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**FACILITY CLOSURES AND DOWNSIZING IN THE RURAL MIDWEST:
A PRELIMINARY ASSESSMENT OF EXTENT AND EFFECTS**

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HIGHLIGHTS

Rural communities across the United States have been undergoing dramatic economic restructuring. As a result, many rural communities are struggling to recover from the closure or downsizing of manufacturing facilities and to implement economic development programs. The goal of this study was to gain new insights into community, organizational, and economic factors that underlie effective rural community response to economic distress. The study covers communities with populations between 500 and 10,000 in the states of Illinois, Iowa, Minnesota, Missouri, North Dakota, and South Dakota.

Data come from a survey of local government officials of all towns in the six states with populations between 500 and 10,000. Surveys were mailed to 2,118 towns during the summer of 1993, of which 1,396 useable questionnaires were returned, for an overall response rate of almost 66 percent. Among the towns that responded, 16.3 percent reported closures or downsizing affecting 25 workers or more during the 1989 to 1992 period. Retail stores were the business type that were most often reported as being closed, followed by manufacturers. The number of jobs lost per establishment was greatest in the manufacturing sector.

When the community representatives were asked about the effect of the plant closing(s) on displaced workers, their responses indicated that about 38 percent of the displaced workers either remained unemployed or underemployed (11%), took lower paying jobs (14.5%), or retired early (13%). Further, about 24 percent of the workers were forced to leave the community to find work. Only 31 percent of the workers reportedly stayed in the community and obtained comparable replacement jobs.

Of the towns with closures or downsizing, 46 percent evaluated the overall impacts on the community as "serious" or "severe", while 48 percent of the communities reported "serious" or "severe" economic effects.

The communities utilized a wide variety of economic development strategies to adapt to business downturns and to foster business and economic growth. A major objective of the next phase of this research will be to investigate the degree to which various communities have been able to overcome their economic problems and establish stable or growing economies whereas others have had less success in sustaining their economies at pre-closure levels.

Facility Closures and Downsizing in the Rural Midwest: A Preliminary Assessment of Extent and Effects

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Rural communities across the United States have been undergoing dramatic economic restructuring. The wrenching changes occurring in many small towns have left a legacy of dwindling economic opportunities, shrinking and fragmenting communities, and a rural labor force held hostage by global economic forces that few fully understand. One of the central features of this restructuring has been substantial instability in the manufacturing sector. While manufacturing is the only sector in which employment grew faster in nonmetropolitan areas than in metro areas between 1970 and 1988, changes in manufacturing employment also have constituted a disproportionate share of the year-to-year fluctuations in total nonmetro employment (Bernat 1992). The instability in nonurban industry resulted in 2.5 million rural displaced workers between 1981 and 1986, and led to an overall decline in the number of nonmetropolitan manufacturing employees during the 1980s (Swaim 1990). Economic hardships for nonurban communities have abated but little during the early 1990s (Knapp 1995). As a result, many rural communities are struggling to recover from the closure or downsizing of manufacturing facilities and to implement economic development programs (Barkley 1993, Leistritz and Hamm 1994).

The problem of community response to manufacturing closures is particularly significant because, over the past 30 or 40 years, manufacturing has assumed an increasingly prominent role in the rural economy. The "industrial invasion" of rural America that occurred during the 1960s and 1970s resulted in the creation of nearly two million new manufacturing jobs in nonmetro areas (Summers et al. 1976). During the same period, technological changes, mechanization, and consolidation of farm operations led to a continuing decline in the number of farm operators and agricultural workers. As a result, manufacturing came to employ more than twice as many rural workers as agriculture, nationwide, and more nonmetro counties became "manufacturing dependent" than "farming dependent" (McGranahan 1991). A similar pattern of increasing rural community economic dependence on manufacturing has also occurred in the North Central region.

Community adjustment problems have not been limited to those associated with changes in the manufacturing sector. Economic pressures on the agricultural sector during the 1980s led to a variety of impacts on rural communities, their public services, and their retail sectors (Lasley et al. 1994, Murdock and Leistritz 1988). Adverse economic trends in the mining sector (particularly petroleum exploration and extraction) necessitated adjustments in communities for which these activities were a major employer. In addition, retail and service sector activities in rural communities have faced pressures related to changes in transportation, communications, and economies of size (Ayres et al. 1992, Barkley 1993). As a result, rural retailers have felt increased competition from urban malls, and rural hospitals have been confronted with a need for realignment of services or possible termination of operations.

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With the trends of farm mechanization and consolidation likely to continue, the viability of small towns and rural areas increasingly will depend on a mixture of farming and nonagricultural employment opportunities. The long-term future of many small towns will rest heavily on the ability of rural leaders to create and sustain entrepreneurial activities aimed at expanding the manufacturing and exportable services sectors (Flora et al. 1991). Rural officials need to better understand the effects of industrial decline on local quality of life conditions. They also need more thorough knowledge of the community, organizational, and economic factors that influence the effectiveness of economic recovery and development strategies. This paper represents an initial step in providing that knowledge.

Objectives and Approach

The goal of this study was to gain new insights into community, organizational, and economic factors that underlie effective rural response to economic distress. The study covers communities with populations between 500 and 10,000 in the states of Illinois, Iowa, Minnesota, Missouri, North Dakota, and South Dakota.

The study was organized into two major phases. Phase One was a survey mailed to government officials of all towns in the six states with populations between 500 and 10,000 (more than 2,100 towns). The second phase of the research will focus on the communities that experienced an economic shock in order to identify both communities that implemented effective recovery and development strategies and those that did not. This report summarizes results of the Phase One survey.

Findings

The findings of the initial survey are summarized in this section. First, the survey response rate and selected attributes of the towns that responded are discussed. Then, the communities' experiences with facility closures and downsizing are described. Finally, the towns' economic development organizations and activities are examined.

