sized firms that need working capital. The amount and collectibility of the receivables thus become an indicator of a firm's strength along with its overall financial situation and the nature of the business. In ARF, however, the lender generally focuses on the inherent liquidity of a potential borrower rather than on overall profitability of the business.

Small Cities Community Development Block Grants (CDBGs) apply to communities which can apply for funds to loan to private businesses. The funds are available to "help small communities revitalize their economies, eliminate slums, and improve the quality of housing for low- and moderate-income citizens" (United States 1991b:1). These federal grants are administered by each state and applied towards economic development. Revolving loan funds commonly are set up with commercial banks or an intermediary company or investment firm for servicing of the loans.

Small Cities Urban Development Action Grants (UDAGs) require significant financial participation from the private sector. A "minimum of five private dollars for every UDAG dollar is the general rule" (Bivens 1984:10). UDAG funds often are used flexibly to provide financial assistance to businesses. For example, funds can be used to make direct loans to subsidize (i.e., reduce or write-down) interest
rates on bank loans and to make equity investments. Loan repayments and returns on investments can be used to establish a revolving fund that supports additional assistance to business.

*Local/District Revolving Loan Funds (RLFs)* are capital pools from which direct loans, loan guarantees, interest subsidies (write-downs), and similar financial assistance can be offered to private firms. The revolving feature implies that as borrowers repay their loans, the money is returned to the pool for lending to other firms (Bivens 1984:10).

*Industrial Revenue Bonds (IRBs)* have tax-exempt status and can be issued by public agencies and authorities to finance land acquisition and plant construction, including industrial pollution abatement/control facilities. Private firms that benefit from IRBs back the bonds, often without the full faith and credit of the lender.

*Industrial Development Bonds (IDBs)* are general obligation bonds backed by the full faith and credit of the issuer in spite of the fact that project revenues are the primary means for repayment. In case of default on payments, bondholders can call on the assets and powers of the issuer (including the power to tax) to make good on the financial obligation to them (Bivens 1984:10).

The *Small Business Administration (SBA)* can make a direct loan or guarantee of up to 90 percent of a bank loan. An individual business deals directly with the bank since direct loans have been "de-emphasized largely due to the greater budgetary and interest subsidy costs to the federal government" (Bivens 1984:7). With loan guarantees, bank financing is available at lower rates since there is a greater supply of funding.

The *Economic Development Administration (EDA)* can guarantee private loans to firms establishing, expanding, or maintaining operations in designated geographic areas, including many rural communities. The guarantee is for up to 90 percent of the loan and the maximum term is 25 years for fixed-asset loans, and seven years for working capital loans. The borrower is required to provide an equity contribution of at least 15 percent of the project cost. Collateral for
the loan must be sufficient to provide a secondary source of repayment through liquidation (sale of assets) (Bivens 1984).

The Export-Import (Ex-Im) Bank supports American exporters by providing competitive credit rates for export sales. For relatively large transactions (e.g., for capital goods), direct loans can provide as much as 85 percent of the total contract value at an interest rate lower than the New York prime lending rate. Direct loan maturities are relatively long-term (more than five years) in order to extend the borrower’s repayment period beyond that available from commercial banks. The purchaser of the exported American goods (or services) must make a 15 percent down payment and arrange any financing not covered by the Ex-Im Bank (Bivens 1984).

The Overseas Private Investment Corporation (OPIC) directs loans and loan guarantees to small American companies undertaking projects in developing nations. A small firm considering foreign investment as part of a growth strategy (e.g., expanding its supply of needed materials for use in U.S. operations or assuring a continuing market for its products) can receive investment counselling as well as financial assistance (Bivens 1984).

### Perceptions of the Role of Government Financing in Community Development on the Northern Plains

Communities on the Northern Plains were asked to rate six questions regarding the level of governmental support in their community (Table 9). Average ratings were derived, with an average rating of 1.0 representing non-existent support and 7.0 representing extremely high support. An average rating of 3.5-4.0 is considered about right. Communities also were asked to choose the level of government (local, regional or federal) that is most appropriate to local development (Figure 5).

