

# National Association of Regional Councils

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*The Economic Development Administration (EDA), the International Economic Development Council (IEDC) and the National Association of Regional Councils (NARC) have established an information dissemination partnership. One element of this partnership is the broadcast of a series of economic development telecasts called Economic Development Today. These telecasts are intended to provide information to economic development practitioners who serve all communities throughout the United States.*



**Economic Development Administration**

**Economic Development Today**



## **New Directions and Opportunities for Rural Economic Development May 4, 2004 Telecast Summary**

On Tuesday, May 4, Dr. David Sampson, Assistant Secretary of Commerce for Economic Development Administration, kicked off the third in a series of four telecasts, “New Directions in Rural Economic Development”.

In his opening remarks, Dr. Sampson spoke about EDA’s reauthorization efforts, noting that he testified before the Environmental and Public Works Committee on April 28<sup>th</sup>, 2004. Sampson stated, “EDA’s reauthorization bill has already passed the House of Representatives. Within a few months, we are optimistic that the Senate will follow suit, and the bill can be sent to the President. I know that President Bush is eager to sign this bill and keep EDA working for the American communities that need us most.”

Sampson pointed out that EDA is approaching its 40<sup>th</sup> Anniversary with a revised mission statement that reflects its culture of, “Results Driven Performance.” Rural economic development, he emphasized, continues to be an important part of EDA’s mission. EDA has a long history of supporting emerging rural economies through initiatives that strengthen regional capacity for innovation, competitiveness, and sustained economic growth. Currently, EDA is exchanging best practices on rural development with other industrialized nations through the Organization for Economic Cooperation and Development’s Rural Working Group. EDA recently has funded, *Competitiveness in Rural U.S. Regions*, a Harvard Business School report that addresses the economic development needs of rural America. (The report is available at <http://www.eda.gov/Research/ResearchReports.xml>.)

Joining Sampson on the panel was Senior Policy Advisor to Dr. Sampson, Robert Bogart. Bogart was slated to discuss the EDA-funded, Harvard Business School Study, *Competitiveness in Rural U.S. Regions*. He explained that the concepts of competitiveness and clusters have permeated throughout the rural development network and the literature. The benefits of clusters are widely recognized, with many cluster efforts spurred mostly by local initiatives. Some of the positive benefits of strong rural clusters mentioned were:



- A worker in a rural-cluster firm tends to earn 13% more on average than a worker in a non-cluster firm
- Clustering creates higher productivity due to faster information flows, higher skill accumulation, and higher wages
- Realizing the benefits depends on the community’s ability to attract and sustain a cluster.

Mr. Bogart stated that the study recommended future research including additional statistical analysis of “rural” clusters and their evolution over time, statistical analysis of clusters that cross the rural/urban divide and further understanding of the potential benefits of these “crossovers” and finally, a deeper analysis of the heterogeneity and patterns of development of similar clusters in different U.S. regions.

Commissioner Patrick Woodie is the Executive Director of the Blue Ridge Development Center located in Sparta, North Carolina and he serves as the Commissioner for Alleghany County. Commissioner Woodie explained how the “cluster-driven” approach to development helped this rural region after its biggest employers—the textile and furniture industries—left the country for cheaper wages. Over a four year period the three counties of Ashe, Wilkes, and Alleghany counties lost 7,500 jobs.

Emphasizing the need for rural areas to focus on a new approach to development, Woodie explained that “Our old approach was to shoot the shot gun in the air and claim victory to whatever fell from the sky. The cluster approach helped us look at where the market was growing.” He noted that as the region embraced advanced materials, like plastics and composites, and modern manufacturing methods, several companies arrived, including Martin Marietta. Explaining that EDA provided the spark that spurred public and private investment, multi-county cooperation and a totally revamped approach to development, including outreach programs and new classes at the Wilkes Community College, the region hopes in the future to expand its cluster development to adjoining counties and states.

Mark Drabenstott, Director for Center of the Study of Rural America, at the Federal Reserve Bank, Kansas City, Missouri, joined the panel to discuss recent research on rural America. Drabenstott explained that economic growth remains highly uneven, with scenic areas, emerging trade centers, and those rural areas next to cities thriving. More remote areas and those dependent on the traditional industries of agriculture and manufacturing are struggling. “Fortunately, there are some great opportunities on the horizon,” said Mr. Drabenstott. He noted that new technologies, including genomics, advanced manufacturing, as well as a more focused business niche like tourism, are opening the door for new development in rural regions. In conclusion,

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Mr. Drabenstott made clear that to move forward economically, rural areas must think regionally, identify business niches unique to the region, focus on entrepreneurship and ask public institutions to support new rural development efforts.