Survey Respondents

Surveys were mailed to 2,118 towns in the six states during the summer of 1993, of which 1,396 useable questionnaires were received, for an overall response rate of 65.9 percent (Table 1). The response rate ranged from about 55 percent in Illinois to more than 80 percent in both Iowa and North Dakota. The distributional pattern of community populations of the responding communities parallel the general distributions for communities in these states. Thus, it was concluded that self-selection bias was not an inherent problem and that the sample respondents were representative of the population. Among the towns that responded, 227 communities or 16.3 percent reported closures or downsizing affecting 25 workers or more during the 1989 through 1992 study period. The percentage of towns with a closure or downsizing ranged from 24.5 percent in Missouri to 6.6 percent in North Dakota (Table 1).

Table 1. Survey Response Rates by State and Number of Communities Reporting Closure or Downsizing

State	Number Surveyed	Useable Responses	Percent Response	Communities with Closure and/or Downsizing	
				Number	% of Responses
Illinois	709	389	54.9	78	20.2
Iowa	469	378	80.6	32	8.5
Minnesota	326	196	60.1	38	19.4
Missouri	420	282	67.1	69	24.5
North Dakota	94	76	80.9	5	6.6
South Dakota	100	75	75.0	5	6.8
Total	2,118	1,396	65.9	227	16.3

Selected characteristics of the survey communities are summarized in Table 2. Population of the responding towns averaged 2,290 in 1990. The 495 smallest towns, with populations between 500 and 999 persons, constituted 35.6 percent of the sample. The 488 communities with between 1,000 and 2,499 residents accounted for 35.1 percent of those which responded to the survey. Thus, over 70 percent of towns in the sample have populations below 2,500 people. The 238 towns whose population numbered between 2,500 and 4,999 persons totaled 17.1 percent of responding locales, while the largest communities analyzed, with a population between 5,000 and 10,000 people constituted the remaining 12.3 percent of the sample.

The distance to a city of 10,000 or more averaged 28 miles. Forty-one percent of towns were located less than 20 miles from a city of over 10,000 population, while 42 percent were between 20 and 49 miles from a city of that size. The remaining 17 percent were more isolated, being more than 50 miles from a city with more than 10,000 residents.

Both of these attributes showed substantial variation among the six states. Average town population ranged from 2,768 in Illinois and 2,572 in Missouri to 1,465 in North Dakota. Similarly, distance to a city of 10,000 or more ranged from 16 miles in Illinois to 56 miles in North Dakota. Taken as a group, the study communities appear to be representative of rural communities in the Corn Belt and Northern Plains regions.

The surveys were most often completed by the city clerk (44 percent) or by the mayor (25 percent) (Table 2). The city clerk was by far the most likely to complete the survey in towns of less than 1,000 (59.9 percent of respondents), as well as in towns of 1,000 to 2,499 (45.7 percent). In towns over 5,000 the surveys were most frequently completed by a city administrator (26 percent) or the mayor (19 percent), and these two officials were also the most frequent respondents in towns of 2,500 to 4,999.

Table 2. Selected Characteristics of Communities Responding to Survey, by State

Characteristics	STATE						Total
	Illinois	Iowa	Minnesota	Missouri	N. Dakota	S. Dakota	
Population (1990):							
Mean (no.)	2768.2	1922.3	2216.9	2572.5	1464.7	1691.8	2290.2
Distribution by Town Size (%):							
500 to 999	26.7	41.7	37.7	30.4	51.9	48.0	35.6
1,000 to 2,499	33.3	35.9	34.7	35.1	37.7	36.0	35.1
2,500 to 4,999	22.5	13.2	15.5	20.5	6.5	10.7	17.1
5,000 to 10,000	17.5	9.8	12.1	13.4	3.9	5.3	12.3
Distance to City of 10,000 or More:							
Mean (Miles)	16.2	31.7	31.2	26.1	56.0	43.5	28.4
Distribution by Miles from City (%):							
Less than 20	62.7	32.7	37.4	40.1	9.1	20.5	40.9
20 to 34	27.9	26.7	27.8	32.3	16.9	20.6	27.4
35 to 49	6.4	19.3	13.1	14.0	20.8	24.7	14.3
50 to 99	3.0	20.8	20.2	12.9	41.5	27.4	15.9
100 or more	0.0	0.5	1.5	0.7	11.7	6.8	1.5
Position of Respondent (%):							
City Clerk	NA	64.7	47.4	35.0	4.0	1.3	43.6
Mayor	NA	14.8	11.9	35.7	46.1	53.3	25.4
City Administrator	NA	11.9	23.2	13.0	1.3	0.0	12.7
Development Director	NA	2.4	8.8	6.1	6.6	2.7	5.0
Other	NA	6.2	8.7	10.2	42.0	42.7	13.3

NA -- Data Not Available

Facility Closure and Downsizing

Of the communities that responded to the survey, about 10 percent reported that an employer of 25 or more workers had closed in their community during the period 1989 through 1992, while almost 4 percent reported that a facility had downsized by 25 workers or more and nearly 3 percent indicated that they had experienced both a closure and a downsizing (Table 3). Two factors should be considered when interpreting these data. First, some communities

obviously had more than one closure or downsizing during the study period. Second, the arbitrary threshold of 25 employees chosen by the study team likely affected the results because small communities would have proportionately fewer employers of this scale.