Variations occurred in both the perceived current level of support and an ideal level of support among governments (local, regional and federal). At the local level, communities rated the current level of support at an average of 4.5. Communities felt that support by local government should be higher, at an average rating of 5.5. At the re-
Regional level, communities rated the current level of support at 2.8, or nearly non-existent. Communities felt that the level of support by regional government should be much higher, at an average rating of 5.7. Communities rated the current level of federal support the lowest of all levels of government (X = 2.2). Communities felt the level of support by federal government should be higher (X = 5.3).

### Table 9. Perceptions of government support in community development on the Northern Plains

<table>
<thead>
<tr>
<th>Support by jurisdiction</th>
<th>Non existent 1</th>
<th>About right 2</th>
<th>3</th>
<th>4</th>
<th>5</th>
<th>Extremely high 6 \ 7</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>X No. %</td>
<td>No. %</td>
<td>No. %</td>
<td>No. %</td>
<td>No. %</td>
<td>No. %</td>
</tr>
<tr>
<td>Local gov't</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Current level of support</td>
<td>4.5 13 6</td>
<td>23 11</td>
<td>33 16</td>
<td>43 20</td>
<td>18 9 47 22 35 17</td>
<td></td>
</tr>
<tr>
<td>Level of support should be</td>
<td>5.5 0 0</td>
<td>1 &lt;1</td>
<td>2 &lt;1</td>
<td>59 28</td>
<td>34 16 67 32 48 23</td>
<td></td>
</tr>
<tr>
<td>Regional gov't (Prov./State)</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Current level of support</td>
<td>2.8 31 15</td>
<td>53 25</td>
<td>78 37</td>
<td>31 15 9 4 5 2 3 1</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Level of support should be</td>
<td>5.7 0 0</td>
<td>4 2</td>
<td>6 3 28 13 37 18 65 31 70 33</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Federal gov't</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Current level of support</td>
<td>2.2 78 37</td>
<td>73 35</td>
<td>30 14</td>
<td>19 9 4 2 5 2 2 &lt;1</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Level of support should be</td>
<td>5.3 5 2</td>
<td>12 6</td>
<td>11 5 30 14 35 17 65 31 50 24</td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>


Figure 5

Level of government that should be most responsive to local development

The current level of support was led by local government followed by regional and federal government. This perception is supported by the fact that 73 percent of the communities indicated that local government should be most responsive to local development (Figure 5). Twenty-one percent thought that regional (state or provincial) governments should be most responsive, and 6 percent suggest federal governments.

In spite of these perceptions, communities suggested nearly equal levels of support from the three levels of government: regional government at 5.7, local government at 5.5 and federal government support at 5.3 (Table 9). One would surmise that community leaders would like to see more funding from senior governments, but would like to retain local control or administration of programs.

Associations were determined among the three levels of government and country of origin, region, and size of community. Significant differences were found between countries on the current level of support by local government (p=0.02). American communities had a
higher average rating of 4.7 than Canadian communities at 4.2. No other significant differences were evident.

Qualitative Comments on the Role of Government in Financing Rural Development

Local Government

Qualitative comments from the survey further support a stronger role for local government over other levels of government in economic development. Respondents from Alberta and Manitoba pointed out the significance of local government in development, claiming that "local development should come from the grass roots (they have the most to gain or the most to lose)," and that "local government usually knows the needs of the community." One Minnesotan similarly claimed that "local government can remain community focused."

Respondents also pointed out the importance of joint development efforts involving local government. An Alberta respondent stated that "joint options with local government expand horizons and open eyes to other factors...local government is usually able to tap into more information." Two other Albertans commented that "local government should initiate but all parties have influence," and that development "from grassroots with little assistance from government seems more effective...in this community business development-on its own-with guidance from local government when necessary."

