

Southern Perspectives

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SOUTHERN
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Meeting the Challenges of
the Rural South through
Land-Grant Research and
Outreach Education

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Rural Development: Identifying the Link Between Community, Household Assets

PETER V. SCHAEFFER
West Virginia University

“Assets are hope in concrete form.”

— Michael Sherraden [5]

This issue of *Southern Perspectives* focuses on community and household assets and the connections between them, with a geographic focus on rural communities. This first article provides an introduction to, and overview of, this topic. The next two articles provide more detailed information on household and community asset building, respectively [4,8]. They are followed by a summary of research on rural entrepreneurship [3]. The issue concludes with a case study of rural development activities in North Carolina [2].

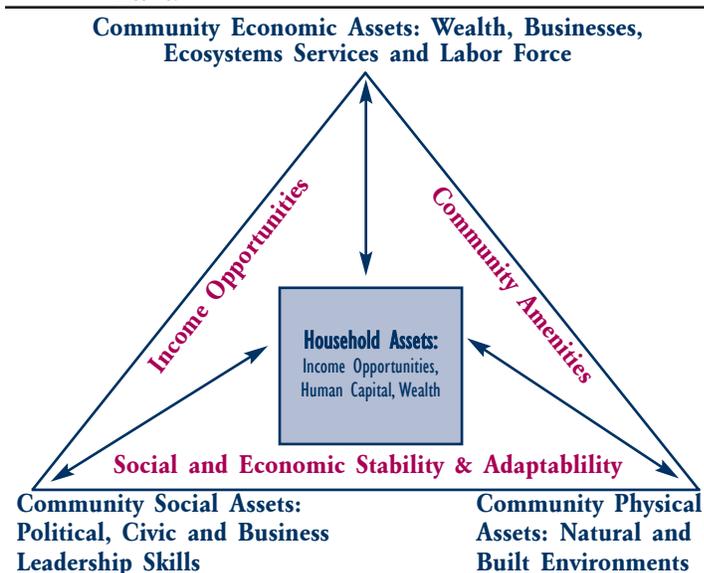
Introduction

Assets serve as buffers from shocks, and they provide the means to invest in opportunities. Not surprisingly, therefore, over the last decade we have seen the promotion [4] and growing acceptance of programs that help poor households acquire or enhance their assets as a way out of poverty (for example, the “Assets for Independence Act” of 1998) [1,4]. Parallel to the change in programs for households, we have witnessed a philosophical change in the approach to community development from promoting job growth to one of building community assets [8]. The similarities in the policy changes are not coincidental as assets serve the same role for communities as they do for households. We propose that the two approaches be linked because community assets contribute to the economic and social quality of life. Poor households cannot accumulate assets in a community where there is a lack of economic opportunities. Conversely, the better off households are the more they contribute to community [2,4].

The quantity and quality of income opportunities depend on the community’s assets and its ability to put them to good use, which is a function of leadership [8]. Where leadership is lacking, some households will earn less or have less secure incomes than indicated by the community’s potential. In addition, by not realizing the full potential of its assets, the community will end up with a smaller tax base. This leads to either a lesser quality of public services or higher tax rates, or both, making the community less attractive to residents and businesses alike. Research shows that the young and the most highly qualified individuals are most likely to respond to a lack of satisfactory income opportunities by moving elsewhere, reducing the size and qualifications of the labor force. The loss of residents also means fewer taxpayers and fewer households spending part of their incomes on local businesses. Over time, the loss of well-educated residents also reduces leadership assets and the community’s ability to cope with and adapt to change. Figure 1 illustrates the interdependence between community and household assets.

IDENTIFYING THE LINK CONTINUES ON PAGE 3

Figure 1. Relationship Between Community Assets and Household Assets.



From the Director

by Bo Beaulieu



A recent report published by the Southern Rural Development Center gives attention to the major economic challenges facing rural areas during this time of economic restructuring (see *Creating Vibrant Communities and Economics in Rural America* located on the SRDC website at http://srdc.msstate.edu/publications/vibrant_communities.pdf). The average earnings garnered by rural workers are falling behind those captured by urban-based labor force participants. The difficult question facing

many rural localities is “What can be done to strengthen the economic health of rural communities and its people?”

This issue of *Southern Perspectives* highlights some key assets existing in rural areas today, and outlines viable strategies for effectively expanding such assets. Some are community-based in nature while others attend to the economic health of rural families. If there is any significant point to be made from the series of articles included in this newsletter is that expanding the community’s

wealth cannot be done in isolation of family/household economic well-being. Both must be included in the formula for realizing economic vitality in the rural South over the long term.

We wish to express our sincere thanks to Jane Schuchardt and Tony Smith, both national program leaders with CSREES/USDA, for the leadership roles in planning and organizing this issue of the SRDC newsletter.

Ford Foundation Awards Major Grant to the SRDC

The Ford Foundation has recently notified the Southern Rural Development Center that it is the recipient of a two-year \$430,000 grant from the Foundation. The award is designed to position the SRDC to serve as a major catalyst in helping strengthen the community/economic development efforts of rural community/tribal colleges, and expand the delivery of educational resources of these colleges to underserved rural populations.

The grant is part of a continuing commitment by the Ford Foundation to the Rural

Community College Initiative (RCCI), a program supported by the Foundation since 1994. An important feature of this new phase of the RCCI program is that Extension educators housed in various state land-grant universities will work to broaden the activities of rural community and tribal colleges in distressed rural communities. In many rural areas, community and tribal colleges represent key resources that local leaders, citizens and organizations turn to when seeking help on social, educational and economic challenges in their communities.