Table 3. Communities' Experience With Plant Closures and/or Downsizing, 1989 to 1992, by State

Closure Experience	STATE						Total
	Illinois	Iowa	Minnesota	Missouri	N. Dakota	S. Dakota	
Has Community Had a Closure or Downsizing:	-----Percent-----						
Closure of Employer of 25 or More	12.0	4.9	11.6	16.0	6.9	5.3	10.2
Downsizing by at Least 25	6.0	2.2	3.5	5.7	0.0	1.3	3.9
Both	4.3	1.6	4.0	2.9	0.0	0.0	2.8
None	77.8	91.3	80.8	75.4	93.1	93.3	83.1
Closures by Type of Business:	-----Number of Establishments-----						
Retail Stores	80	47	35	41	13	14	231
Light Manufacturing	36	19	28	44	3	5	135
Heavy Manufacturing	12	10	9	16	0	2	49
Banks	6	3	1	7	1	2	20
Hospitals/Nursing Homes	3	1	4	2	1	1	12
Other	40	16	14	12	4	6	92
Full-Time Jobs Lost in Closures, Average by Business Type:	-----Number of Jobs Per Establishment-----						
Retail	14.5	12.7	12.7	23.8	11.9	5.4	14.6
Light Manufacturing	170.4	44.8	54.7	167.0	19.3	36.8	113.2
Heavy Manufacturing	154.0	137.3	93.9	241.6	0.0	162.5	169.6
Banks	8.5	14.3	3.0	33.8	14.0	4.0	15.8
Hospital/Nursing Home	30.0	46.0	26.3	155.0	200.0	20.0	71.1
Other	94.1	91.4	49.7	97.7	41.3	9.0	78.4
Number of Closed Businesses That Were:	-----Number-----						
Locally Owned	216	128	117	130	42	41	674
Branches	112	32	37	61	14	7	263

Retail stores were the business type that were most often reported as being closed (231 stores), followed by manufacturers (184 plants)(Table 3). The number of jobs lost per establishment was greatest in the manufacturing sector, 113 jobs for light industry and 170 for heavy manufacturing. Hospital and nursing home closures resulted in 71 jobs lost per establishment (12 closed), and "other" businesses (92 closings) averaged 78 employees displaced.

Among the businesses that had closed, locally owned establishments outnumbered branches by about 2.6 to 1 (Table 3). However, the questionnaire design did not allow us to determine how the *rate* of closures compared for these two types of businesses.

The communities' experiences with facility closures and/or downsizing are examined by town size category in Table 4. Among towns with populations of 5,000 or more in 1990, nearly 40 percent reported closures and/or downsizing, while about 30 percent of towns between 2,500 and 4,999 reported closures/downsizing. This fell to only 5.5 percent for towns of less than 1,000; but it is important to remember that only closures/downsizing that affected 25 or more employees were included. Smaller communities are less likely to have employers of this size. On the other hand, one or more closures/downsizing of establishments with less than 25 workers could have as much or more impact on the employment base of a small town than would a closure/downsizing of 25 or more in a larger community.

Table 4. Communities' Experience With Plant Closures and/or Downsizing, 1989 to 1992, by Town Size

Closure Experience	TOWN SIZE GROUP				Total
	Less Than 1,000	1,000 to 2,499	2,500 to 4,999	5,000 or More	
Has Community Had a Closure or Downsizing:	----- Percent -----				
Closure of Employer of 25 or More	3.6	9.4	15.0	24.4	10.2
Downsizing by at Least 25	1.1	2.8	8.2	9.2	3.9
Both	0.9	1.5	6.9	6.1	2.8
None	94.5	86.4	70.0	60.4	83.2
Closures by Type of Business:	----- Number of Establishments -----				
Retail Stores	53	63	69	45	230
Light Manufacturing	21	34	42	37	134
Heavy Manufacturing	7	8	16	17	48
Banks	3	5	9	3	20
Hospitals/Nursing Home	3	4	4	1	12
Other	29	36	14	13	92
Total	116	150	154	116	536

The frequencies with which different business types were reported varied somewhat by community size (Table 4). Retail stores were the most numerous business type reported by the smaller communities (46 percent of all closures for towns of less than 1,000 and 42 percent for towns of 1,000 to 2,499 compared to 24 percent and 28 percent for manufacturing, respectively). On the other hand, manufacturing (heavy and light combined) accounted for 47 percent of closures in communities of 5,000 to 10,000, compared to 39 percent for retail stores.

When asked about the main reason given for the plant closure(s), *competition from international businesses* (12 percent), *shifts in location of markets* (11 percent), and *retirement of owners* (11 percent) were the reasons most often cited (Table 5). A number of problems were identified by 5 to 10 percent of respondents, including *cheaper wages elsewhere* (9.5 percent), *decline in business* (7.2 percent), *desire to move/relocate* (6.9 percent), *outmoded plant/equipment* (6.6 percent), and *financing problems* (6.6 percent).

Table 5 . Main Reason Given for Plant Closure, by State

Reason	STATE						Total
	Illinois	Iowa	Minnesota	Missouri	N. Dakota	S. Dakota	
	----- Percent -----						
Competition from international businesses	7.1	7.6	9.3	22.5	0.0	13.3	11.8
Shifts in location of markets	11.2	10.6	11.1	8.2	35.3	6.7	11.2
Retirement of owners	13.3	15.2	1.9	11.2	0.0	20.0	10.9
Cheaper wages elsewhere	10.2	7.6	5.6	13.3	5.9	6.7	9.5
Decline in business	0.0	15.2	11.1	5.1	17.7	6.7	7.2
Desire to move	0.0	9.1	11.1	12.2	0.0	0.0	6.9
Outmoded plant/equipment	7.1	9.1	7.4	4.1	0.0	13.3	6.6
Financing problems	0.0	10.6	18.5	5.1	0.0	6.7	6.6
No room for expansion	9.2	0.0	3.7	4.1	0.0	6.7	4.6
Other	41.9	15.0	20.3	14.2	41.1	19.9	24.7

When the reasons for plant closure were examined by town size, *retirement of owners* (19.7 percent) was substantially the most frequently cited by respondents from towns of less than 1,000 population (Table 6). On the other hand, *cheaper wages elsewhere* (12.9 percent) was the reason most frequently cited by respondents from towns of 5,000 or more.

