

Outsourcing Economic Development:
Exploring the Efficacy of Economic Development Corporations in Rural North Carolina

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ABSTRACT

Shrinking local government budgets created an economic development environment in which local governments find it more cost effective to outsource development activities than assume the burden of development activities in-house. This research was conducted to quantitatively assess the performance of economic development corporations with the aim to provide an understanding about the efficacy of economic development corporations by analyzing quantitative data to find if rural counties in North Carolina with economic development corporations experience greater economic growth than rural counties without economic development corporations.

There is little academic or practitioner research that addresses the performance of economic development corporations. Consequently, little is known about how effective these private non-profit organizations are at increasing economic development at the local level.

The results of this study are mixed. Rural municipalities without an economic development corporation have a higher, positive correlation with population and gross domestic product (GDP) variables. Conversely, the correlation for labor, wage and the housing variable shows higher correlation (negative and positive depending on the variable) in rural municipalities that have an economic development corporation. The statistical findings of this research show only a positive effect in labor/wages and housing. The existence of an economic development corporation did not have a positive effect on the production indicators (GDP) in rural North Carolina.

TABLE OF CONTENTS

CHAPTER I: INTRODUCTION.....1

Statement of Problem.....4

Purpose5

Hypotheses.....6

Background.....7

Economic Vulnerability10

CHAPTER II: LITERATURE REVIEW15

Conceptual Framework15

Defining Economic Development.....17

Empirical Research18

Policy Focused Research20

Entrepreneurial Focused Research22

Outsourcing22

Sustainable Development Focused Research.....26

Community Development Organizations28

CHAPTER III: METHODOLOGY30

Design30

Population Sample30

Per Capita Income (Dependent Variable).....31

Independent Variables33

Limitations34

CHAPTER IV: RESULTS.....35

Introduction.....	35
Reliability/Validity	36
Economic Development - Rural.....	37
Economic Development – Suburban/Urban	43
Summary of Findings.....	48
CHAPTER V: DISCUSSION/CONCLUSION	53
Study Overview	53
Significant Findings	53
Implications.....	56
Limitations	59
Recommendations for Future Research	59
Conclusion	60
REFERENCES	61
APPENDIX A (IRB Exemption).....	71

LIST OF FIGURES & TABLES

Figure 1. North Carolina Small Business Profile	2
Figure 2. Graphical Depiction Of North Carolina County Size Distribution	3
Figure 3. Graphical Depiction of Rural Economic Development Corporations	56
Table 1: Data Tables Legend	38
Table 2: Rural Municipalities	39
Table 3: Rural Municipalities	41
Table 4: Dataset combined and by Municipality Type	44
Table 5: Suburban Municipalities	47
Table 6: Rural Municipalities	49

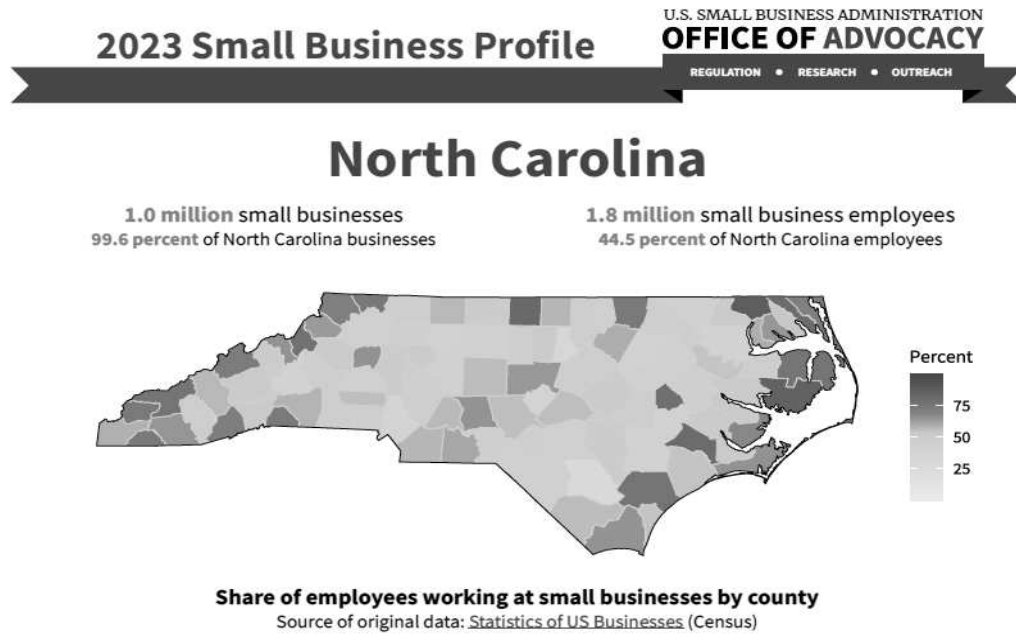
Chapter I

INTRODUCTION

This dissertation quantitatively assesses economic development corporations in rural North Carolina. Why is studying this topic important? Shrinking local government budgets created an economic development environment in which they find it more cost effective to outsource development activities than assume the burden of them in-house (Kim & Warner, 2016; Lamothe & Lamothe, 2016). This translates to an environment where, in addition to private funding, tax-payer money is being used to fund economic development corporation initiatives. However, little research has been conducted to determine if economic development corporations deliver greater economic prosperity in the communities they support. Over the last 20 years, shocks to the U.S. economy have negatively affected the economy at every level. The 2008 housing crisis negatively affected economic development in communities across the United States. More recently, economic effects of the COVID-19 pandemic caused economic suffering at the individual and community level across the country.