RCCI is designed to accelerate the ability of rural community and tribal colleges to meet the ever-expanding needs of communities located in their service areas.

The SRDC will administer the new RCCI program jointly with the North Central Regional Center for Rural Development. Approximately 10 rural community and tribal colleges will be recruited across the nation to be part of this exciting two-year program. They will join the 24 community and tribal colleges that have part of the RCCI in previous years.

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Table 1. 1995 Share of Firms by Employment Size, Non-Metropolitan Statistical Areas and Metropolitan Statistical Areas, Respectively.

State	NON-METROPOLITAN STATISTICAL AREAS				METROPOLITAN STATISTICAL AREAS			
	Firm Size				Firm Size			
	1-19	20-99	100-499	500+	1-19	20-99	100-499	500+
U.S.	77.4%	9.1%	4.1%	9.4%	72.9%	9.8%	4.3%	13.0%
Alabama	75.2%	8.7%	4.4%	11.7%	70.1%	10.3%	4.5%	15.1%
Arkansas	78.0%	8.8%	4.3%	8.8%	71.5%	10.3%	4.3%	14.0%
Florida	78.0%	8.1%	3.5%	10.4%	76.1%	7.9%	3.4%	12.7%
Georgia	74.3%	8.8%	4.5%	12.4%	69.8%	9.1%	4.5%	16.6%
Kentucky	74.2%	9.9%	4.8%	11.1%	68.2%	11.1%	5.0%	15.7%
Louisiana	75.5%	10.3%	4.1%	10.1%	70.2%	10.9%	4.5%	14.4%
Mississippi	74.7%	8.8%	5.1%	11.4%	70.5%	9.3%	5.1%	15.2%
North Carolina	76.2%	8.6%	4.0%	11.2%	70.3%	9.8%	4.9%	15.0%
Oklahoma	77.6%	9.1%	4.2%	9.1%	72.3%	9.7%	4.3%	13.6%
South Carolina	75.9%	8.3%	4.3%	11.5%	70.7%	9.4%	4.6%	15.4%
Tennessee	76.1%	8.9%	4.4%	10.6%	68.3%	10.1%	4.6%	17.1%
Texas	77.6%	8.6%	3.7%	10.2%	70.5%	9.8%	4.5%	15.2%

Source: Compiled from data from Small Business Administration (1999) [6]

Note: Row sums may not add to 100% because of rounding error.

Definition: A Metropolitan Statistical Area (MSA) consists of a city of over 50,000 inhabitants together with the county in which it is located and contiguous counties, which are economically and socially integrated with the central city. It may also consist of an urbanized area of 50,000 with a total metropolitan area population of at least 100,000. Many non-MSAs are urban, not rural, so the data in Table 1 are probably understating the rural-urban difference.

The Importance of Small Business

Although rural communities are a diverse lot, they share two important characteristics that shape the nature of their economies: small populations and low population densities. This means that businesses that exist largely to serve the local population, such as retailing or construction, have a much smaller market and will achieve a smaller average size than their urban counterparts [6]. Also, small populations can only support small labor markets, which tend to consist of fewer individuals with highly specialized skills than are available in large labor markets.

The vast majority of U.S. businesses are small, but the smaller rural consumer and labor markets mean that small businesses are relatively even more important for rural than for urban communities. That areas with smaller populations rely more heavily on small firms is documented in Table 1, which shows that in U.S. Metropolitan Statistical Areas (MSAs), firms with fewer than 20 employees, account for 72.9 percent of all firms, but for 77.4 percent in non-MSAs. The reverse relationship exists for firms with 500 employees or more, which account for a larger share of MSA than non-MSA employment. Such differences call for economic development strategies that are specially designed for rural communities since not

everything that works in urban areas will also be successful in rural areas [8,9].

Small firms are both more flexible and more vulnerable and therefore have a high turnover rate. For example, from 1994 to 1995, the smallest firms, those with between one and four employees, generated 1,302,175 jobs through expansions and 803,500 jobs through the establishment of new firms, but there were also 1,076,728 jobs lost due to deaths and contractions. Nevertheless, the net gain of 1,028,947 jobs, 28.7 percent of the national job growth in that year, was more than the net number of jobs added in firms with 500 or more employees [7]. In spite of this sizeable contribution, however, large firms provide a

disproportionate share of total employment. In 1999, some 5 million firms with fewer than 20 employees accounted for 18.4 percent of total employment, while the 16,740 firms with at least 500 employees accounted for 49.7 percent.

What is the quality of jobs offered by small businesses? Table 2 shows that the average payroll in firms that have no employees and are operated by their owner is higher than in any of the other firms. In general, however, the payroll per employee increases with the number of employees. This does not necessarily mean that small firms provide poorer jobs since part of the

IDENTIFYING THE LINK CONTINUES ON PAGE 4

Table 2. Employees and Payroll by Employment Size, 1999.

Employment Size	Employment	Payroll in \$,000	Average Payroll
Self-employed/no employees	\$709,074	\$34,264,682	\$48,323
1-19	\$20,388,287	\$527,282,742	\$25,862
20-99	\$19,703,162	\$564,974,625	\$28,674
100-499	\$15,637,643	\$474,607,339	\$30,350
500 and more	\$54,976,569	\$1,953,563,521	\$35,534

Source: Statistics of U.S. Business, U.S. Census Bureau (available at www.census.gov/epcd/www/smallbus.html)

increase may be attributable to the higher percentage of professionals with advanced training working for large firms and the more generous remuneration of top management. In addition, very large firms are usually located in metropolitan areas where a higher cost-of-living is compensated for with higher average pay. Thus, while average pay is likely to be higher in large firms, the differences by skill levels and qualifications are unlikely to be as large as shown in Table 2. However, small firms are less likely than large firms to offer health insurance and retirement benefits [4].

