Appendix I

Theoretical Background

Introduction

Two major schools of thought on rural development—neoclassical economic development theory and social interactionist development theory—influenced the types of programs and actions funded and implemented through the Northwest Economic Adjustment Initiative. The assumptions underlying these two theories of development influenced how community leaders, planners, and economic development agencies structured the types of interventions they recommended for communities to successfully adapt to the Pacific Northwest's changing economic and socio-political environment. Whether implicitly or explicitly articulated, these assumptions also played a role in shaping community and agency decisions as to the types of interventions they believed worthy of funding.

In the following overview, we outline the major differences in assumptions between the neoclassical economic and social interactionist approaches to development. We also provide evidence of a trend among mainstream development planners and practitioners to draw more heavily upon social interactionist theory and approaches when designing development programs and projects. The increasingly widespread belief that community capacity plays an important role in the successful implementation of rural development interventions, and the subsequent emphasis placed upon institutional capacity building strategies in initiatives such as the NEAI, reflects this new trend in development thinking. Drawing upon recent discussions in the economic and community development literature, we then lay out a framework for analyzing community capacity in NEAI communities and for understanding how the different components of community capital worked (or didn't work) together to enable communities receiving NEAI funds to adapt to major economic and social change.

Neoclassical Economic Development Assumptions and Strategies

Neoclassical economic development theory assumes that individuals and firms in modern rural communities are autonomous, rational, self-maximizing, economic actors whose economic behavior can be understood apart from their social context (Chambers 1992; Feldman 1987). Development approaches arising from this branch of economic development theory have historically emphasized the construction of physical infrastructure, recruitment of outside industries, and, to a lesser extent, workforce training and skills development (Burnier 1992; Murray and Dunn 1996a). Neoclassical economic development programs and projects are typically produced by planners working with professionals and technicians, and are often structured as service delivery programs, including the provision of technical and financial assistance (Murray and Dunn 1996a; Chambers 1992). Such programs generally limit local input and participation in planning and decision-making processes to public comment on program alternatives developed by government agencies (Murray and Dunn 1996a).

Neoclassical economic approaches to development have dominated mainstream rural development programs since the 1930s and the implementation of New Deal economic development policies (Murray and Dunn 1996b). In rural America, this has translated into a maze of federal agencies creating and funding programs to support physical infrastructure development, such as water and sewage systems, power generation facilities, highways, airports, and industrial parks (Haughwout 1999; Murray and Dunn 1996b; Thornburgh 1998). Under Titles I and IV of the Public Works and Economic Development Act of 1965, for example, the Economic Development Administration (EDA) funded a wide range of physical infrastructure construction projects in distressed communities in order to enhance the attractiveness of those communities to businesses that could supply permanent jobs and raise the incomes of community residents (Haughwout 1999). In applying the neoclassical economic development model, federal agencies also emphasized financial incentive programs as a mechanism for recruiting

large industries to locate in distressed regions. These financial incentives have included a variety of business loan programs, tax incentives, and exemptions from planning restrictions (Weaver and Dennert 1987; Burnier 1992). Examples of financial incentive programs include low-interest or guaranteed loan programs operated through the Small Business Administration, the EDA, and USDA-Rural Development. The enterprise zone is another tool used to provide incentives for businesses to locate in economically depressed areas. Utilized in California, Oregon, and Washington, enterprise zones are an example of the use of financial incentives as an economic development strategy at the state level.

Drawing upon neoclassical economic theory, federal agencies also have created a variety of workforce training and employment programs (Weaver and Dennert 1987). For example, CETA, a federally funded workforce development program created in the 1970s and replaced by the JTPA program in the 1980s, provided displaced and other unemployed workers access to training funds to help them gain the skills needed by businesses. Workforce development programs are designed primarily to provide incoming and expanding industries with skilled workers. During industry lay-offs and restructuring periods, unemployment and industrial worker retraining programs also offer a rudimentary safety net for unemployed workers.

Social Interactionist Development Assumptions and Strategies

Rural development programs based on human cooperation and interaction, termed "social interactionist" theories, have long provided a less commonly utilized and much less funded, but nonetheless important, counter-approach to mainstream economic development programming. Social interactionist approaches to rural development have roots in a variety of schools of thought, including civic republicanism, grassroots-based economic development, and collaborative planning (Chambers 1992; Wall et al. 1998). These schools of thought differ from each other in their details and focus, but share the assumption that society is composed of interdependent individuals who create shared values and interests through ongoing processes of collaborative social interaction (Reich 1988; Chambers 1992). Social interactionists believe that the resulting sense of community influences to some degree the economic choices that individuals and firms make (Chambers 1992). Rural development approaches based on social interactionist theories thus emphasize institutional capacity building, particularly at the community level, leadership training, and participatory planning and implementation (Chambers 1992; Murray and Dunn 1996b; Snow 1995).