What role might economic development corporations have in the nation's recovery from the COVID-19 pandemic? Their role at the local level is significant. A January 2021 survey of over 1,200 small businesses in North Carolina showed a 60% decrease in revenue and a similar percentage of small businesses receiving government aid (NC Commerce, 2021). Figure 1 below illustrates the small business dependency of the North Carolina economy.

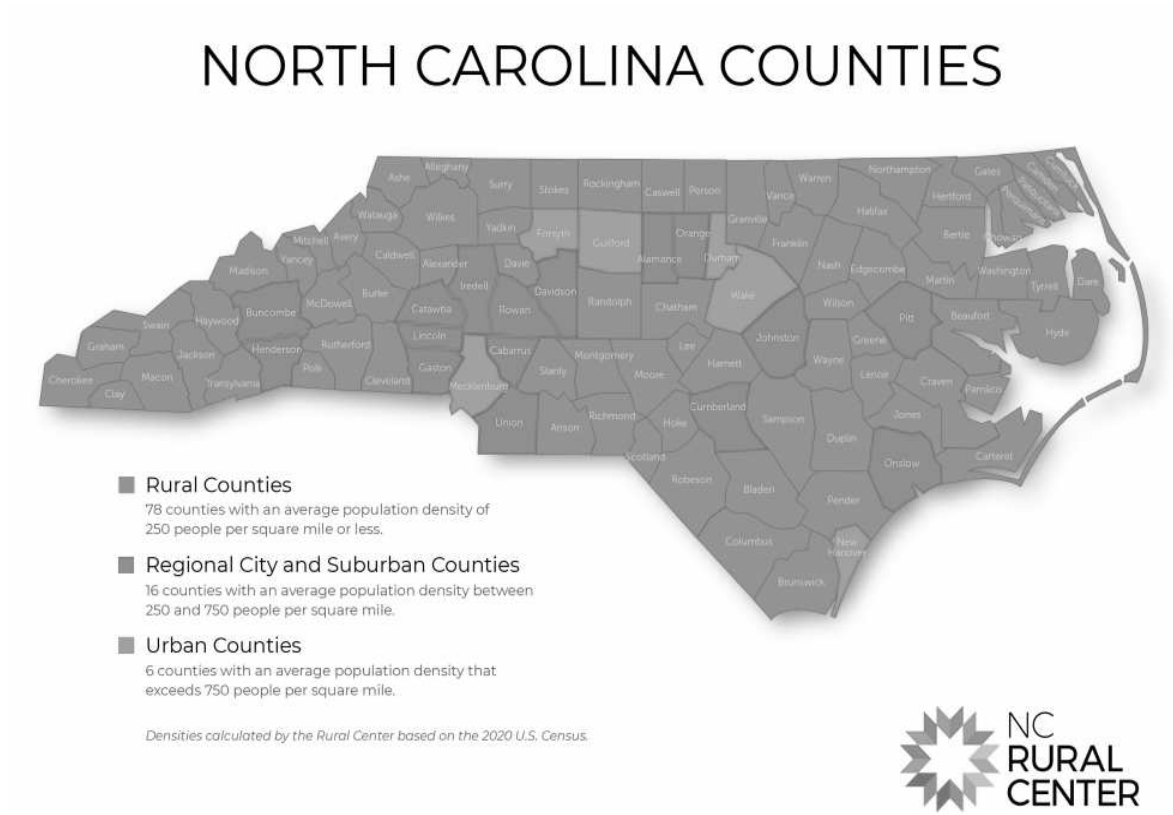
Figure 1. North Carolina Small Business Profile



Source: U.S. Small Business Administration (2023).

The impact of the COVID-19 pandemic was that many businesses needed government aid to survive. In North Carolina, small businesses make up 85% of all businesses (McCall, 2020). In rural locales, which constitute most of North Carolina counties, small businesses are the primary employers. Economic development corporations are typically the first stop for small businesses to request governmental aid in rural communities where these organizations exist. Figure 2 below provides a graphic depicting the primarily rural disposition of North Carolina counties.