However, respondents also pointed out weaknesses in local government support. In general, respondents across the Canadian plains claimed that "citizens have lost faith in local elected leaders because of self-interest, or small but vocal interest groups influence decisions rather than keeping the entire community's best interest foremost" (Alberta). Also, "councillors seem to be pre-occupied with trivial concerns and do not seem to have the knowledge/incentive to deal with major problems in municipalities; [their] strategy seems to be to ignore it and it will go away" (Manitoba). Albertans also had special concerns with local government building codes and local assessments. Four respondents voiced concerns that their local governments in Alberta had "unrealistic building codes especially to renovate older buildings," and "outdated assessment manuals which
do not take into account the economy of a region when determining land and property values." A related criticism came from one respondent in Montana who criticized local government for its "high property tax rates."

In response to what local government should do, both consistent and different responses emanated from different regions of the Canadian prairies. General expressions were put forward for local government to promote their communities, work with local groups on implementing projects and obtaining funding, apply for grants from other levels of government, develop strategic plans for improving the local economy and provide adequate infrastructure. Respondents felt that local government should identify community needs and "promote rural development by reminding urban residents of our lower crime rates, low taxes, low noise levels, fresh clean air, country friendliness, hospitality and short distance to work." One Manitoban added that local government should "provide information both ways and research market opportunities in general." One Saskatchewan respondent added that local government should "set up some type of liaison to receive and distribute potential markets available."

A Saskatchewan respondent claimed that in working with groups, local government should "actively encourage economic development committees by asking them to take responsibility and provide funding for the costs incurred." In working with other levels of government, one Manitoban felt that local government should "apply for grants under the Community Choices program and proceed in cooperation with neighbouring municipalities that are involved jointly in the planning district, and become involved with the tourism industry of Manitoba."

Some Alberta and Saskatchewan communities were especially concerned with more permissive building regulations and streamlining development time. Two Saskatchewan respondents, for example, felt that local government should "adopt building and zoning bylaws to be more attractive to development," and "provide tax incentives/other incentives."
Responses from the United States were similar, with some interesting contributory comments. American respondents echoed the importance of local government promoting its community. Promotion included the need for local government to implement a community survey to "find what residents like, etc. and what they would like to support" (Minnesota), and to "start community committees [to] find out what the positive areas of the community are." One Minnesotan added that communities should "have a completed community profile which would indicate its strengths and weaknesses." Two respondents from Montana also added that local government should "invite speakers," and "improve local-state communication to identify resources and support programs [and] lobby legislators for improved and progressive legislation."

American respondents believed that local governments should work together with existing local groups. There was strong support for local government to help new businesses by providing technical guidance and assistance. One respondent from Minnesota expressed local government's lead in working "with local businesses to increase retail hours." Local government financial support also was noted by some respondents. Establishing a loan pool and a revolving loan fund, and implementing "a 0.5% or 1.0% local sales tax to fund community development activities and projects" (Minnesota) were suggested, along with the need to "supply start-up funds for a local development corporation" (North Dakota). Respondents also felt that local government should have more contact with existing industry. Two North Dakota respondents stated that local government should "give real estate and tax incentives to new industry," and "offer free services and perks to potential new businesses in order to encourage economic development." Another North Dakotan expressed the need to develop an industrial park to solicit new industry into the community.

American respondents also felt that local government must provide good support services. Keeping tax and utility rates down was mentioned by some respondents, along with the need to invest in infrastructure. In improving the efficiency of the development process, a Minnesotan expressed the need for a "one stop permit process for potential development."
Regional Government

Unlike the positive comments concerning local government, none were raised for either regional or federal government. At the regional level, a number of criticisms were pointed out, including several to the effect that regional government burdened development efforts with red tape. Respondents felt that regional government should allow local development efforts to be autonomous. One Albertan believed that regional government should "get off our backs and out of our pockets," while a Manitoban suggested that "it's time we took responsibility for our own futures by creating our own opportunities...extrinsic incentives like government grants undermine intrinsically rewarding initiatives...government's best help would be to act less as a regulatory body."

American community leaders gave similar criticisms. One from North Dakota believed that "government mandates too much...all the rules and regulations they set up but they never have a clear answer to the money to fund these mandates, therefore, is it wise to get them involved?" A respondent from Minnesota added that "the red tape that a business has to go through to start up and to continue is, at best, a headache."