Programs and projects based on social interactionist theory tend to take an integrated approach to development (Murray and Dunn 1996b; Giloth 1988; Chambers 1992). Although social interactionists emphasize the importance of strengthening social networks within and between rural communities, and between rural communities and outside of public and private entities, they generally do so in the context of accompanying efforts to enhance the target community's physical infrastructure and financial and human resources (Murray and Dunn 1996b; Chambers 1992). By contrast, mainstream economic development programs have often paid short shrift to investments in the social and cultural realms (Feldman 1987:428).

Incorporating Social Interactionist Theory into Mainstream Economic Development

By the early 1980s it had become clear that physical infrastructure construction, large-scale industry recruitment strategies and other mainstream economic development approaches had not alleviated chronic poverty and unemployment in many areas (Murray and Dunn 1996b; Snow 1995; Chambers 1992; Giloth 1988). Simultaneously, cutbacks in federal and state programs beginning in the 1980s and continuing into the 1990s meant that the large amounts of public funds and personnel needed to carry out capital-intensive economic development programs were no longer available (Weaver and Dennert 1987; Clarke and Gaile 1992). As federal funding for local economic development declined during the 1980s, many development practitioners began to place greater emphasis on the importance of private-public partnerships, particularly between

local governments and organized groups within communities, such as businesses and citizen coalitions (Weaver and Dennert 1987; Clark and Gaile 1992). At the same time, large segments of the American public had become skeptical of the merits of expert-driven planning and demanded opportunities for more meaningful participation in community and economic development programs and projects (Giloth 1988). By the late 1980s and early 1990s, the successes of several well-publicized experimental community-based economic development programs supported by grants from large private foundations interested in urban housing rehabilitation, micro-enterprise development, and neighborhood improvement strategies had begun to influence national economic development legislation (Giloth 1988). In the 1990s, economic development scholars and administrators (Clarke and Gaile 1992; Thornburgh 1998; Hill 1998) documented the existence of a noticeable, albeit still experimental and tentative, shift toward more locally based, collaborative development strategies. Indeed, the need for federal economic development programs to pay more attention to local capacity building was underlined in a study commissioned by the National Academy of Public Administration in 1996 (Hill 1998). Two years later, Chester Straub, acting assistant secretary for economic development in the EDA in the latter part of the Clinton administration, published an article that demonstrates high-level administrative support for collaborative holistic economic development approaches (Straub and Robinson 2000).

Two examples drawn from the literature on economic and community development illustrate the emerging trend toward federal support for economic development initiatives that incorporate local capacity building and local involvement in planning into their programs. The two initiatives are President Bush's 1990 Initiative on Rural America (now known as the National Rural Development Partnership or NRDP), and President Clinton's Empowerment Zones-Enterprise Communities (EZ-EC) Initiative, established in 1993. As Murray and Dunn 1996b: 49) note, the NRDP called for changes in federal rural development policy and programs that focused on "creating a more responsive government and supporting the central role of communities." The NRDP's emphasis on development from the ground up, rather than the traditional top-down approach, is evidenced in the following excerpt from the then newly created Council on Rural America's recommendations, published in 1992:

> Rural development is and must be, fundamentally, development of the whole community, and not merely its business sector. Community development is not an act, but a process by which the community's well being is increased. That process must be a bottom-up process. It begins with the expansion of the community's ability to act effectively on its own behalf and to develop creative and effective partnerships with the private sector...(CRA in Murray and Dunn 1996b:12-13).

Under the 1990 Farm Bill legislation, eight experimental State Rural Development Councils were established as a means to reorient America's rural development programs toward a more bottom-up type of development. Composed of both federal and state representatives, the state RDC's are the primary mechanism by which the NRDP promotes community-based development (Murray and Dunn 1996b). A primary objective of the RDCs is to build inter- and intra-governmental relationships, and to improve "public-private-community working practices." Although the NRDP has suffered from lack of decision-making authority over rural development programs (Murray and Dunn 1996b), and thus has been less effective than rural communities might wish, it nonetheless represents an important shift toward national recognition of the need to incorporate communities into rural development planning and programming.

As Aiger et al. (1999:14) note, the Clinton Administration's Empowerment Zone-Enterprise Community Initiative also draws heavily from social interactionist theories about development, most notably highlighting the importance of community participation and empowerment strategies:

> Just as some international development policies depart from previous colonization models and alter relations across and between levels of government and private and public sectors, the EZ/EC Initiative built its reinventing government strategy on new community-based partnerships and citizens' participation for sustained empowerment to build sustainable communities and offer economic opportunity for all residents (Aiger et al. 1999).