Figure 2. North Carolina County Size Distribution



Source: North Carolina Rural Center (2023)

While the pandemic provides an illustrative example of public/private partnerships, economic development corporations are the primary source for businesses to receive aid during normal times. Moreover, in North Carolina, many county level municipalities are turning over the economic development responsibilities to these private organizations to build development strategies and manage economic development in many communities. The above graphic depicts North Carolina’s county population categorization. Of North Carolina’s 78 rural counties, 30 counties have county-level economic development corporations.

Bauroth (2009) explains that a goal of the government is creating an environment that encourages economic growth. Since the 1970s, a growing trend across the United States is the involvement of non-profit economic development corporations managing local and state development initiatives. In most cases, these private organizations are a critical part, if not the driving force, of local level economic growth strategy.

In 2020, the Economic Development Partnership of North Carolina (EDPNC) boasted over 20,000 new jobs and over \$6 billion in capital investment for the state. The EDPNC is a nonprofit public/private partnership which operates under contract with the North Carolina Department of Commerce, while receiving added financial support from the private sector. Its mission is to recruit and support businesses in North Carolina. The supporting government organization, the North Carolina Department of Commerce, is charged with improving the economic well-being and quality of life of North Carolinians.

Economic development corporations manage government and private funding for the government organizations they support. There is little academic or practitioner research that explains the relationship between government and private organizations involved in economic development (Bratt & Rohe, 2004). Consequently, little is known about how these organizations communicate with their government partners or accountability measures that show the private non-profit organizations are developing programs that meet the needs of the community and are spending public and private funds that meet these goals.

Statement of the Problem

Much of the existing data concerning economic development corporations are self-reported economic accolades (e.g., number of businesses attracted, or jobs created).

However, little is known about the efficacy of economic development corporations. Certainly, attracting businesses and creating jobs are important growth activities for communities; however, whether those activities are impacting the entirety of a community is less known.

Over the past 50 years private, non-profit organizational involvement in economic development has increased at the local level. In many areas, municipalities have outsourced all economic development activities to private organizations. These private organizations use, in addition to private donor funding, government funding and resources with little accountability as to how they are being used (Bauroth, 2009).

Purpose

In response to this gap in economic development literature, the purpose of this quantitative, economic-indicator correlation study is to determine if counties with economic development corporations achieve greater economic development growth than counties without, based on the evaluation of economic metrics.

This research has the potential to add to the literature on non-profit organizations, organizational behavior theory and organizational information theory, with the aim to add an empirical understanding of the efficacy, or lack thereof, of economic development corporations.

Providing empirical evidence about government/private organization dynamics is important to the field of public administration. As mentioned above, literature specific to economic development corporations' efficacy is sparse. This research aims to answer several questions. Do economic development corporations provide greater economic growth to the communities they serve rather than communities without these

organizations? What economic indicators have the strongest correlation with per capita income? Does the geographic location of communities, with or without economic development corporations, impact economic growth? For example, does proximity to urban or suburban locations affect economic growth for rural counties?

The importance of these questions lies not only on their relevance for economic development dynamics, but also because they underlie broader questions of the relationship between public administrators and private enterprise. Second, a theoretical understanding of organizational collaboration at the local level should extend beyond the local level and provide an understanding of public/private collaboration at all levels of government.

Hypotheses

This study hypothesizes that economic development corporations have a positive effect on economic development in the municipalities they serve. Positive effect is defined as a higher correlation between available economic indicators and per capita income. It is important to note that while strong negative or positive correlation between the dependent and independent variables would strengthen this research, a quantitative difference not reaching strong correlation between the rural municipalities with economic development corporations compared to those without will suffice to indicate a difference between the two data sets. These hypotheses intentionally mention “to a greater strength,” as opposed to a strong correlation, highlighting the search for differences between the data sets rather than strong correlations among them.

Hypothesis 1: Population Growth is positively correlated to a greater strength with Per Capita Income in counties with an Economic Development Corporation.

Hypothesis 2: Current Dollar GDP is positively correlated to a greater strength with Per Capita Income in counties with an Economic Development Corporation.

Hypothesis 3: Real GDP is positively correlated to a greater strength with Per Capita Income in counties with an Economic Development Corporation.

Hypothesis 4: Unemployment Rates are negatively correlated to a greater strength with Per Capita Income in counties with an Economic Development Corporation.

Hypothesis 5: Labor Force is positively correlated to a greater strength with Per Capita Income in counties with an Economic Development Corporation.

Hypothesis 6: Private Sector Employment is positively correlated to a greater strength with Per Capita Income in counties with an Economic Development Corporation.

Hypothesis 7: Average Weekly Wage is positively correlated to a greater strength with Per Capita Income in counties with an Economic Development Corporation.

Hypothesis 8: The Housing Price Index is positively correlated to a greater strength with Per Capita Income in counties with an Economic Development Corporation.

Background

Non-profit organizations have played a role in supplying social services since the late 19th century (Dale, 2019). This phenomenon was endorsed by the U.S. government through legislation that provided tax advantages to the non-profit and to those who donated to these organizations.