Table 6. Main Reason Given for Plant Closure, by Town Size

Reason	TOWN SIZE GROUP				Total
	Less Than 1,000	1,000 to 2,499	2,500 to 4,999	5,000 or More	
	----- Percent -----				
Competition from international businesses	10.5	14.8	8.6	11.4	11.5
Shifts in location of markets	9.2	13.0	14.0	7.0	11.2
Retirement of owners	19.7	8.3	10.8	5.7	11.0
Cheaper wages elsewhere	2.6	11.1	10.8	12.9	9.5
Decline in business	5.3	9.3	7.5	5.7	7.2
Desire to move	9.2	2.8	7.5	10.0	6.9
Outmoded plant/equipment	2.6	7.4	6.4	10.0	6.6
Financing problems	4.0	9.3	4.3	8.6	6.6
No room for expansion	2.6	5.6	4.3	5.7	4.6
Other	34.3	18.4	25.8	22.9	24.9

Responding to the question "What strategies did your community adopt when the plant or store announced its closing?", the community representatives most often indicated *meeting with the owners/managers to determine difficulty*. Of the respondents, 138 of 163 respondents (85 percent) mentioned using this strategy in cases of plant closings while 78 of 95 respondents (82 percent) indicated that it had been used for store closings (Table 7). The two strategies reported with the next highest frequencies were *working with the state development agency on incentives to stay open* and *providing local incentives to stay open*. Incentives offered through the state development agency were reported more frequently in connection with plant closings while local incentives were more likely to be offered to prevent store closings. In general, the communities reported more extensive efforts to retain plants than to keep stores.

Table 7. Strategies Adopted When Employer Announced Closing

Strategies	STATE						Total
	Illinois	Iowa	Minnesota	Missouri	N. Dakota	S. Dakota	
Plant Closings Strategy:	----- Number -----						
met with owners/managers to determine difficulty	27	21	36	45	4	5	138
worked with state development agency on incentives	11	8	16	27	0	2	64
provided local incentives to business	9	6	17	7	1	1	41
offered property tax relief	9	1	0	2	0	2	14
offered low cost loans	10	3	10	6	0	0	29
offered retraining funds	5	3	4	4	0	0	16
offered city services (eg, sewer, water) at reduced cost	6	2	3	2	0	0	13
Number of Respondents (plant closings):	44	28	37	48	4	7	163
Store Closings Strategy:							
met with owner/managers to determine difficulty	26	15	12	14	6	5	78
worked with state development agency on incentives	5	2	2	1	0	2	12
provided local incentives to business	5	3	4	2	2	0	16
offered property tax relief	1	1	0	0	1	0	3
offered low cost loans	2	1	2	0	1	0	6
offered retraining funds	1	1	1	0	1	0	4
offered city services (eg, sewer, water) at reduced cost	6	1	1	0	2	0	10
Number of Respondents (store closings):	38	15	14	15	6	7	95

When asked what had been the major obstacle to retaining the business, the respondents most frequently cited the unwillingness of the owners/managers to meet with local officials (Table 8). The second leading problem was that no local leaders emerged to work with the company. These results were quite consistent across the six states; however, the "Other" category of responses was the largest one in each state. When the responses in this category were analyzed, many represented situations where the reasons for closure were not known to the respondent. In a number of cases, the company had not provided a justification for its action. The *other* category also included a number of cases where the business was simply seen as no longer viable, at least not in its present location.

Table 8. Main Obstacle to Retaining Businesses, by State

Obstacles	STATE						Total
	Illinois	Iowa	Minnesota	Missouri	N. Dakota	S. Dakota	
	----- Number -----						
Owners/managers unwilling to meet with local officials	13	12	7	13	3	4	52
No local leaders emerged to work with the company	9	5	4	4	0	1	23
Workers resisted needed wage/benefit reductions	1	0	0	5	0	0	6
Local tax relief could not be offered	3	1	2	6	0	1	13
Local utility company would not agree to reduced rates	1	0	0	1	0	0	2
Cost of city services could not be covered	2	0	1	0	0	0	3
Other	42	20	19	30	8	7	126

When the community representatives were asked "*What was the main effect of the plant closing(s) on displaced workers?*", the most common response (30.5 percent) was that they found comparable jobs in the community (Table 9). However, 38.2 percent of displaced workers either were unemployed or underemployed (10.7 percent), took lower-paying replacement jobs in the community (14.5 percent) or retired early (13.0 percent). Further, 23.6 percent of workers were forced to leave the community for jobs elsewhere (14.1 percent), or transferred to a branch of their former employing company (9.5 percent). The responses to this question illustrate the variety of effects that closures can have on the displaced workers.

Table 9. Main Effects of Plant Closing on Displaced Workers, by State

Main Effects	STATE						Total
	Illinois	Iowa	Minnesota	Missouri	N. Dakota	S. Dakota	
	-----Percent-----						
Retired early and stayed in community	14.3	10.6	4.4	20.3	0.0	21.4	13.0
Found comparable jobs in community	13.1	42.6	37.0	32.2	58.3	42.9	30.5
Took lower paying jobs in community	16.7	17.0	15.2	10.2	8.3	14.3	14.5
Are unemployed or have temporary work	16.7	8.5	4.4	11.9	8.3	0.0	10.7
Left community for jobs elsewhere	10.7	17.0	19.6	13.6	16.7	7.1	14.1
Moved or transferred to branch of former business	10.7	4.3	13.0	8.5	8.3	14.3	9.5
Commute to other communities	17.9	0.0	6.5	3.4	0.0	0.0	7.6

The effects of plant closings on displaced workers are presented by city size category in Table 10. While the responses were generally similar among size groups, a few differences can be noted. The percentage of respondents who said that workers found comparable jobs in the community was substantially higher in towns of 5,000 and over, compared to smaller communities. On the other hand, respondents in towns under 5,000 were more likely to report that most workers had retired early or were largely unemployed or in temporary jobs. The smallest towns (less than 1,000) were most likely to report that the workers had left the community for other jobs or transferred to another branch of the company.