Social stability cannot be separated from economic stability. Households that continuously struggle making ends meet have little energy left for anything else, nor do they add much to the community's tax base. Businesses serving local needs also suffer when their already small markets also have low purchasing power. The result can be a vicious downward cycle that, once it has gained momentum, is difficult to reverse.

Conclusion

There are some general lessons to be drawn from the analysis of the connections between household and community assets. The most important lesson is that building community and household wealth requires a holistic approach aimed at enhancing community social, economic and physical assets. While the presence of all three types of assets in sufficient quantity and quality is important, social assets in the form of leadership skills play a particularly important role. Leadership either enables or, if it is lacking, constrains the community's development. Without competent leadership, other assets may lay idle and opportunities go unrecognized. Therefore, leadership recruitment and training should be an integral part of an asset-building strategy.

A rural community's economic assets include a large share of small businesses. Traditional economic development efforts have neglected such businesses [8] because the effort to serve them is large relative to the number of jobs they generate. Although we acknowledge the relatively high cost, a successful asset-building strategy must find ways to serve them. Their importance to the rural economy is too great to ignore them. They are providing jobs and contributing to the tax base, and their services often enhance a community's quality of life.

An entrepreneurial spirit is needed in times of rapid change. While change threatens old ways, it also brings with it new opportunities. Recognizing and taking advantage of such opportunities requires creativity and a willingness to take risks. Entrepreneurial leaders, those who have the ability to take on risky projects, are assets not only in the private for-profit sector, but also in the public sector and volunteer organizations [4,8].

A community that has few summer or part-time employment opportunities teaches its young people to look elsewhere to build their future before they have even finished their education. Youth are the future of our communities, and we cannot afford to keep losing them. Therefore, a strategy that includes efforts to enhance economic opportunities for older youths is needed. Such a strategy is also compatible with support for small businesses and enhancing entrepreneurial leadership assets.

“An entrepreneurial spirit is needed in times of rapid change. While change threatens old ways, it also brings with it new opportunities.”

Rural communities often enjoy wonderful environmental amenities. To attract and keep households and businesses, they also need to maintain and enhance other physical assets [8]. In particular, the quality of its basic infrastructure and services—water, sewer, electricity and gas, telephone, and schools—determines a community's development potential. A community that has a reputation for excellent schools is attractive to families [2] and over time good schools educate a well-qualified labor force.

Finally, a shift in emphasis from jobs to assets requires a shift in our planning horizon. Building assets is a process that takes time and is not finished when full-employment is reached. No individual would ignore her assets once she has accumulated a certain wealth; neither should communities. They should make sure that their portfolio of assets—leadership, economic and physical—is balanced and that it yields a reasonable return. Not all of the return will take a monetary form; some may be in the form of greater social and economic stability or an enhanced quality of life, but all should contribute to the community's ability to adapt to change. ❖

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New staff members join SRDC

Ronda Williams (rondaw@ext.msstate.edu) joined the staff in May as part-time administrative secretary and accounting assistant. Williams comes to the Center with experience in bookkeeping, management and administration.

Emily Elliott Shaw (emilye@srcd.msstate.edu) assumed the position of writer/editor in August. Shaw previously served as webmaster for the Center for the last two years.

Entrepreneurship in Rural America

Interesting Economic and Social Development Outcomes

DON MACKE

Center for Rural Entrepreneurship

Introduction

During the almost 30 years I have worked in rural America and rural development, I have frequently encountered development strategies that were either ineffective or, when they succeeded, undermined the community qualities that rural people want. Then, three years ago, when I was given the chance to explore this dilemma, I came to realize the importance of entrepreneurship in economic development. Through a project supported by the Kauffman Foundation (Kansas City, MO), we began to explore the importance and potential of entrepreneurial strategies and found that rural places supporting local entrepreneurs were realizing interesting economic and social development outcomes.

Our work is not yet finished and at this time we have more questions than answers. But we are increasingly convinced that entrepreneurship is a central element of a rural development strategy in the United States. Our research strongly suggests that places pursuing entrepreneurial-based development build community wealth and empower leadership and more diverse, dynamic and prosperous economies.

Why Entrepreneurship?

Three pieces of research drawn from a broader body of research on entrepreneurship address the question of why entrepreneurship should be considered for rural development. First, the 2000 Global Entrepreneurship Monitor Project, a comparative study of industrial nations, found that up to 70 percent of the difference in economic performance among these countries could be explained by levels of entrepreneurship [2]. Simply put, this research suggests that in today's global economy, entrepreneurial nations tend to do better. Second, recent research by the National Commission on Entrepreneurship that focused on high-growth companies in nearly 400 regions across the United States found that regions with concentrations of entrepreneurial growth companies perform better. Our evaluation of this research suggests a key difference between strong and weak regional economies, respectively, may be the presence or absence of a relatively small class of growth-oriented entrepreneurs. Through our own fieldwork, we are finding areas within rural America with strong entrepreneurial environments, high levels of entrepreneurial activity, more entrepreneurial growth companies, and strong regional economies. We do not fully understand why one area prospers while 100 miles down the road a community with the same underlying realities is much poorer, but we suspect the difference is the presence or absence of entrepreneurial support organizations or regional development organizations with an entrepreneurial focus.