The Economic Opportunity Act of 1964 codified non-profit organizational involvement in economic development by targeting development initiatives in vulnerable

urban area communities (O'Connor, 2012). Since its passage, decreased federal and state funding and limited local government resources have increased the importance of non-profit organizations in local development initiatives.

Government role in economic development has evolved in the United States. For example, during the Industrial Revolution, private enterprise drove economic development (Mason, 1960). Following World War II, the United States economy did not require governmental intervention for growth as the U.S. economy “dominated the world” (Saffel & Basehart, 1998, p.284). During the Post World War II period, local level economic development was controlled by private industry, with little intervention or input from government entities. Throughout this period, economists believed the government’s role in economic development was limited to instances where the market failed (Krueger, 1990).

In the 1980s, interstate and intrastate economic competition resulted in a shift in government policy to include economic development as an issue at all levels of U.S. government (Saffel & Basehart, 1998). While local and state governments increased emphasis on economic development, they did so at a time when competition for governmental resources to operate each level of government also increased.

An option for governments in a resource-constrained environment is outsourcing, defined as contracting services to an external organization (Anttiroiko et al., 2013). However, outsourcing government services or activities does not mean necessarily that the private organization is receiving direct payment; outsourcing can include grants from higher levels of government and private funding (Anttiroiko et al., 2013).

It is more cost effective to pay someone than to conduct the function in-house (Kim & Warner, 2016; Lamothe & Lamothe, 2016). With respect to economic development, outsourcing the responsibility for economic development results in the government having decreased input in that policy area, but it allows for governmental resources to be applied more broadly in other policy areas.

With respect to non-profit status, economic development corporations fall into three categories: Section 501(c)(3) corporations, meaning that the organizations must have a public purpose; Section 501(c)(6) nonprofits for the benefit of its members; and Section 501(c)(4) non-profit social welfare organizations which can participate in political campaigns (Deslatte et al., 2019). This describes a spectrum of government/economic development corporation relationships “from a purely vendor relationship to a form relying on government grants to support nonprofit provision of services to clientele groups” (Deslatte et al., 2019, p.93). Predominately, community level economic development corporations are Section 501(c)(3), with a public purpose required for development initiatives.

A growing trend at the local level is outsourcing economic development activities to economic development corporations. In central North Carolina, economic development corporations have a critical role in developing and executing local level economic development strategies. For example, the seven central North Carolina counties that make up the Triangle J Community of Governments (TJCOG) have at least one economic development corporation per county. This is either in addition to or in lieu of each government’s development office. The TJCOG leads locally based, regionally driven strategies and planning to leverage economic development underway in member

governments and partner organizations. It also oversees implementation of the region's Comprehensive Economic Development Strategy (CEDS).

Economic Vulnerability

Earlier in this research, a brief description of near recent economic shocks that affected economic development was provided. However, since the beginning of this dissertation project, and particularly in North Carolina, other economic shocks were realized, and this warrants a deeper examination of these shocks and their effect on economic development.

Limiting this analysis to the time span of the research, the first major economic shock was the global 2008 housing crisis. Spurred by the risky lending practices of financial institutions, the collapse of the housing market resulted in a global recession (Asmann et al., 2009). In their study, they found that the GDP of the affected countries decreased by 2% the year after the crisis and an additional 1.5% in the second year.

Ravuri (2016) found a multi-year adverse effect on interstate migration following the 2008 housing crisis. This directly correlates with the ability of municipalities and economic development corporations to attract a workforce. Ravuri articulates that housing prices affect the ability of people to relocate for job opportunities. The findings are that when housing values exceed the income of families, they will choose to remain in place rather than take a housing loss. This speaks to the challenge a municipality or economic development corporation faces during economic crises. Particularly in rural areas, like much of North Carolina, economic crisis can affect adversely the ability to attract businesses that would require an influx of labor.

Aalbers (2015) explored the interconnectivity between the housing crisis and local, national, and international political economy. In years past, an economic crisis felt in one locale, region, or country was largely contained to that geography. However, the 2008 housing crisis highlighted how these crises in California and Florida had ripple effects globally. For municipalities and economic development corporations, this reality is seen as opportunity during normal economic times; but in times of economic crisis, it is realized as risk, and in the case of the 2008 housing crisis, a catastrophe.

The above studies illustrate the negative aspects of economic crises. While it would be difficult to find someone that would hope for another 2008-like global economic crisis, this study hopes to illustrate objectively the benefit, or lack thereof, that an economic development corporation might have in developing resiliency in a municipality to combat economic crisis.

The COVID-19 pandemic resulted in another extreme shock to the world economy and was particularly devastating to rural North Carolina. Perhaps a primary benefit of economic development corporations during economic crises is the ability to provide aid and support using governmental and non-governmental sources. The COVID-19 pandemic thus provides another crisis case study that supports increased research in the economic development corporation arena.