In spite of the above criticisms, ten respondents suggested that regional government should provide technical and informational support. Three Manitobans believed that regional government could provide advice and consultation, assist in feasibility studies of prospective development and make available trained personnel to give local groups assistance in getting programs started. A respondent from Saskatchewan added that regional government could provide communities with lists of industries or corporations which are considering expansion or relocation. He added that regional government also should provide legal and professional assistance to small communities.

American respondents made similar comments. One North Dakotan believed "if something comes about, send all communities some information on it...a small community may have just what this business is looking for." Two other North Dakotans stated that state government should "offer local and regional development agencies
financial and expertise support," and "provide workshops or seminars to small business owners."

Twenty one respondents made comments suggesting that regional government should provide funding assistance. In Canada, respondents felt that regional government should provide funds for a development officer and provide equity and loans through the creation of development funds and guaranteed programs. American respondents added that regional government should provide tax increment financing. Six respondents from Minnesota felt that regional government should reduce restrictions on tax increment financing and "take us back to the halcyon days of wide-open tax increment financing." One respondent from North Dakota felt that enabling legislation should be passed "to allow counties and cities to levy tax dollars for use by multi-county jurisdictions - such as regional development corporations". Two respondents, one from Minnesota and the other from North Dakota added that state governments should "implement a 0.5% or 1.0% local sales tax to fund community development activities and projects." One Montana respondent added that state funds should be available for "grants and loans to build visitor centers."

**Federal Government**

Community leaders expressed strong concern about federal government intervention in local development. This was especially evident in Canadian responses where a general lack of trust between local people and government, including political actors, appears to hinder locally initiated development efforts. The general impression was given that there were "too many feeding at the public trough - starting at the very top and all the way down" (Manitoba), and that federal government should "stop wasting money and stay out of businesses' way in trying to be competitive by cutting the federal workforce and privatizing wherever possible" (Alberta). An Alberta respondent claimed that there is a "lack of education and commitment on the part of politicians and senior government bureaucrats," and that "there is a mistrust between various organizations, and the politicians have not made it a priority to set an appropriate climate." Another Alberta respondent added that:
There is a great many knowledgeable efficient people in small town Canada. The knowledge-information at our command is limited. Current government policies and directions (or lack thereof) are frustrating us to the point of 'balkanizing' industries and communities. People and business are pulling away from government led programs - grants and subsidies. It seems for every dollar in subsidies it costs $1.10 in aggravation.

The distrust of government is so deep that people are pulling away and not subscribing to false initiatives. The answer to success is within us...we will succeed without the government and that's a pity. Politicians must be made to understand that they work for us...we don't work for them.

Respondents also were critical of federal government's apathy for rural areas and policy over-regulation. One Albertan best summarizes the criticism of federal government apathy in claiming that the "federal government couldn't care less about small town Alberta." Respondents also were critical of the over-regulation of federal government policies ranging from the GST, labour legislation, and trade restrictions, to transportation policies. Two Manitobans, for example, claimed that "transportation policies and de-regulation encourage the centralization of all things," and that bureaucratic delays, inter-provincial trade restrictions and the fuel tax regulations forces "tourism and transportation of specific commodities south of the border." Another Manitoban claimed that "Toronto's inflation is not Morden's fault - yet we are punished at the same time by fiscal policies." Two respondents also felt that the federal government should re-direct its foreign development efforts to rural areas and that the federal government should "forget about assisting foreign countries for a period of ten years and pump those funds into assisting small town Canada" (Alberta), and "invest in the national economy and less in developing third world economies" (Manitoba).

American respondents expressed similar cynicism about federal government intervention. One Minnesotan claimed that "we like to
run our own affairs, handle our own problems with a minimum of interference from our benevolent fathers at the State Capital and in Washington D.C. These people are so removed from actual contact with the people that it is a nightmare at times with the proposed laws." Another respondent from Montana added that "federal and state bureaucracies have created a nightmare of rules and regulations with most that are time consuming and so restrictive that new business in small towns are shut out."