Rural Entrepreneurs

Our early efforts focused on better understanding rural entrepreneurs so we could compare the findings to those reported in extensive literature on urban entrepreneurs.

The following captures what we found:

- Although there are significantly fewer entrepreneurial growth companies in rural America, they exist in remarkable numbers. While there are fewer entrepreneurs within most rural landscapes, rural Americans have strong entrepreneurial traits and entrepreneurial experiences.
- Significant opportunities exist to support and develop entrepreneurs within supportive community settings.
- A strong link can be found between public entrepreneurs (innovative and collaborative civic leadership) and private entrepreneurs. A strong nucleus of public entrepreneurs builds communities supportive of private entrepreneurs. Investing in both sides of this equation is important.

The bottom line is entrepreneurs are generally present in most rural landscapes. We often do not focus on them or support them. But when rural regions do focus on and support entrepreneurs, rural development occurs.

Rural Development Opportunities

Two recent monographs (Community Environment for Entrepreneurship and Entrepreneurial Support Organizations at <http://www.ruraleship.org>) describe how we can stimulate and support entrepreneurs. The following are key findings from these publications:

- Communities and regions must understand and focus on the unique and significant role of entrepreneurs in the local economy. Traditional industrial recruitment, business retention and technical assistance approaches do not fit entrepreneurs' needs very well.
- Investing in industrial attraction does not result in an entrepreneurial environment. The development of such an environment requires the investment of human and financial resources.
- Identifying, understanding and building relationships with entrepreneurs within rural areas are fundamental. Consequently, visitation programs and other similar efforts are critical.

ENTREPRENEURSHIP IN RURAL AMERICA CONTINUES ON PAGE 6



Entrepreneurs are present in most rural landscapes. Photo courtesy of the USDA.

- Listening to entrepreneurs will help create focus based on this development approach.
- Finally, entrepreneurs need networking, market exposure, mentoring and training resources. Communities and regions that build such resources will help entrepreneurs do better, meaning more economic development.

Conclusion

Rural America and those who seek to support its development have critical choices to make. A recent study by the National Governors Association found that entrepreneurship spending within state economic

development budgets is less than five percent of the total. Historically our economic development focus and investment has concentrated on industrial development and supporting various commodity industries ranging from timber harvesting to production agriculture (also see Schaeffer in this issue). We are not suggesting that support for these strategies should be discontinued. But it is clear that we need to focus on entrepreneurship development and invest in activities that support it. Since entrepreneurial individuals are needed if regions are to be able to adapt to change, the strategy we choose will determine what rural America becomes.❖

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Don Macke is the co-director of the Center for Rural Entrepreneurship, a RUPRI National Research and Policy Center, in Lincoln, NE.

Building Family and Community Wealth in Rural North Carolina

MARTIN D. EAKES

Co-Founder and CEO, Self-Help

I grew up in North Carolina, and I have never been far from our state's rural roots. I knew as a schoolboy the rural areas of our state had unique, difficult challenges: small economies, high unemployment, lack of services and limited access to capital. When we started Self-Help in 1980 to address some of these problems, our intent was to help rural workers displaced by closed factories to take ownership of the business. We learned then that access to capital was perhaps the biggest challenge of all.

Much has changed, but our Southern rural heritage remains threatened. Family farms are still declining, threatened by development, a changing economy and sometimes by natural disasters. Traditional industries that have sustained the state's rural areas – tobacco, furniture, textiles and apparel – are leaving. The natural beauty of our coastline and mountains makes tourism a growing industry, but this growth also threatens our environment. We continue to be plagued by a two-tiered economic system in which rural North Carolina lags behind our urban and suburban areas.

Even with the huge influx of new residents, North Carolina remains a rural state. More than half of North Carolina's residents live in the 85 of 100 counties with a population density of 200 or fewer inhabitants per square mile. These areas did not share in the prosperity that graced the state in the 1990s, as the number of people living in poverty increased from 829,000 in

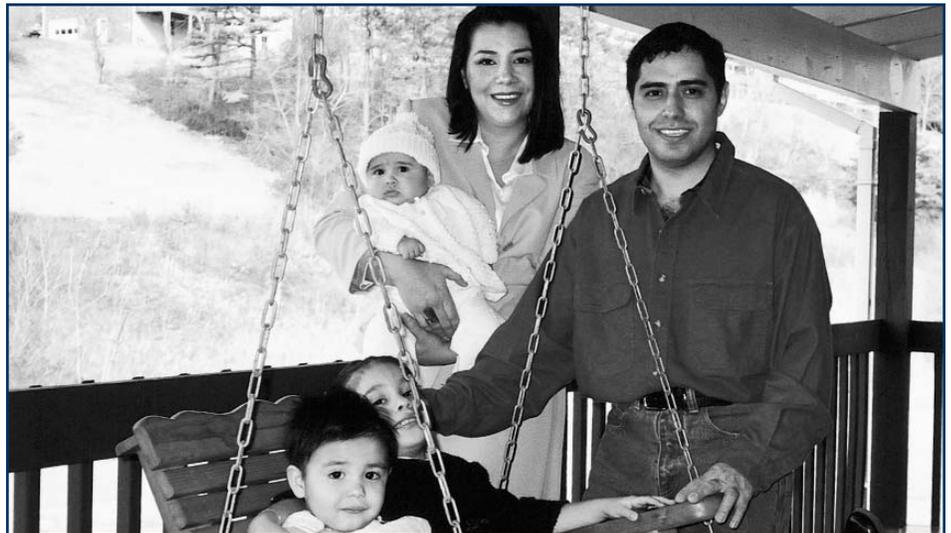
1990 to 839,000 in 2000. Almost all of these individuals lived in rural counties. Persistent poverty, high unemployment, slow growth, low SAT scores, and reduced access to health insurance are the unfortunate province of rural North Carolina.