Table 10. Main Effects of Plant Closing on Displaced Workers, by Town Size

Main Effects	TOWN SIZE GROUP				Total
	Less than 1,000	1,000 to 2,499	2,500 to 4,999	5,000 or more	
	----- Percent -----				
Retired early and stayed in community	12.1	15.9	13.9	9.1	13.0
Found comparable jobs in community	29.3	26.1	26.6	43.6	30.6
Took lower paying jobs in community	10.3	13.0	17.7	14.6	14.2
Are unemployed or have temporary work	6.9	17.4	11.4	5.4	10.7
Left community for jobs elsewhere	20.7	10.1	15.2	10.9	14.2
Moved or transferred to branch of former business	12.1	11.6	7.6	7.3	9.6
Commute to other communities	8.6	5.8	7.6	9.1	7.7

Respondents were asked to evaluate the effects of plant closings on their communities in terms of *overall* effects and *economic* effects (Table 11). Both effects were rated on a scale of 1 to 5, minimal through severe. The average scores for *overall* effects ranged from 3.0, or moderate (North Dakota) to 3.7, or serious (Illinois and Minnesota). For the six-state sample as a whole, 38 percent of towns reported "moderate" overall community impacts. Forty-six percent noted either "serious" (20 percent) or "severe" (26 percent) consequences. Just 16 percent of towns reported "slight" (12 percent) or "minimal" (4 percent) overall community impacts.

Scores for *economic* effects ranged from 2.9 (North Dakota) to 2.3 (Minnesota). Again, the most common response (36 percent) was that towns encountered "moderate" economic impacts from closings/downsizings. However, 48 percent suffered either "serious" (23 percent) or "severe" (25 percent) community economic declines. Sixteen percent of towns reported either "slight" (12 percent) or "minimal" (4 percent) negative economic ripple effects.

Table 11. Effects of Plant Closing(s) on Community, by State

Effects on Community	STATE						Total
	Illinois	Iowa	Minnesota	Missouri	N. Dakota	S. Dakota	
-----Percent-----							
Overall:							
Severe	32.0	29.1	26.9	21.3	6.3	22.2	26.2
Serious	21.7	12.7	30.8	14.7	12.5	33.3	20.1
Moderate	32.0	40.0	28.9	48.0	62.5	27.8	38.0
Slight	10.3	16.4	11.5	10.7	12.5	5.6	11.5
Minimal	4.1	1.8	1.9	5.3	6.3	11.1	4.2
Mean Score ^a	3.68	3.51	3.69	3.36	3.00	3.50	3.53
Economic:							
Severe	30.6	27.6	25.9	20.0	6.3	16.7	24.8
Serious	17.6	25.9	33.3	20.0	18.8	33.3	23.2
Moderate	38.8	31.0	25.9	40.0	56.3	38.9	36.4
Slight	8.2	13.8	14.8	14.7	18.8	5.6	12.2
Minimal	5.1	1.7	0.0	5.3	0.0	5.6	3.5
Mean Score ^a	3.61	3.64	3.69	3.35	3.13	3.50	3.52

^aBased on scores of 5 for "severe" through 1 for "minimal" effects.

When the ratings of effects of plant closings were compared by town size groups, there were few systematic differences (Table 12).

Table 12. Effects of Plant Closing(s) on Community by Town Size

Effects on Community	TOWN SIZE GROUP				Total
	Less Than 1,000	1,000 to 2,499	2,500 to 4,999	5,000 or More	
----- Percent -----					
Overall:					
Severe	29.4	23.9	26.2	26.5	26.3
Serious	13.2	19.6	22.6	25.0	20.2
Moderate	42.7	38.0	34.5	38.2	38.1
Slight	11.8	12.0	14.3	7.4	11.5
Minimal	2.9	6.5	2.4	2.9	3.9
Mean Score ^a	3.54	3.42	3.56	3.65	3.54
Economic:					
Severe	27.1	24.5	25.6	22.1	24.8
Serious	22.9	22.3	18.6	30.9	23.3
Moderate	32.9	36.2	38.4	38.2	36.5
Slight	15.7	11.7	15.1	5.9	12.3
Minimal	1.4	5.3	2.3	2.9	3.1
Mean Score ^a	3.59	3.49	3.50	3.63	3.54

^aBased on scores of 5 for "severe" through 1 for "minimal" effects.

Economic Development Organizations and Activities

Several questions explored the communities' economic development organizations and programs. About 28 percent of the respondents indicated that their community has a separate budget for economic development (Table 13). The states differed substantially in this regard with only 16 percent of the Illinois towns reporting a separate budget for economic development while 51 percent of Minnesota towns had separate budgets. The larger communities were

Table 13. Economic Development Infrastructure of Communities Responding to Survey, by State