In contrast to Canadian concerns of federal over-regulation in the areas of trade and commerce, American respondents were especially critical of federal over-regulation in the area of environmental protection. This criticism was strongly expressed by four respondents from Montana who claimed that the federal government's Environmental Protection Act (EPA) and regulations on landfills and drinking water restricted local development. One respondent claimed that the "EPA rules on landfills, water testing - all create a negative scenario for any development in those areas." Another respondent added that:

While the rest of the world, delightedly, moves away from socialism/communism, the U.S. doggedly embraces more and more of the failures of socialism/communism. Discouragement of free enterprise, which has made this country successful and prosperous, [is led by] environmental kooks, regulation, controlling and discouraging requirements, licensing, give-away programs of all kinds to people who won't work, and doing everything positive to continue this into our youth...already we have three generations of welfare people.

Respondents felt that federal programs should occur in the area of technical support and funding. One Manitoban felt that the federal government should "provide technical advice to provincial and local government on what industries might consider relocating and what industry is looking for in sites." Another respondent from Saskatchewan added that:
Times are tough...mega projects seem illusive and clear targeted industrial/economic development strategies seem doomed to failure. The best approach seems to be a flexible one which can respond to particular opportunities and provide [technical] assistance to suit specific needs for an investor. Times seem to suggest that the more remote the area, the more intervention is necessary to start the business.

In the area of funding, Canadian respondents felt that monies should be redirected from multi-cultural, bilingualism and third world support to local development. Funding for research, development and production was mentioned, but without elaboration. Only one respondent from the United States stated that federal funds should be allocated for affordable, non-subsidized family housing.
DEVELOPMENT IN NORTHERN PLAINS' COMMUNITIES

Respondents from rural communities were not asked to evaluate economic development strategies on a directly comparative basis. Rather, each strategy was evaluated on its own merits. Because scales were standardized, however, the final ratings among strategies can be ranked. Comparisons must be carefully interpreted and insight gained from written comments associated with numerical responses. Our synthesis, therefore, is purposefully descriptive and exploratory rather than definitive and statistical.

The single greatest expressed need in rural communities on the Northern Plains is to increase local employment (Table 10). Top ranking was consistent between nations, but Canadians allocated a significantly higher value. The need for more employment did not differentiate among either provinces or states, or among towns of different sizes. This factor, therefore, stands alone as the most needed change, and all other strategies obviously are designed to fulfill the need for more jobs.

Among the four most highly rated strategies are attracting new business and attracting new industry, which were ranked higher in Canada, but important in both countries, and were not related to size of community. It is apparent that most communities think that attracting new enterprises is the best way to increase local employment.

This becomes important when viewed in light of the literature which often suggests that it is easier to use other strategies to increase local employment. For example, expanding existing industry or developing tourism may be more productive in some communities. A few comments received suggested that agriculturally-dependent towns did not think that agri-service businesses would maintain current levels let alone expand. Because many responding communities are primarily oriented toward agriculture, expansion of existing business and industry may not appear to be viable. If this assumption is true,
attracting new ventures may appear to be the best option for development. This also may be reflected by the fact that diversifying the local economic base was the fifth highest ranked strategy. Diversification would be most needed in agriculturally-dependent communities.

Table 10. Summary of ratings of the importance of various economic development strategies by communities on the Northern Plains