We founded Self-Help with a mission to extend economic prosperity to people outside the mainstream: minorities, women and rural residents. We believed then, as now, that ownership of a home or business is the best way to build personal and community wealth. Minorities and women were denied the credit they needed due to racism and sexism. In rural communities the problem was often particularly bad, as they had no credit institutions *at all*. We made, and continue to make, a conscious

effort to reach people who have been isolated from the credit system.

Statistics show that our efforts have borne fruit. Self-Help has made more than \$100 million in financing available to rural homeowners and small businesses, and after Hurricane Floyd devastated huge areas of rural eastern North Carolina, we partnered with USDA and others to make recovery loans available.

We are not about to claim victory, as our lending amounts to little more than what an urban bank branch could do. But bank branches do not have the time, or always the inclination, to look beyond the borrower's credit history or the community's need to evaluate a loan application.



Isaac Maldonado, a factory worker, using a combination of down payment assistance from the Federal Home Loan Bank and a Rural Housing Loan Partnership with the USDA, was able to buy a home for his family in a residential neighborhood just north of Asheville. Photo courtesy of Self-Help.



Craig White grew up on a farm not far from his new business, CW Ornamental Landscaping. From a modest beginning cutting lawns eight years ago, Craig expanded into landscaping and this year, with the help of a loan from Self-Help, will open a retail plant nursery. Photo courtesy of Self-Help.

We do, and as a result we have had some heartening successes. For example:

- In western North Carolina, distance and winding mountain roads can make something as simple as solid waste disposal an environmental issue. When Hollifield Scrap Metal in Spruce Pine, the only scrap metals dealer in the mountains, closed in 1999, residents and municipalities had to haul their scrap over the mountains to Johnson City, TN, or down the mountain to Marion, NC, almost an hour away. Makeshift junkyards and scrapped cars began to threaten the area's pristine landscape. Fortunately, John Hartsell, who had worked in the transportation business for 20 years, wanted to own a business. With the commitment of a Self-Help loan, he was able to buy the company, thereby restoring several jobs and improving the environment.
- Childcare is a serious barrier to finding and keeping a job in rural North Carolina. We made childcare lending a priority and became one of the largest lenders to childcare facilities in the state, much of which is concentrated in rural counties.
- The quality of education is another critical issue in rural areas. Self-Help embraced community-based charter schools as a target for lending efforts. Sometimes this required particular perseverance, as in the case of the Sallie B. Howard Charter School for the Arts

in Wilson. This school serves lower-income families, has high education standards, a marvelous visual and performing arts program, but was housed in cramped facilities. The school needed to expand. It had found a site for a larger facility, but required substantial financing. Self-Help wanted to support the project, but we needed a lending partner. USDA was willing to work with us, but Wilson's population was slightly larger than allowed by its rural loan guarantee program. However, the school serves a rural population and, in our opinion, deserved the loan. So Self-Help's advocacy team worked with Congress to pass a special amendment that allowed the USDA to guarantee the loan, and this April the Howard School celebrated the opening of its new home.

- In the 1990s, North Carolina had the nation's largest population growth among Latinos, many of whom work the fields of rural eastern North Carolina. There are still only a few businesses catering to these new arrivals. In tiny Mackeys, the Los Garcias convenience store is as likely to serve barbecue sandwiches to lifelong residents as fajitas to new immigrants. The store, established by Self-Help borrower Jackie Garcia, is a melting pot of cultures and a community asset. It provides Latinos with a store where they feel comfortable and the community

with a meeting place where Anglos and Latinos mix.

- Our state allocated a portion of the tobacco settlement to start The Golden Leaf Foundation, which recently gave Self-Help a \$200,000 grant that we'll leverage into \$1 million in loan capital to help businesses in tobacco-affected counties.
- Self-Help partners with USDA and the rural Madison County Health Department to repair and build septic systems for residents of older rural homes to replace "straight piping" systems that pumped untreated sewage into the area's waterways and groundwater. This program increases property values and homeowner pride and contributes to a cleaner environment.
- Sometimes communities draw strength from nonprofit organizations that serve them. To assist such organizations, Self-Help has renovated large downtown office buildings in Greensboro and Asheville to provide space for nonprofits that serve surrounding rural areas. One of the tenants is the Mountain Area Information Network (MAIN), a service provider that offers Internet access to rural households and businesses at below-market rates.

North Carolina has made strides in the 1990s to improve its infrastructure and to increase support of training programs and other initiatives, but the unique problems of the rural South require constant, diligent efforts from public, private and nonprofit interests. At Self-Help, we believe that ownership of homes and businesses is the best way to build community wealth, and we will literally go the extra mile to serve rural communities. Our commercial and home loan officers get in the car and seek out borrowers in our state's smallest communities. The USDA, HUD and other agencies are committed partners in this effort. These are but a few examples of how public and private initiatives can help the rural South share in the region's growing prosperity. ❖

Martin Eakes is the co-founder and CEO of Self-Help in Durham, NC.

Building Household Assets

JANE SCHUCHARDT

National Program Leader
U.S. Department of Agriculture

Household assets are critical building blocks for vital, prosperous communities. In contrast, high personal debt and low savings across many households cloud a community's hope for a bright future.