Small businesses received financial assistance during and after the COVID-19 pandemic to stay afloat. During the first 12 weeks of the pandemic, over 40 million people filed for unemployment benefits in the United States. By comparison, the average weekly unemployment benefits claim numbers are approximately 200,000 people (Altig et al., 2020). In comparison to other pandemic-like events, the COVID-19 pandemic was

in a class of its own with respect to the economic impact. However, interestingly, the mortality rate of the COVID-19 pandemic doesn't compare to other pandemics (the early 1900 Spanish influenza, for example). The interconnectivity of the global economy causes global negative effects when economic shocks similar to the 2008 housing crisis or COVID-19 pandemic happen. Ultimately, the 2020 research illustrates that economic shocks create global uncertainty resulting in slowed response and, ultimately, slowed economic recovery.

Leach et al. (2021) argue that the COVID-19 pandemic highlighted structural deficiencies to respond to economic crisis. They assert that future development initiatives should anticipate and prepare for future economic shocks, whether natural disaster or man-made. Additionally, they assert that the COVID-19 pandemic illustrated deficiencies in current economic structures and that future initiatives should focus on resiliency and creativeness to respond to economic shocks. While economic development corporations are not mentioned, perhaps these public-private organizations could be an answer to preparing and responding to economic crises.

Wilson et al. (2020) explain that local governments were at the forefront of COVID-19 challenges and, moreover, with limited resources. However, they claim that local governments do not have the capacity to quickly change development initiatives, as was required following the COVID-19 pandemic. However, they argue that successful municipalities leveraged resources a few different ways. One way was through collaboration with municipalities facing similar challenges. Another way was by adopting development framework that eased the internal resource burden for building strategies from scratch. As with the other COVID-19 vignettes, economic development

corporations are not explicitly named, but the fact that these organizations are prevalent across the United States at local, regional, state, and national levels implies that they are a major contributor to the collaboration and shared knowledge that Wilson et al. describe.

In many ways the 2008 Housing Crisis and the COVID-19 pandemic share similarities with respect to the effect economic shocks have from the local to the global level. Recently, North Carolina and parts of the southeastern United States experienced a different type of economic shock, a natural disaster. In late September 2024, western North Carolina was devastated by Hurricane Helene. Located hours from the coast, the western communities were not prepared (nor thought that they should be prepared) to respond the damaging effects of a strong hurricane. Now, a month later, large swathes of communities along the Appalachian Mountain range are starting the process of economic recovery that is expected to take years. Hurricane Helene with its devastating economic effects is an example of the growing concern of more frequent natural disasters in the U.S. and globally.

A body of research exists that shows the negative effects of natural disasters on economic development, and more specifically decreased GDP in the locales affected by natural disasters (Noy & Nualsri, 2007; Raddatz, 2009). Interestingly, Skidmore and Toya (2002) and Kim (2010) find that long-term growth is actually higher in communities that experience frequent natural disasters. Botzen et al. (2019) conducted a review of the literature with respect to the economic effect of natural disasters. While the conflict mentioned above between natural disaster effects on GDP and long-term growth advantages might be confusing, Botzen et al. (2019) describe the immediate, devastating effects of natural disasters and potential policy decisions that can mitigate the effects.

Local level recommendations include public/private partnerships to diversify the local markets where the effects of natural disasters could be mitigated with promoting industries that might not be affected by or could recover quickly from natural disasters.

These three vignettes (the 2008 housing crisis, the COVID-19 pandemic, and natural disasters) provide real-world examples of crises affecting local level economies. An argument can be made that academic literature concerning these vignettes agree that organizations like economic development corporations have a place in the planning and response to economic crisis. This paper will attempt to assess objectively if these organizations are making a quantitative difference in North Carolina.

Chapter II

LITERATURE REVIEW

Conceptual Framework

At the heart of this research is understanding if unregulated organizations are achieving collective community goals. A review of the existing literature indicates that in the case of economic development corporations, regulation is lacking (Bauroth, 2009; Bratt & Rohe, 2004). However, this might imply a greater theoretical question. Should sub-state governments adopt a laissez-faire approach to economic development or adopt more regulatory practices when using private organizations for economic development activities?

Certainly, the many threads of Social Contract theory are present in this topic area. While not a focus of this research, acknowledging that this research concerns the role of government is necessary. With Social Contract theory, questions arise. Do the people serve the government (e.g., Hobbes)? Or does the government serve the people (e.g., Locke) (Baradat & Phillips, 2017)? If we take a Hobbesian view, this research is irrelevant as the government's use of taxes should not concern the people. Instead, this research acknowledges that the government answers to the people as Locke suggested and stewarding the money and resources in the most efficient and beneficial way is a responsibility of the government.