<table>
<thead>
<tr>
<th>Development strategy</th>
<th>All communities</th>
<th>Canadian</th>
<th>U.S.</th>
</tr>
</thead>
<tbody>
<tr>
<td>Improving local employment</td>
<td>6.3</td>
<td>6.5</td>
<td>6.1*</td>
</tr>
<tr>
<td>Attracting new business</td>
<td>6.1</td>
<td>6.4</td>
<td>5.8*</td>
</tr>
<tr>
<td>Attracting new industry</td>
<td>6.1</td>
<td>6.4</td>
<td>5.8*</td>
</tr>
<tr>
<td>Retaining youth in community</td>
<td>6.1</td>
<td>6.4</td>
<td>5.9*</td>
</tr>
<tr>
<td>Diversify local economic base</td>
<td>5.9</td>
<td>6.2</td>
<td>5.7*</td>
</tr>
<tr>
<td>Improve local tax base</td>
<td>5.9</td>
<td>6.0</td>
<td>5.9</td>
</tr>
<tr>
<td>Increase local population</td>
<td>5.8</td>
<td>6.2</td>
<td>5.5**</td>
</tr>
<tr>
<td>Expand existing industry</td>
<td>5.7</td>
<td>5.7</td>
<td>5.7</td>
</tr>
<tr>
<td>Expand local business</td>
<td>5.6</td>
<td>5.5</td>
<td>5.7</td>
</tr>
<tr>
<td>Improve local tourism</td>
<td>5.4</td>
<td>5.7</td>
<td>5.1</td>
</tr>
<tr>
<td>Obtain Gov't financial support</td>
<td>5.4</td>
<td>5.5</td>
<td>5.3</td>
</tr>
<tr>
<td>Improve local infrastructure</td>
<td>5.3</td>
<td>5.4</td>
<td>5.2</td>
</tr>
<tr>
<td>Recapture taxes from Gov't</td>
<td>5.3</td>
<td>5.3</td>
<td>5.3</td>
</tr>
<tr>
<td>Develop high tech industry</td>
<td>4.9</td>
<td>5.0</td>
<td>4.8</td>
</tr>
<tr>
<td>Unite with other communities</td>
<td>4.8</td>
<td>5.0</td>
<td>4.6*</td>
</tr>
<tr>
<td>Attract retirees</td>
<td>4.6</td>
<td>4.8</td>
<td>4.4</td>
</tr>
<tr>
<td>Develop industrial park</td>
<td>4.1</td>
<td>3.9</td>
<td>4.3**</td>
</tr>
</tbody>
</table>

* Canadian ratings are significantly higher than U.S. ratings (p<0.01)

(**) Significantly associated with population categories (p<0.05). The need to increase local populations was more critical as town size decreased. The desire to develop an industrial park decreased as size of town decreased.

The fact that retaining youth in a community was the fourth highest ranked strategy reflects not only a need for young people to initiate or continue businesses or industries, but also a realization that rural communities are "greying" because of long term out-migration of young people. Several respondents intimated that improving employment will retain young adults which in turn will improve em-
ploy television. The close interrelationship of the two strategies is both obvious and fundamentally important.

Nine strategies received average rankings between 5.3 and 5.9 on the 7.0 scale (Table 10). The two strategies of improving the local tax base and increasing the local population are perceived to be as important as diversifying the economic base of communities. Expanding existing industries or businesses are ranked next in importance, but are significantly lower (p<0.01) in average values than attracting new ventures. Strategies that involve obtaining government support or recapturing more tax dollars are ranked eleventh and thirteenth among the seventeen items.

Diversifying the local economic base, increasing local population and improving local tourism were given significantly higher average ratings by Canadians. All but two strategies received numerically higher average ratings by Canadians, but only the three above were statistically different. Although directly comparable figures are not available, it appears that Canadian Prairie communities may be more agriculturally-dependent and may have lost more residents than their American counterparts. Local tourism also appears to hold more promise to Canadians. Whether or not this belief relates to experience or expectations created by government was not identifiable in the surveys. Canadians, however, did offer more comments on these strategies.

Expanding local business was one of the two strategies that Canadians rated lower than did Americans. This too may relate to the need to diversify away from the currently diminishing agricultural base of many communities. The possibility of expansion in the traditional businesses and industries in these towns is remote.

Four strategies received ratings of less than 5.0 (Table 10). The possibilities of developing high tech industries suggest a realization of the requirements and limitations placed on rural communities, and the likelihood of being successful in development efforts. The literature (see Chapter 4) strongly suggests that the only rural communities that could entice high tech development are those located near larger cen-
ries that offer cultural, educational and industrial opportunities to a highly-skilled labour force.

Rural communities do not appear to be strongly convinced that uniting with other communities by coordinating efforts or "clustering" services is a good strategy. Although some comments suggested that coordination is being recognized as an option, survey data do not show a broad regional acceptance of the practice. Our knowledge of the attitudes towards inter-community coordination suggests that many towns still want to have all services in-house, or that they are not convinced that their community will be treated fairly in the long-term if they agree to give up a service or industry. Canadians view inter-community cooperation in a more favourable light than do Americans.