Largely spurred by the seminal work of Michael Sherraden [8], household asset accumulation has been the impetus for significant research, public policy and financial education during the last decade. In addition to social assets, which is the ability of households to interface with a community network, an asset emphasis encompasses three components [2] –

1. Income opportunities via jobs, self-employment and enhancements resulting from government policy (e.g. minimum wage, unemployment insurance, Food Stamps, Temporary Assistance to Needy Families);
2. Enhancing human capital, essentially that knowledge and skill set that helps people get good jobs or run a successful business, make informed decisions about managing money, and move up the economic ladder; and
3. Building wealth, or financial assets, which is the focus of this article.

The Importance of Household Wealth

With respect to money, self-sufficiency is the first goal. This is the ability to be on your own financially without dependence on friends, relatives or government programs. Next along the continuum of personal financial responsibility is stability, or making ends meet. Here life is a constant paycheck-to-paycheck treadmill where short-term needs are met. However, one shift in the status quo (e.g., loss of a job, death of a breadwinner, divorce or long-term illness) ushers in the need to take desperate measures, the ultimate being personal bankruptcy.

By far the goal of most Americans is financial security, which is the ability to save and invest for the future while keeping pace with day-to-day basic needs. Household assets provide that security and have vast economic and social effects on neighborhoods, families and children. Assets are associated with decreased economic strain on

households, more educational attainment, less marital dissolution, less risk of poverty spanning across generations, better overall health and satisfaction, higher property values and stability in a neighborhood, improved property maintenance, and more involvement in civic issues.

Accumulating assets allows households to achieve goals requiring significant amounts of money. Examples are buying a car or real estate, paying for a college education, qualifying for access to lower-cost credit, starting up a small business enterprise, and providing a steady stream of income in retirement.

“By far the goal of most Americans is financial security, which is the ability to save and invest for the future while keeping pace with day-to-day basic needs.”

Further, assets provide a cushion during unforeseen economic hardships and help people achieve a higher level of living.

Primary Means of Accumulating Assets

There are three principal means for household asset accumulation in the United States –savings, home ownership and small business ownership. Alan Greenspan, chairman of the Federal Reserve Board, said, “As important as these are for individuals, they also represent distinct and important benefits to the broader economy and, therefore, play prominent roles in the operation of our financial markets and priorities of our public policy” [5].

Savings, which is the ability to routinely set aside some money from a stream of income, is at the heart of household asset development. It is the springboard to investments in property or stocks, which can be parlayed into more ownership. Though one may expect that people in poor households absolutely cannot save, research has refuted this notion time and again. Individual

Development Accounts (IDAs) clearly illustrate this point [3]. IDAs, usually managed by community-based organizations, match personal savings with funds from a variety of public and private sources, to help working poor families reach a goal such as buying their first home, paying for post-secondary education or starting a small business.

America Saves, another savings program coordinated by the Consumer Federation of America in cooperation with community-based organizations such as Cooperative Extension, is gaining in popularity [4].

Those who sign on as “savers” set a savings goal, open up a financial account in which to save, participate in motivational workshops and receive skill-building tools to help them carve out some money to set aside.

Once a rainy day fund is in place, savings can be channeled into higher-yielding investments (e.g., stocks, bonds, mutual funds) and used to open the door for home and small business ownership. Buying a home not only increases household assets, in most cases, but also is a key contributor to community prosperity. Where home ownership flourishes, residents take more pride in their community, are more civic-minded, benefit from better school systems and enjoy lower crime rates.

Though the overall U.S. homeownership rate is at an all-time high of 68 percent [7], much potential remains for targeted audiences. The rate falls below 50 percent for minority and lower-income families, new Americans, young families and women-headed households.

Household assets also increase as a result of investing in and growing a small business. Such businesses, which account for more than half of private gross domestic product in the U.S. economy, are especially significant as a vehicle for minority and rural households to accumulate wealth.

Barriers to Accumulating Assets

Several behaviors stand in the way of significant asset accumulation by households. Outstanding credit card debt, now averaging more than \$8,000 per family, is on the rise. The rate of personal savings, as a percentage of disposable personal income, is the lowest of any industrialized nation.

Another concern is the estimated 10 million U.S. households that do not have a deposit account or any relationship with the formal financial services sector. These households are characterized by low levels of net worth and home ownership; female, single-family households; African American and Hispanic; less educated; and impaired credit histories [1].

Finally, a significant barrier, especially for the households where the income stream comes primarily from self-employment or employment in small businesses, benefits can be small or nonexistent. A lack of health insurance means no safety net to protect income and assets in case of a family medical crisis. Further, without access to a company-sponsored pension plan, retirement income security may be only a dream.

The Community's Responsibility

Asset development for households, particularly an emphasis on improving personal financial literacy, has moved from conversations at America's kitchen tables to the highest level of government, business and non-profit organizations. Certainly citizens are responsible for managing income appropriately, making informed decisions about credit use, negotiating a complex maze of financial services, and saving and investing to accumulate assets. However, it is clear from numerous studies [6] that people need more education. In addition to informing policy

and research, community-based organizations can play a critical role in educating their constituencies.

An early, clear understanding of basic principles of budgeting and savings is linked to increased household wealth later on in life. Financial education can help households learn the lifelong skills of creating and sticking with a spending and savings plan and making strategic investment decisions. Community-based, audience-targeted education can help people obtain the skills to gain ownership of a home or small business, avoid abusive lending practices and take a long-term view of their financial futures.