This research does not aim to answer whether governments should or should not use economic development corporations. However, by providing quantitative evidence with respect to economic development efficacy, the answer as to whether a county level municipality should use economic development corporations to achieve their economic growth goals should be clear based on the performance of economic growth in counties with this model compared to those that retain economic growth responsibilities in-house.

Several conceptual frameworks are prevalent in economic development research. First, the structuralist framework claims that state and federal policies control sub-state economic growth (Green, 2003). This implies that local level policy makers are constrained by policies pushed down from higher levels of government. Because of this, the local level policy makers are merely working within the parameters set for them. This framework also places the “market” as a key influencer in all levels of economic growth.

An alternative framework for economic development can be found in Resource Dependency Theory which posits that economic growth in each locale is limited to the resources available in the locale. With Resource Dependency Theory, we see the market taking a primary role in economic development as resources will drive recruitment of business and industry to an area (Deslatte & Stokan, 2019; Hawkins, 2011). This contrasts with earlier incentive-based recruitment policies since local incentives cannot overcome resource shortcomings.

Another avenue to observe economic development is through the lens of organizational behavior. Lacking in the existing economic development literature is an understanding of the communication processes between the government and supporting economic development corporations. In its most basic form, communication is the

exchange of information (Luthans et al., 2015). Organizational Behavior literature claims that communication is critical to organizational action (Yates & Orlikowski, 1992). Consequently, communication is critical to the decision-making process in policy formation.

As previously mentioned, economic development aims to improve the community and should be part of the communication processes between government and economic development corporations. With this goal in mind, an assumption can be made that poor communication processes between economic development corporations and the communities they support can negatively impact the primary goal. Developing communication infrastructure (type and format) and clarifying roles can go a long way in mitigating communication issues (Curnin & O'Hara, 2019). While this research will not explicitly explore organizational behavior at the local level, inferences from the data analysis might be relevant to this field of study. Potentially, the data provided can lead to further exploration of the reasons why governments choose to privatize economic development or retain this role as a government responsibility.

Defining Economic Development

Economic development is defined in many ways; however, the goal of economic development is best described as “improving the economic well-being of a community through efforts that entail job creation, job retention, tax base enhancements and quality of life” (IEDC, 2021). Unpacking this description is not easy. Economic development efforts include business recruitment and retention to create and retain jobs. Additionally, they can include government activities with respect to tax policy for individuals and businesses. Economic development efforts must have agreement that economic

development initiatives aim to increase quality of life. Ideally, economic development initiatives will impact the community by allowing for an environment that consists of well-paying jobs that provide an income for a good standard of living and a tax base that supplies quality government services (public infrastructure and education).

These last points are critical as economic development cannot just be to attract business and jobs, but to increase the well-being of the community by whatever measures that community considers necessary (Arku, 2015; Leigh & Blakely, 2016). People want jobs that pay a good salary. However, they want to live and work in communities that have good roads and public works, send their children to quality schools, and take advantage of community resources like parks and recreation facilities. Economic development is the process in which these resources materialize.

Empirical Research

A few studies have examined the effect of local level policies on economic development. Feiock (1991) found that local economic development policies were useful for attracting investment to an area but found less of an impact on attracting businesses. Schnieder (1989) found local fiscal policies had negligible impact in creating manufacturing jobs. Finally, Green et al. (1996) found local level policies had negligible impact on job creation.

Hammond and Tosun (2011) sought to understand the effect of fiscal policy decentralization to the local level of government. They evaluated the effect of government fiscal decentralization on economic growth. Using population and real income growth as dependent variables and government decentralization as their independent variable, they control for several municipal statistical factors. Interestingly,

they found that decentralization contributes to metropolitan economic growth, but not non-metropolitan economic growth.

These studies share a common theme: economic development is defined by attracting businesses and creating jobs and is a concept meant to impact the whole of a community. Most economic development corporations articulate a more holistic view of economic development, incorporating the necessity for it to impact the community. This is a gap in the literature that this research hopes to explain; economic development cannot be explained by business recruitment and job creation alone. Instead, other variables must be included to understand economic development at the local level.

Economic development literature is thought to have evolved in three waves: states aim to attract industry; states aim to retain industry; and public/private partnerships combine to attract and retain industry at a regional level. In one sense, this acknowledges the global economy and the challenges at sub-national levels to compete for industry. As part of this policy direction, the third wave codifies public/private partnerships in the realm of economic development (Bradshaw & Blakely, 1999).

Fleischmann et al. (1992) argued that much of the literature concerning economic development in the 1980s and early 1990s did not account for variance in municipalities (that one-size-fits-all policies are not tenable at the local level). They found a more complex economic development system, where multiple levels of structures and agents are at play in policy decisions at the local level.

Economic development research is categorized in a few different subsets of research. They include policy-focused research, entrepreneur-focused research, outsourcing, and sustainable development-focused research. Lastly, I will briefly research

the community development organization as the precursor to economic development corporations.