Dr. Dean Hubbard, President of Northwest Missouri State University, discussed the cluster development strategy called “biopharming,” that uses genetically produced crops as nutrients which are then converted into drugs. (Biopharming includes the sciences of biology, agriculture, and pharmaceuticals.) The cluster effort began with a French company asking a local farmer to genetically produce crops of corn for the treatment of cystic fibrosis. This effort then expanded when the private sector approached the University requesting involvement of its diverse skill sets in the studies of agriculture, business, education, and quality systems management. The University maintains strong partnerships with the business community, which enables the “biopharming” cluster to thrive.

Jerry McGeorge, Director of Cooperative Affairs of Organic Valley represented the private sector on the panel. McGeorge discussed how this cooperative thrives in a rural area. Organic Valley is a cooperative which identified a business niche—organics. The cooperative business structure enables the participating farmers to maintain independence, act as partners in the business, and receive more money for their products. Mr. McGeorge explained that Organic Valley is located in a rural region, yet is able to attract talented employees because of quality of life issues. The company is committed to this rural area of Wisconsin by building a new office complex in a small town with 800 rather than moving to Madison, Wisconsin. In addition, Organic Valley’s products have moved from 90% dairy to include eggs, meats and cheeses. Spin-off businesses that have been created in the region as a result of its rural investment and exporting products, particularly to Japan, is growing.

The Honorable Tim Pawlenty, Governor for the State of Minnesota (photo on right) discussed the importance of entrepreneurship to rural economic development. A rural entrepreneurship study conducted in 1999 found that the primary challenge of cultivating entrepreneurial economies in rural Minnesota was access to business assistance and resources. Governor Pawlenty reiterated that the challenge wasn’t the lack of business resources, rather it was getting the right resources to the entrepreneurs when and where they needed them and at the right stages of business development. To address this challenge, the non-profit rural development council—Minnesota Rural Partners—applied to the U.S. Department of Commerce Technology Opportunity Grant Fund to build an entrepreneurial online tool and on-ground support system called [BizPathways.org](http://BizPathways.org), which matches technical and financial assistance providers with entrepreneurs. The importance of this virtual entrepreneurial assistance tool to Minnesota’s rural economies, explained Governor Pawlenty, is that it gives community economic development practitioners an easy way to organize and promote their resource and support network online, so that the resources are better focused and targeted to the entrepreneurs. He added that increasing the start-up and success rates of small businesses adds more diversified jobs in rural areas of Minnesota, thereby stabilizing their local economies. Over 1,000 businesses are using BizPathways and over 2,500 service providers are linked to these businesses using the matching capabilities of the online network.



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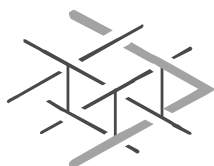
In addressing a question from the viewers about the importance of broadband technologies, the entire panel agreed that advanced technology is decidedly important to economic growth in rural areas. Dr. Sampson commented that “technology is an enabler, but is not the end all.” President Hubbard added that for rural areas technology has “removed the variable of distance...”

In concluding remarks, Mr. McGeorge remarked that “rural” is still the backbone of America. President Hubbard explained that fears of involving the community and/or local farmers as part of a high tech industry diminished as the University and its communities pursued cluster development. Dr. Drabenstott stated that he was “bullish on Rural America” and that “thinking regionally is a new way to do business and every region needs to define its niche to have a competitive advantage.” Governor Pawlenty summed up his remarks by emphasizing the importance of the effects of macro trends on rural economies, such as the aging population, demands for social services, tax base, and tax incentives. He added that people will not be able to stay in rural areas without job opportunities and this is the reason the state has taken a bold step in offering tax incentives to help make the job opportunities happen in Minnesota. Dr. Sampson concluded by stating EDA recognizes that all of America prospers when there is differentiation, entrepreneurship and a competitive advantage.

If you are interested in receiving a copy of the tape of the telecast, send an email to Peggy Tadej at [Tadej@narc.org](mailto:Tadej@narc.org).



L-R Jerry McGeorge, Commissioner Patrick Woodie, Dr. David Sampson, Mark Drabenstott, and Dr. Dean Hubbard



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