Though it is more difficult for some, all households can exploit financial opportunity for personal gain in this country. The benefits for household asset accumulation are far-reaching and demand the attention of professionals working to strengthen communities in America. ❖

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Enhancing Community Assets

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Introduction

Rural community assets — social, physical and economic capital — represent enormous potential for building the long-term resilience, and wealth-producing capability, of rural communities. Unfortunately, these assets are frequently overlooked in traditional economic development strategies that more often seek the somewhat elusive grand slam of industrial recruitment versus the consistent though less glamorous return of entrepreneurship [10].

The old paradigm of industrial recruitment smokestack chasing builds on cheap land (often farmland), tax subsidies, relaxed environmental standards and exploitable labor. These strategies often leave communities even more vulnerable to an uncertain and rapidly changing environment, by opening them to economic decisions made outside

the community and exportation of their assets as cheap commodities for value-added processing elsewhere. In various parts of the country, we have seen plant closings—shoe factories in West Virginia and Texas, textile factories in North Carolina—often dictated by foreign-owned (out-of-state or out-of-country) corporations, whose primary loyalty was to shareholders seeking higher returns. In many cases, the most expedient means of reaching this goal was to outsource these industries to cheaper labor markets and lower environmental and safety standards overseas.

By inventorying ("mapping") [8,a] and developing social, economic and physical assets, rural communities can create economic opportunities for all of their members, through public and private entrepreneurship [5]. Asset-building strategies can enable communities to overcome challenges that would otherwise thwart economic development efforts. Communities can mobilize social assets to restore physical assets and

build economic assets that contribute to community vibrancy and resiliency.

Reid and Flora have shown how Empowerment Zones and Enterprise Communities (EZ/EC) with high degrees of civic participation in the governance system can leverage other resources and more effectively achieve their objectives [9]. Research by the Rural Entrepreneurship Center, the National Commission on Entrepreneurship and the Kauffman Center for Entrepreneurship suggests rural entrepreneurship is greatly enhanced by the presence of social networks, technical and financial intermediary organizations ("entrepreneurial support organizations"), and clusters of economic activity [4]. Robert Putnam's research corroborates how social capital is a necessary condition for small communities to achieve economic vitality.

Social assets: Include the history and culture of a community, including heritage

sites (battle monuments), local folklore and ways of interacting (e.g., the “friendliness” of a community can be a powerful asset in organizing cooperative efforts). For example, a community that seeks to increase its tourism business can greatly benefit from a culture of cooperation and “friendliness”—and these cultural assets could be enhanced by hospitality training and heritage appreciation—thereby enhancing economic prosperity.

Physical assets: Include man-made and natural environments. Forests, riparian systems, flora and fauna, and soils are examples of natural physical assets, while roads, buildings, water and sewer lines, and playgrounds are part of the man-made environment. In the short term, physical assets are the key to community and human health; and in the long term, they may prove to be the hidden well for new wealth-creation, as our society becomes increasingly sophisticated about capturing and trading on the value of eco-system services.

Economic assets: Include the financial investments in the built environment, financial capital, and access to credit and wealth-producing activities in the community by local businesses and civic organizations. Economic assets also include the degree to which residents in the community engage in wealth-production through their choices of where to spend their consumer dollars—recycling financial capital through local purchases.

Banking Assets

With few exceptions, rural communities have been unable to bank their physical assets as economic assets—rather, their physical assets have been exploited—mined, timbered and grazed—with little recognition for their restorative value. This is beginning to change. Hudson Valley, N.Y, farmers are receiving substantial payments from New York City water drinkers for best practices in watershed stewardship in exchange for saving the city an estimated \$8 billion—the cost of not having to install a water filtration system. Costa Rica has been able to sell carbon credits to Japan and other countries in exchange for preserving nearly 13 percent of its land area in national parks. During the past decade, and projected for the future, rural communities rich in natural amenities such as lakes, streams and mountain vistas have enjoyed the fastest rate of rural employment growth [2]. These are a few emerging examples of how rural communities can manage their physical and social assets to achieve significant new wealth—not only for their own residents, but for their downstream partners. It also suggests that rural communities, long the poor cousins of their urban counterparts, have the potential to become the greatest source of wealth generation in this country in the next 20 years by better managing their community assets [1].

Some Promising Strategies

How can communities build on their asset base to increase community prosperity and foster greater community resilience? Several specific strategies emerge from this way of understanding communities.

“Strategies for enhancing and diversifying community assets are key to sustaining the resilience and wealth-creating capacity of our nation, and this capacity is greater if rural communities are not left behind.”

Perhaps the most available approach is also the most challenging: That is, to invest in social capital, as a means for developing economic and physical capital. This can be achieved by fostering volunteerism, increasing participation in democratic decision-making and developing partnerships among a diversity of community-based and other organizations. There is a significant role here for county Extension agents to reframe their roles from expert-technicians to facilitators and resources brokers for community-based initiatives. Opportunity exists, also, for land grant institutions to reframe their roles from researcher-driven to community-based research—a more market-driven approach to research and education, as suggested by a recent Kellogg Commission report [3] and also by NASULGC’s report on *A Vision for the 21st Century* [7].

A concrete example of this is given by the report, *Finding Food in Farm Country* [6], which details the flow of food dollars out of the community and suggests opportunities for local farmers and consumers to enhance wealth in their community by building local food systems. The report creates a virtual road map of where the entrepreneurial opportunities lie for investment in homegrown, value-added food processing, marketing and distribution in Southeast Minnesota. This import substitution strategy is one of many ways to harness the potential wealth-producing benefits of changing consumer-spending patterns at the individual and institutional levels.