Policy Focused Research

Economic development literature shifted in the 1980s to reflect the changing economic environment in the U.S. and globally. During the Post World War II economic boom, sub-state economic development was influenced by private industry. However, in the 1970s, interstate and global competition caused a shift in local level economic thinking. Local level economic development literature in the 1980s and 1990s focused on local level policy decisions.

This literature grew from the concern that national and international forces were depriving traditional local level economic development strategies. Relying on “general” economic growth or national level programs was no longer a viable strategy. To understand this shift, researchers primarily looked at two complimentary areas: policy and leadership. For example, Feiock and Clingmayer (1992) determined four factors can influence local level policy choices: fiscal stress; growth coalitions; government institutions; and competition among cities. In this study, the concept of growth coalitions is like the activities of an economic development corporation. However, with growth coalitions, the desires of society’s elites control economic growth. This means that the primary reason for economic growth is to benefit the few, not to benefit the community.

With respect to leadership, other policy considerations can include the intersection of a municipality’s tax burden and service delivery costs. Leadership vision of municipality growth is also highlighted in the literature (Bowman & Pagano, 1992). This implies the complex decision-making that municipal level leaders take in economic

growth. This study finds leadership vision to be the driving factor in municipal level growth strategies.

Similarly, another research area explores who is (or should be) in charge of economic development. Government? The Market? Individuals? Bauroth (2009) explains that “a central goal of general-purpose governments in the United States is to establish an environment that encourages new investments by the business community” (p.270). This would answer that question in favor of government involvement in economic development. Government, not the market or individuals, can supply government-controlled resources to businesses in its pursuit of economic development.

At all levels of government in the U.S., reliance on private non-profit organizations to support and often lead development continues to grow. If a central purpose of government is to create an environment that is attractive to businesses, it seems contradictory to delegate this role to non-governmental organizations.

One explanation for this contradiction is that the government, with decreased resources, relies on these private organizations due to their ability to access development networks and raise private capital. This might be indicative of a shift from traditional governance formats to entrepreneurial governments, or decentralized governance (Cleave & Arku, 2020). The global environment that affects nearly every locale coupled with the economic challenges of the last few decades, required governments to seek economic development assistance from organizations who are development experts.

Fleischmann et al. (1992) find evidence that local level policies have negligible effect on development. Instead, regional, and national policies have a greater impact at

the local level. They point out that local level incentives to attract businesses in an increasingly global environment might be the best policy choice.

Entrepreneurial Focused Research

Entrepreneurial focused research emphasizes local level policies that look to attract business and investment. While these policies could be confused with earlier market-based influences, the key difference is the community directed focus on attracting businesses. These policies appeared to work, as municipalities with entrepreneurial policies showed greater economic growth in the 1980s (Clarke & Gaile, 1989, 1992).

Bryden and Munro (2000) explored rural areas in the era of globalization. They found that linkages to extra-community resources, and often national and international linkages are key to economic development in rural areas. They found that private organizations had an impact in mobilizing development in rural locales. However, key to this success was the entrepreneurial approach adoption at the local level.

Outsourcing

Some academic literature focuses on outsourcing government functions, both advocating for and against the practice (Arku, 2013; Bauroth, 2009; Bradbury & Waechter, 2009; Deslatte et al., 2019). This research does not argue for or against outsourcing economic development, while acknowledging that outsourcing economic development is a reality in many local communities in the United States.

A subset of the outsourcing literature includes explanations for adapting an economic development corporation model at the local level. In his study on economic development corporations in Ontario, Canada, Arku (2013) illustrates the self-identified importance of development by economic development corporations. This is an interesting

aspect of the literature as it implies that economic development corporation initiation begets more economic development corporations. The study polls several economic development corporation chief executive officers and explores the process of integrating government equities and private equities to further economic development. An interesting point from this research is that economic development corporations emerged at the community level because community level governments are unable to meet the demand of the global marketplace. Private organization involvement provides communities with greater ability to compete through the networks of business and training within the broader economic development corporation enterprise.

Similarly, Bauroth (2009) found that population growth, economic expansion, and state level constraints have no impact on the formation of an economic development corporation. Instead, areas that had a strong manufacturing industry were more likely to form economic development corporations. While it is not clear if this phenomenon is limited to Texas, it indicates the influence of private business on economic development corporations. Bauroth's study is in the same vein as Resource Dependency theory discussed earlier.

There are several advantages to delegating economic development initiatives to local level economic development corporations. First, the local government, by outsourcing development initiatives to a non-profit organization can relinquish responsibility to economic development corporations in providing funding or development incentives, sparing local officials from political bias in the development process (Deslatte et al., 2019).

Another advantage is that as a private entity, economic development corporations are not beholden to the same regulations as a government entity with respect to government transparency. This advantage also means that development initiatives might not face the scrutiny that government led development initiatives face.