Infrastructure	STATE						Total
	Illinois	Iowa	Minnesota	Missouri	N. Dakota	S. Dakota	
Community Has Separate Budget for Economic Development (%):	16.3	27.9	51.0	22.1	37.3	46.6	28.3
FY 1993 Budget for Economic Development:							
Mean (\$)	48,902	21,584	36,547	40,641	75,019	26,187	36,833
Range (\$)	500 to 500,000	300 to 247,940	1,000 to 200,000	1,000 to 175,000	1,200 to 625,	500 to 108,000	300 to 625,000
Community Has a Full-Time Economic Development Director (%):	6.5	9.3	19.4	13.5	17.1	9.5	11.2
Annual Salary of Economic Development Director:							
Mean (\$)	29,542	29,057	30,139	29,059	25,883	20,071	28,743
Range (\$)	10,000 to 48,000	9,600 to 46,000	13,000 to 46,000	17,500 to 50,000	10,000 to 40,000	15,000 to 35,000	9,600 to 50,000
Entity With Primary Responsibility for Economic Development (%):							
Mayor	48.8	17.2	15.4	34.6	11.7	10.0	28.4
Independent Economic Development Commission	10.3	38.3	39.5	14.8	48.1	52.9	27.2
Chamber of Commerce	8.0	10.6	4.7	14.8	5.2	12.9	9.8
Regional Planning Commission or COG	5.1	4.7	7.4	5.9	11.7	0.0	5.6
Community Development Association	12.6	14.7	17.7	8.3	14.3	21.4	13.5
Other ^a	15.2	14.5	15.3	21.6	9.0	2.8	15.5
Groups that are Most Active in Economic Development (%):							
City Government Officials	39.9	32.6	34.4	34.9	30.1	31.7	34.8
Banks or Financial Institutions	11.4	15.9	16.8	12.9	16.0	14.1	14.3
Private Retail Business Leaders	13.6	13.6	15.3	12.7	16.4	18.6	14.2
Regional Planning Commission	9.3	6.8	6.4	9.4	10.1	7.5	8.1
Community Development Association	0.0	7.0	4.4	4.2	5.5	11.6	4.6
County Government Officials	9.9	4.0	5.2	6.8	3.2	2.0	6.0
Realtors	7.0	5.1	3.7	6.0	0.9	2.5	5.1
Private Manufacturing Business Leaders	3.3	4.5	4.4	3.1	1.8	4.5	3.8
Representatives of Utilities	4.1	5.8	2.9	5.6	14.6	3.0	5.1
Other ^b	1.5	4.7	6.5	4.4	1.4	4.5	4.0

^a Included city council, county economic development organizations, and public utility representatives.

^b Included Chamber of Commerce, county economic development organization, Cooperative Extension Service, and private citizens.

substantially more likely to report separate budgets for economic development. While only 13 percent of towns with less than 1,000 population reported separate budgets, more than 54 percent of those with 5,000 or more had separate budgets (Table 14).

Among the communities that had separate budgets, the average FY 1993 budget was about \$36,800 (Table 13). Among the states, the average varied from \$21,584 (Iowa) to \$75,019 (North Dakota). Larger cities tended to have larger economic development budgets. For towns of under 1,000, the average FY 1993 budget was \$16,245, but for towns of 5,000 and over, the average was \$56,913 (Table 14).

About 11 percent of the communities had a full-time economic development director, ranging from 6.5 percent in Illinois to 19.4 percent in Minnesota (Table 13). Larger towns were more likely to have a full-time economic development director. While only 1 percent of the towns under 1,000 had a full-time economic development director, more than 36 percent of towns over 5,000 had one (Table 14).

The average annual salary of economic development directors was about \$28,740 (Table 13), ranging from \$9,600 to \$50,000. Among the states, the average salary ranged from \$20,071 in South Dakota to \$30,139 in Minnesota. Average salaries increased somewhat with town size, from \$24,000 for towns of less than 1,000 to \$34,215 for towns of 5,000 and over (Table 14).

In response to the question "*Who has primary responsibility for economic development in your city?*", the most common answers were the mayor (28 percent), an independent economic development commission (27 percent), or a community development association (13.5 percent) (Table 13). Economic development commissions were more likely to have primary responsibility in larger cities while community development associations were more commonly identified as the primary entity in smaller towns (Table 14).

When respondents were asked to identify the groups that are most active in economic development, they most often identified city government officials (35 percent), banks or financial institutions (14 percent), and private retail business leaders (14 percent)(Table 13).

Table 14. Economic Development Infrastructure of Communities, by Town Size

Infrastructure	TOWN SIZE GROUP				Total
	Less than 1,000	1,000 to 2,499	2,500 to 4,999	5,000 or More	
Community Has Separate Budget for Economic Development (%):	13.4	27.4	42.7	54.1	28.3
FY 1993 Budget for Economic Development:					
Mean (\$)	16,245	30,725	40,275	56,913	36,833
Community Has a Full-Time Economic Development Director (%):	1.0	8.8	19.8	36.1	11.3
Annual Salary of Economic Development Director:					
Mean (\$)	24,000	23,138	27,149	34,215	28,743
Entity With Primary Responsibility for Economic Development (%):					
Mayor	29.9	27.0	27.3	29.9	28.4
Independent Economic Development Commission	19.4	30.2	32.5	33.7	27.3
Chamber of Commerce	5.8	9.9	16.1	12.0	9.8
Regional Planning Commission or COG	9.1	4.8	2.0	2.7	5.6
Community Development Association	16.1	14.3	9.2	10.3	13.6
Other ^a	19.7	13.8	12.9	11.4	15.3
Groups that are Most Active in Economic Development (%):					
City Government Officials	34.4	35.4	34.4	34.7	34.8
Banks or Financial Institutions	14.7	13.6	13.3	16.7	14.3
Private Retail Business Leaders	15.5	15.6	12.3	10.0	14.2
Regional Planning Commission	8.7	8.2	8.3	6.0	8.1
Community Development Association	5.9	4.4	3.1	3.9	4.6
County Government Officials	6.3	5.1	7.1	5.6	5.9
Realtors	3.5	5.2	6.0	7.2	5.0
Private Manufacturing Business Leaders	2.7	4.0	3.4	6.3	3.8
Representatives of Utilities	4.6	3.9	7.5	5.8	5.0
Other ^b	3.7	4.6	4.6	3.8	4.3

a Included city council, county economic development organizations and public utility representatives.

b Included Chamber of Commerce, county economic development organizations, Cooperative Extension Service, and private citizens.