Many rural communities have a long history of dealing with retired citizens. The positive side of the increased numbers of seniors is the development of the personal care service industries in many towns (Rounds and MacLean 1991). The negative aspects, however, are three-fold: 1) seniors have lower incomes than working-aged residents, 2) seniors spend much less money than other members of the community, and 3) seniors often resist change in a community, especially if taxes or other costs are increased by development. The fact that retaining young people is among the highest ranked while attracting seniors is among the lowest ranked strategies is reflective of a sense of the long-term implications of the two development options.

Development of industrial parks was deemed the least feasible of all strategies. The fact that numerical ratings were directly related to the size of community illustrates that the smallest towns and villages are aware of their infrastructural limitations and chances of attracting the variety and number of ventures necessary to justify development of an industrial park. This is the only strategy that Canadians rated significantly lower than did Americans.

Overall, the survey suggests a reasonable knowledge of economic development options and their possibilities in the rural communities. The small cities, towns and villages of the Northern Plains realize that improving local employment will increase local populations, retain young people and lead to improved tax bases. The favoured strategies
of attracting new businesses and industries that diversify the economy reflect a subtle sophistication among community leaders. Not only are the limitations of the current situation known, but also the most viable alternatives for long-term sustainability are recognized as highest priorities.

The fact that all strategies are still considered at least moderately important (ratings >4.0) reflects the desire to leave all pathways open for opportunistic development. Most communities are aware of both their limitations and their possibilities, and if tourism or expansion of an existing business are viable options, opportunities will be explored. Overall, however, communities know that the best way to expand existing business and industry is to attract new ventures that create jobs, diversify the economy, retain young people and increase the local population. These, in turn, will stabilize or allow expansion of existing ventures.

Many respondents expressed the view that expansion of current ventures is not likely without diversification. Although development theory suggests that expansion of existing businesses and industries often is more productive than attempting to attract new ventures, this may not be true in the many agriculturally-dependent communities on the Northern Plains. Agricultural restructuring (Ehrensaft and Bollman 1990) has changed dramatically the principal industry of the region, and, in spite of the fact that farming and ranching will remain as the dominant regional activities, their relationships with rural towns has changed forever. Now the communities must restructure or they will either stagnate or cease to exist.

Saskatchewan is perhaps the most agriculturally-dependent jurisdiction in the study area. Stabler and Molder (1992: 44-46) reviewed rural manufacturing in the province, and the results are encouraging for the strategies favored by communities in our survey. Among the results are the following:

...growth of manufacturing in rural Saskatchewan ... has provided jobs for farmers and other rural dwellers ... contributed to the stability or growth of several larger rural communities, ... [and created]
activities which are not tied to Saskatchewan's agriculturally-driven business cycle.

Much of rural Saskatchewan's development is export oriented, which may provide a clue to the types of new ventures that communities should attempt to attract or develop. In addition, industries with high labour and land costs may find rural towns to be good locations. Many rural industries supply specialized, limited or niche markets rather than compete with major firms for major markets. Stabler and Molder conclude by stating that "...technical constraints to the development of rural-based manufacturing industry are not particularly stringent," but development funding and institutional constraints may be barriers.

The Roles of Government and Community

Most rural communities on the Northern Plains feel that they are poorly developed both overall and in comparison to other towns in their area (Table 3). Expected or hoped for development were two to three times current levels. Additional responses clearly indicate that rural leaders believe that local government, business and industry should initiate new growth and development, and that regional and federal governments are minor actors in promoting development.

There is a discrepancy in their beliefs about who should initiate and control, and who should support development. Most communities felt that local governments currently are doing about what they are capable of doing (Table 9). Support from both regional and federal governments, however, was perceived as being only about half of what rural communities needed or wanted. When viewed together, these results suggest that senior governments should facilitate and finance, but not initiate and control local development. Nearly three-fourths of respondents clearly indicated that local governments should be primarily responsible for local development (Figure 5). The major limiting factors currently operating include lack of funding, community apathy and lack of knowledge about development (Figure 4).