The Omnibus Budget Reconciliation Act of 1993 authorized the creation of nine empowerment zones and 95 enterprise communities across the United States, including three empowerment zones and 30 enterprise communities in rural areas (Reid 1999). The U.S. Congress created 20 additional Empowerment Zones, 15 in urban and five in rural areas, in 1999, and funded the new EZs, as well as an additional 20 rural ECs (Reid 1999). The EZ-EC Initiative included provisions for tax credits and other incentives for businesses to invest in high poverty areas. It also authorized the allocation of block grants addressing a broad range of community and economic development programs to designated communities. USDA Rural Development had responsibility for implementing and monitoring the rural zones and communities involved in the EZ-EC Initiative. A critical feature of the Initiative is that the federal government made a 10-year commitment to provide funds to target zones and communities, thus ensuring targeted areas long-term access to financial resources for development purposes (Snow 1995). The EZ-EC Initiative also required that participating communities construct a community-defined strategic vision so that community partnerships could achieve their planning objectives (Aigner et al.. 1999). Communities had considerable leeway in how they conducted the process of developing their strategic visions, and thus the degree and breadth of community participation varied from processes dominated by community elites to processes with broad-based participation (Aigner et al. 1999). Interestingly, a study of 33 EZ-EC sites between 1994-1997, indicated that greater participation in community planning did not correlate with an increase in the number of community-based partnerships to carry out projects (Aigner et al. 1999).

Dimensions of Community Capacity

The Clinton administration implemented the NEAI to help rural forest-dependent communities in the Pacific Northwest adjust to the reduction of timber harvests specified in the Northwest Forest Plan. The NEAI implementation took place against the backdrop of widespread and long-term social and economic restructuring taking place regionally, nationally, and globally. NEAI planners adopted an economic development strategy that, at least on paper, emphasized linkages across federal economic development programs and between federal and state development agencies through the creation of the Community Economic Revitalization Team process. This process formed the primary mechanism by which the NEAI funded its programs. Unlike the EZ-EC Initiative and the NRDP, the NEAI did not include an explicit focus on empowering communities or community capacity building. However, as the Initiative unfolded, a variety of programs designed to enhance community capacity, including leadership training and community strategic visioning processes, were implemented along with the more traditional economic development projects, such as water and sewer system improvements, industrial parks, workforce development, and downtown revitalization.

Community capacity is the collective ability of residents in a community to respond to external and internal stresses, to create and take advantage of opportunities, and to meet local needs. The analytical framework we utilize for this assessment draws upon empirical and theoretical work conducted by Kusel (1996 and 2001) as part of the Sierra Nevada Ecosystem Project's efforts to understand how community capacity affects the ability of rural communities to create opportunities to improve local well being. Kusel posits that community capacity consists of five dimensions: (1) physical capital, which includes a community's physical infrastructure (e.g., sewer systems, business parks, capital assets such as equipment, housing stock and schools); (2) financial capital, or money, credit, and other financial resources available

for local use; (3) human capital, which encompasses the skills, education, experiences and general abilities and capabilities of residents; (4) cultural capital, or the myths, beliefs, norms, and life ways that serve to organize groups and facilitate survival, and (5) social capital, which includes the willingness of residents to work together toward community goals (see also Green and Haines (2002) with a similar framework to advance the practice of community development.)

In a recent discussion of community capacity building in the public health sector, Smith et al. (2001) point out that most government agencies involved in economic development work are used to designing and implementing programs that rely on community mobilization strategies rather than community capacity building. Agencies operating within the community mobilization paradigm develop change objectives and seek to mobilize communities, often using such tactics as persuasion and education to accomplish those objectives. Agencies who seek to build community capacity, however, must focus instead on letting communities develop their own objectives and enabling communities to "exert greater control over their physical, social, economic, and cultural environments (Smith et al. 2001: 33)." Rather than seeking to persuade communities that certain changes are needed, agencies interested in supporting community capacity building must recognize that "capacity building is a process of working with a community to determine what its needs and strengths are, and to develop ways of using those strengths to meet those needs (Smith et al. 2001: 31)."

As Smith et al. notes, government-supported community capacity building requires a fundamental rethinking of the relationship between communities and economic development agencies—rather than functioning as a mobilizer and educator, government agency staff must be facilitators. This shift requires that agencies develop organizational cultures and provide their staff with the knowledge and skills appropriate to this new role. Smith et al.'s work thus points out the importance for the researchers carrying out this assessment to understand the organizational cultures of the economic development agencies involved in the Initiative, as well as to document any changes in those agencies' cultures that have contributed toward the creation of an enabling policy environment for local communities.

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