Community representatives also reported on the programs that were available for new businesses in their town (Table 15). Among the programs mentioned most frequently were *Jobs Training Partnership Act (JTPA)* programs, *tax increment financing districts*, *local property tax abatements*, *industrial parks*, and *low-cost (subsidized) loans*, all of which were available in more than 25 percent of the communities. Availability of specific programs varied greatly among states. For example, *tax increment financing districts* were quite common in Minnesota and Iowa but much less so in other states. *Low-cost (subsidized) loans* were mentioned by a majority of respondents in Minnesota and more than 40 percent in both North and South Dakota, but by less than 20 percent in Illinois and Missouri. *Enterprise zone programs* were available in 29 percent of the Missouri communities but not in any of the North and South Dakota communities.

Table 15. Availability of Programs for New Business or Industry, by State

Program	STATE							Total
	Illinois	Iowa	Minnesota	Missouri	N. Dakota	S. Dakota		
	----- Percent -----							
Jobs Training Partnership Act	31.1	52.8	37.2	48.0	42.1	33.3	40.9	
Enterprise Zone	15.9	2.5	7.0	29.1	0.0	0.0	11.9	
Tax Increment Financing District	14.7	56.0	75.0	13.8	12.5	19.1	33.5	
Low-cost (Subsidized) Loans	18.5	23.9	58.1	17.7	48.4	44.4	28.5	
Industrial Park with Land Price Write-Downs	15.4	31.3	49.2	31.5	37.5	42.9	29.7	
Business Incubator	2.8	9.5	12.2	4.9	9.4	4.8	6.6	
Small Business Development Center	6.7	10.6	18.0	6.9	1.6	7.9	9.1	
City Services (water, sewer, etc) at Reduced Cost	17.2	24.7	27.9	26.1	45.3	31.8	24.4	
Local Property Tax Abatements	19.5	59.2	5.2	17.7	78.1	60.3	32.1	
Community Leadership Programs	5.9	20.5	19.8	16.3	20.3	11.1	14.3	
Other	8.2	1.6	1.0	2.8	6.5	10.7	4.4	

Most of the programs were much more likely to be available in the larger communities (Table 16). For example, *industrial parks* were available in 55 percent of the towns of 5,000 or more, compared to 14 percent of the towns with fewer than 1,000 residents. Similarly, *enterprise zones* were available in 24 percent of the towns with populations over 5,000 but only 4 percent of those under 1,000. The only real exceptions to this pattern were *city services at reduced cost* and *local property tax abatements*.

Table 16. Availability of Programs for New Business or Industry, by City Size Group

Program	CITY SIZE GROUP				Total
	Less Than 1,000	1,000 to 2,499	2,500 to 4,999	5,000 or More	
	-----Percent-----				
Jobs Training Partnership Act	28.4	37.4	54.6	58.7	41.1
Enterprise Zone	4.0	8.6	22.0	24.0	12.0
Tax Increment Financing District	20.7	31.1	43.6	53.3	33.6
Low-cost (subsidized) Loans	17.3	26.8	38.3	44.3	28.7
Industrial Park With Land Price Write-downs	14.2	27.8	39.2	55.1	29.8
Business Incubator	4.8	6.7	7.5	9.6	6.7
Small Business Development Center	4.3	5.2	13.7	22.8	9.1
City Services (water, sewer, etc.) at Reduced Cost	23.0	23.5	25.6	27.5	24.3
Local Property Tax Abatements	24.4	30.2	42.3	39.5	32.1
Community Leadership Programs	9.1	13.3	13.2	29.3	14.3
Other	2.8	2.4	2.6	1.8	2.5

Business recruitment programs were reported by almost half of the communities, ranging from almost 55 percent in Minnesota to 42 percent in Illinois (Table 17). Programs to contact existing businesses regarding plans for expansion or contraction were reported by somewhat fewer towns, but at least one-fourth of the communities in each state had such a program.

Table 17. Community Efforts for Business Retention or Recruitment

Community Efforts	STATE						Total
	Illinois	Iowa	Minnesota	Missouri	N. Dakota	S. Dakota	
	-----Percent-----						
Community has a program to contact existing businesses	32.6	31.2	53.2	38.5	32.9	26.0	36.1
Frequency of Contacts:							
More than once per year	19.5	23.7	12.2	26.2	16.0	31.6	20.6
Once a year	26.0	29.8	41.1	26.2	24.0	15.8	29.7
Every two years	4.1	6.1	12.2	2.8	8.0	5.3	6.3
Sporadically	50.4	40.4	34.6	44.9	52.0	47.4	43.4
Community actively recruits new businesses	42.1	45.6	54.8	43.9	61.4	52.1	46.9
Sources of Leads:							
State development agency	9.5	58.7	45.9	56.1	45.5	79.0	34.1
Ads in <i>Sites and Selection</i> magazine	4.1	4.7	8.3	11.4	9.1	0.0	5.8
Mass mailings of brochures	4.9	15.4	12.5	24.6	20.5	13.2	11.6
Trade show	6.4	20.8	14.6	17.5	31.8	13.2	13.1
Industrial recruiters	1.3	6.7	10.4	6.1	11.4	5.3	4.7
Contacts by local businesses	28.3	73.8	89.6	69.3	69.8	65.8	53.1
Other	90.2	26.2	19.8	25.4	22.7	26.3	55.2

Larger towns were much more likely to have both recruitment programs and programs to contact existing businesses than their smaller counterparts (Table 18). About 30 percent of towns with programs for existing businesses contact the firms once per year while 21 percent contact their firms more than once per year. About 43 percent of all towns with these programs contact their firms sporadically, and almost 59 percent of the smallest towns (less than 1,000) fell into this category.