Conclusion

Since Sept. 11, 2001, the bedrock assumptions held by civic, business and government leaders have shifted to a new awareness of the uncertain and dynamic environment we operate in. While safety and security are immediate concerns, and short-term readiness strategies must be developed quickly to respond to them, there is a growing realization that our rural communities can achieve significant wealth creation over the next 10 years through increased valuation of our natural assets, new and innovative public and private partnerships and growth of entrepreneurship to create jobs and enhance the stewardship of our social, physical and economic assets [1]. Strategies for enhancing and diversifying community assets are key to sustaining the resilience and wealth-creating capacity of our nation, and this capacity is greater if rural communities are not left behind. Asset-building strategies may offer the most effective approach for achieving the twin goals of homeland security and more sustainable and vibrant rural communities. ❖

Endnote

[a] The referenced publication is an award-winning presentation on how user-friendly computer technology can be used by communities to inventory community assets and strengthen participation in governance.

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Sustainable Community Innovation Grants Awarded

Eight Southern communities have been awarded grants totaling nearly \$60,000 to implement projects that link sustainable farm and non-farm economic development. The Sustainable Community Innovation grants were co-funded by the Southern Rural Development Center (SRDC) and the Southern Region Sustainable Agriculture Research and Education (SARE) program. Averaging about \$7,000 each, the projects range from establishing farmers' markets to creating awareness of tasty edamame soybeans.

In Georgia, the Carroll County Farmland and Rural Preservation Committee is introducing its traditional farm-based population to urban and suburban newcomers with a downtown farmers' market, which sells only locally grown produce. Carroll County leads Georgia in numbers of farms, while rating as one of the state's fastest growing counties. The market will provide incentive for farmers to maintain agricultural enterprises and will educate consumers about the importance of farming to the local economy.

Two grants were awarded in Virginia. Virginia Cooperative Extension and collaborators will be developing a strategy for agri-tourism in southwest Virginia. Prince William County will use its grant to repeat a successful farm tour that attracted 3,000 visitors to seven farms in 2001.

In the mountains of east Tennessee the Jubilee Project and Appalachian Spring Cooperative are fighting poverty with education. Using multimedia approaches, they will help launch a farmers' cooperative through crop-production assistance, business planning, value-added product development and marketing.

The Southeastern North Carolina Agri-Tourism Development Coalition will develop four trail maps that link agri-tourism businesses in a nine-county area. The trails will be used to market existing

businesses and stimulate additional agri-tourism development along the route.

Davies County Extension Service in Kentucky will educate growers and consumers about the tasty edamame soybean that has the potential to generate \$300 to \$1,800 per acre, according to conservative estimates by the University of Kentucky Department of Agricultural Economics.

In Okemah, OK, where farming usually means hundreds of acres of livestock or row crops, the average person does not own enough land to earn a living from farming. The Okemah Chamber of Commerce will use grant funds to produce an herb festival as a way to introduce a high-value, low-acreage crop to the area. A local correctional institution that has been looking for ways to use land designated for farming will use the project for inmate career training. Local 4-H and FFA students will also participate.

In Immokalee, FL, a living-wage label will be tested on blueberries harvested by workers who will make at least \$8.50 per hour. Harvest for Humanity is heading up the project, which will use researchers to survey whether consumers are willing to pay slightly more for farm products if the label singles out Harvest Blueberries as being grown in the United States and picked by workers paid a living wage.

Southern Region SARE and the SRDC will issue the 2003 Sustainable Community Innovation Grants call for proposal in September. A copy of the call can be obtained from the Southern SARE web site at <http://www.griffin.peachnet.edu/sare>; the SRDC web site at <http://srdc.msstate.edu>; by contacting Paige Patton, 770-412-4787 or ppatton@griffin.peachnet.edu, or by contacting Bonnie Teater, 662-325-3207 or bonniet@srdc.msstate.edu.

[HTTP://SRDC.MSSTATE.EDU](http://srdc.msstate.edu) FOR MORE INFORMATION



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Upcoming conferences...

September 2002

Sept. 23-27: *Community Development Institute.* The 2002 CDI program is designed to operate as a “train-the-trainer” workshop. It will introduce participants to a comprehensive community development curriculum they can take home to replicate to a broader audience within their states. The training will be held in Talladega, AL. For more information, contact Bonnie Teater at 662-325-3207 or bonniet@srcd.msstate.edu.

October 2002

Oct. 7-9: *Building Institutional Capacity.* The premiere national conference of the Rural Community College Alliance will be in Memphis, TN. For more information, contact Bonnie Teater at 662-325-3207 or bonniet@srcd.msstate.edu.

Oct. 16-18: *Rural Matters: Making Place and Culture Count.* This symposium by the Rural Policy Research Institute (RUPRI) will

meet in Nebraska City, NE. A call for papers has been made. For details on submission guidelines, go online at <http://www.rupri.org/ruralmatters/papers.htm#guidelines>. For more information, contact Sam Cordes, symposium coordinator, University of Nebraska-Lincoln, at 402-472-1772 or scordes1@unl.edu.

Oct. 28-30: *Business Retention and Expansion.* This course teaches participants how to lead a community business visitation program. It will be held in Biloxi, MS. For more information, contact Bonnie Teater at 662-325-3207 or bonniet@srcd.msstate.edu.

November 2002

Nov. 4-8: *Rural Health Institute.* This institute is designed to provide participants with an increased understanding of health systems, Extension's role in health, and tools and strategies for working with individuals, families and communities' health issues. It will be held in Talladega, AL.