Although our brief review of the many financial programs offered by senior governments reveals a wide variety of opportunities, rural communities either do not know about the programs, cannot effective-
ly use them, or find them inappropriate. There is, quite simply, a good deal of confusion concerning everyone’s role in the process of rural development.

At the same time, the desired lines of control and communication are relatively clearly defined. Nearly everyone agrees that development should be initiated from the bottom-up, with local entrepreneurs leading the way. Governments are viewed as promoters and facilitators of the process and as technical and financial resources for development. The apparent gap between agreed upon functions and responsibilities and actual application in rural communities appears to be paradoxical.

In essence, however, there are a number of identifiable impediments in the systems. First, development can proceed only if local citizens display the desire and will to initiate the process. The fact that apathy was singled out as a problem by 46 of the 213 communities surveyed clearly signals a problem at the grassroots level. Only time, education and perhaps the necessity to survive will change this problem, and some communities may not be sustainable because of circumstance, site and situation limitations, or lack of time remaining to change. Many, however, are in a position to initiate their own development and determine their own futures if they can organize, coordinate their resources, create an effective climate for entrepreneurs, and form appropriate partnerships with not only governments but also other communities in the region.

Second, several respondents identified a need for capital funds meant to promote new product prototype development designed to encourage local innovators. A clear distinction should be made between invention and entrepreneurship. Many programs are available to assist businesses and industries with a product to produce or sell, but grassroots innovation may be lacking because of a lack of effective programs for promotion.

Third, despite of long-term criticism, governments apparently have not presented programs that are clear, concise and as free of regulation as possible. Many respondents mentioned that wading through the bureaucratic maze posed problems that often discouraged
completion of ideas or projects. The State of Minnesota has recognized the problem and provides a generic application form that may be submitted to a variety of programs. This may be a useful first step to be emulated by others, but it decreases the number of applications rather than the number of programs. Programs that provide a variety of funding opportunities under one umbrella, and, therefore, decrease the total number of programs, may be a useful second step towards reducing confusion. Although the "one-stop" government access concept may not be attainable, it would be useful to decrease the current plethora of government options.

Fourth, many rural residents feel that government spends too much time pursuing large scale development while rural communities must "think small." The weight of evidence supports the need to "think small" in that recent job creation in both the United States and Canada has centered on small to medium sized businesses and industries.

Fifth, governments should be in a position to apply both their human and fiscal resources towards helping communities during the initial development phases. Both the theory and practice of rural development are advanced to the point where the site, situation and history of a community make some development possibilities far more likely to be successful than others.

For example, remote, agriculturally-dependent prairie towns should be encouraged to attract or develop new industries in order to diversify their economies and decrease vulnerability to single industry economics. Agricultural restructuring greatly limits expansion of existing agri-service employment, and expansion of general service functions requires population stabilization or increase. Similarly, the stringent requirements of high-tech industries and work forces greatly restrict the number of rural towns that can reasonably expect to be successful in attracting such ventures. By forwarding this type of basic information, without limiting overall possibilities, governments can provide a useful service to assist but not control grassroots' efforts.

A final area in which governments can assist rural development lies in the formulation and implementation of regulations. Because of the long-term dominance of agriculture on the Northern Plains, most
land use, transportation and financial legislation has been formulated to protect or achieve primary production. Agricultural restructuring has drastically and rapidly changed the relationship between farming and rural communities. Many now believe that agricultural sustainability and development are quite separate from rural sustainability and development. If so, this dichotomy requires change in many of the traditional ways of viewing rural areas, and legislation and regulation must allow for a wider variety of possibilities from the rural resource base.

If programs are designed to address the three problems of community apathy, simple appropriate financial assistance, and expanding options for development of rural areas, rural revitalization may occur. Community apathy will decrease slowly if people are empowered as well as encouraged to pursue their ideas both individually and collectively. Financial assistance must be not only appropriate, but also easily available and as unencumbered as possible. Finally, traditional agriculture must be allowed to restructure according to the dictates of both domestic and international forces, but must view itself and be viewed by others as only one major component of what must become a more diversified region if rural communities on the Northern Plains are to be sustained.

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