Among towns with recruitment programs, the larger communities reported a greater number of sources of leads (Table 18). *Contacts by local businesses* were the source of leads

reported by the largest number of communities in all size groups, followed by the *state development agency*. The larger towns were much more likely to participate in trade shows or mass mailing of brochures than their smaller counterparts.

Table 18. Community Efforts for Business Retention or Recruitment, by City Size

Community Efforts	CITY SIZE GROUP				Total
	Less Than 1,000	1,000 to 2,499	2,500 to 4,999	5,000 or More	
	-----Percent-----				
Community has a program to contact existing businesses	18.4	36.6	56.4	57.7	36.1
Frequency of Contact:					
More than once per year	14.4	21.5	22.6	22.5	20.7
Once per year	22.2	31.4	28.6	35.7	29.8
Every two years	4.4	1.2	8.3	14.3	6.3
Sporadically	58.9	45.9	40.6	27.6	43.2
Community actively recruits new businesses	26.5	47.2	68.3	75.5	46.9
Sources of Leads:					
State Development Agency	18.2	31.9	43.2	49.7	34.3
Ads in <i>Sites and Selection</i> magazine	1.5	2.4	7.9	15.9	5.8
Mass mailings of brochure	4.1	7.2	18.0	22.1	11.6
Trade shows	3.1	11.3	16.9	25.5	13.1
Industrial recruiters	1.0	3.1	7.9	8.3	4.6
Contacts by local businesses	42.4	53.3	59.3	61.4	53.5
Other	60.2	56.0	49.7	52.4	54.9

Respondents in communities that reported programs to contact existing businesses were asked who is responsible for contacting these businesses. Overall, economic development professionals were most often identified as the responsible persons (29.8 percent), followed by the mayor (24.6 percent) and city manager (10.5 percent) (Table 19). The responses differed considerably among town size categories, with economic development professionals being identified most frequently in towns of 2,500 and up while mayors were most often responsible in towns of 1,000 or less.

Table 19. Party Responsible for Contacting Existing Businesses, by City Size

Responsible Party	TOWN SIZE GROUP				Total
	Less Than 1,000	1,000 to 2,499	2,500 to 4,999	5,000 or More	
	-----Percent-----				
Economic Development Professional	5.5	28.1	36.2	48.6	29.8
Mayor	36.4	28.6	17.1	15.6	24.6
City Manager	6.4	10.6	15.1	8.3	10.5
Chamber of Commerce	6.4	8.0	6.6	10.1	7.7
City Council	19.1	6.0	4.0	1.8	7.2
Economic Development Organization Members	8.2	5.5	8.6	6.4	7.0
Other	18.0	13.2	12.4	9.2	13.2

Responses also varied substantially among states (Table 20). Economic development professionals were identified by 45.6 percent of the Minnesota respondents, but only 14.8 percent of those in Illinois. Mayors, on the other hand, were identified as the responsible parties by 48.4 percent of Illinois respondents but only 10.8 percent of those in North Dakota.

Table 20. Party Responsible for Contacting Existing Businesses, by State

Responsible Party	STATE						Total
	Illinois	Iowa	Minnesota	Missouri	N. Dakota	S. Dakota	
	-----Percent-----						
Economic Development Professional	14.8	33.1	45.6	27.4	21.6	35.7	29.7
Mayor	48.4	12.5	11.4	27.4	10.8	35.7	24.5
City Manager	5.7	9.6	16.7	14.8	2.7	0.0	10.5
Chamber of Commerce	4.1	8.8	4.4	11.9	10.8	10.7	7.9
City Council	4.9	5.2	7.9	8.1	16.2	7.1	7.2
Economic Development Organization Members	10.7	15.4	4.4	0.0	2.7	3.6	7.2
Other	11.4	15.4	9.6	10.4	35.2	7.2	13.0

Conclusions and Implications

Of the nearly 1,400 communities in the six-state region that responded to this survey, 16.3 percent reported closures or downsizings affecting 25 or more employees. Closures or downsizings were especially prevalent in towns with populations between 5,000 and 9,999. Nearly 40 percent of towns in this category reported a closure or downsizing; thirty percent of communities with a population between 2,500 and 4,999 reported similar business problems. Intensifying international competition, shifts in the location of markets, and retirement of owners were the most common causes given for the business closures or downsizings.

Of the towns that reported closures or downsizings, 46 percent experienced "serious" or "severe" community impacts overall, while 48 percent of these communities reported "serious" or "severe" economic effects.

Given these community impacts, it is not surprising that workers suffered major hardships due to closures and downsizings. An estimated 38 percent of workers who lost their jobs either retired early, took lower paying jobs, or remained unemployed. Nearly one quarter of the workers left the community to look for jobs elsewhere or because they transferred to a branch of their former company. Only 31 percent of workers reportedly stayed in the community and obtained comparable replacement jobs.

Communities utilized a wide variety of economic development strategies to adapt to business downturns and to foster business and economic growth. About 28 percent of the respondents indicated that their community had a separate budget for economic development, with more than 54 percent of towns of 5,000 or more reporting separate budgets. About 11 percent of the towns had a full-time economic development director, and more than 36 percent of towns over 5,000 had one. A variety of programs for new businesses were available in the study communities, with Jobs Training Partnership Act (JPTA) programs, tax increment financing districts, local property tax abatements, industrial parks, and low-cost (subsidized) loans being reported most frequently. Almost one-half of the communities had programs to recruit new businesses while more than one-third had programs to contact existing businesses regarding expansion. A major objective of the next phase of this research will be to investigate the degree to which various communities have been able to overcome their economic problems and establish stable or growing economies whereas others have had less success in sustaining their economies and communities at pre-closure levels.

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