Resources at the local level dedicated to economic development seem to be dwindling, replaced with private non-profit organizations whose primary focus is development (Green & Haines, 2015; Jarmon et al., 2012). Economic development corporations typically receive some funding from government sources, but they are also free to receive private funding associated with non-profit status (Bauroth, 2009). Economic development corporations private funding initiatives can translate to increased development capability not available to local governments without economic development corporation partners (Deslatte et al., 2019).

Research on non-profit organizations provides some empirical evidence with respect to collaboration. Jang and Feiock (2007) studied the collaboration effects of non-profit organizations and governments based on the level of governmental funding the non-profit received. This was not research in the development arena but provides some empirical evidence to greater collaboration given government funding.

The primary disadvantage to the economic development corporation model is lack of government oversight (Bratt & Rohe, 2004). Economic development corporations normally answer to a board of directors, and the inclusion of government officials on the board varies by organization. In many cases, government officials who are members of the board of directors do not have voting rights. Bauroth (2009) found that state governments do not normally track economic development corporation activities after

formation and the U.S. Census bureau does not track economic development corporations. This can be problematic, as development initiative progress and success and development corporations that fail, from either market failures or mismanagement, are not systematically tracked (Bratt & Rohe, 2004).

Bratt and Rohe (2004) argue for greater community development corporation oversight. Due to little oversight in the community development non-profit arena, their research showed community development corporation failure can have devastating, long-lasting impacts on communities and found that organizational changes can be required to save the organization.

This is an important foundational study for economic development research. While community development corporations might not have the same overall mission as economic development corporations, the findings on oversight speak to the relationship between non-profit organizations and the governments and communities they support. This study will provide a means in which to determine if an economic development corporation is meeting its stated goals, a first step in deciding the viability of an economic development corporation.

Another concern with respect to the lack of oversight is that development initiatives might help the few, not the community. Private funding without government oversight might present the possibility that development initiatives, influenced by private interests, do not benefit community. Without the requirement of oversight, it can be extremely difficult to find if government money that is being allocated for development is benefitting the community. Deslatte et al. (2019) found a negative correlation between the existence of economic development corporations and social equality. Further, they

explain that economic development corporations institutionalize the relationship between the business community and local government, as both parties usually have representation on the economic development corporation board.

These factors point to the fairness, or impact on social equity of economic development corporation involvement in development. For example, in North Carolina the Chatham County Economic Development Corporation's aim is to attract companies to the county with the goal of improving the lives of residents. However, Chatham County is a developing rural region on the outskirts of Raleigh's Research Triangle, with vast disparity in income levels amongst residents. While Chatham County ranks high in the state with respect to per capita income, pockets of extreme poverty persist (About Chatham County, 2021). This might mean that the Chatham County Economic Development Corporation is a contributor to worsening income inequality in the county, as the model does not improve the lives of all residents.

Sustainable Development Focused Research

Triple Bottom Line is a concept that incorporates economic, social, and environmental considerations in the development process (Hammer & Pivo, 2017). However, few local level development professionals use this framework, even though many show a preference for sustainable development. The finding from this study is that competing priorities often prevent sustainable development programs. Key to this research is understanding this last concept, as economic development corporations might not demonstrate greater economic growth compared to communities that manage economic growth in-house. Both the preference for economic development corporations

in a community and competing economic priorities (amongst many other reasons) could provide an explanation to this last point.

Deslatte et al. (2019) examine sustainable development. Their research uses data from the International City/County Management Association's 2009 Economic Development Survey and 2010 Sustainability Survey sent to local governments. In their sustainable development model, they found that economic development corporations do not provide socially equitable development. However, they explain that development, while social equity might not be the goal, can be a by-product. They highlight the incomplete data sets, with existing data sets not available for all economic development corporations.

The research and data sets do not address variables that explain the relationship between the government and economic development corporation. However, their work on economic development corporation's effectiveness and efficiency in development is empirically founded. My research should build on this concept by determining if the type of relationship between the government and economic development corporation has a role in this aspect of the research. While this study will not be able to answer this question from the research alone, it will provide a necessary first step, coupled with sustainable development research.

Berry and Portney (2013) examine the political considerations of adopting sustainable economic development policies. They find that private interest groups have an impact on adopting sustainable policies. This provides empirical evidence with respect to the influence that private organizations can have on local level government leaders developing policies.

Another strain of the sustainable literature involves rural economic development. Bosworth et al. (2020) in their “Smart Countryside” research explore the development of rural-based economic initiatives in an argument that technology advances in urban areas are not “trickling” down to rural areas. Their work is best labeled a practitioner’s framework for development in rural areas, however, is particularly relevant to understanding the motivations behind establishing economic development corporations in rural communities.

Community Development Organizations

Acknowledging that economic development research is a continuation of community development research, the broader research area of community development and community development organizations can provide context to some of the reasons economic development organizations have grown so rapidly in the past few decades.

Mentioned in the introduction, community development corporations emerged from the 1960s community action initiatives to address economic disparity in urban areas (O’Connor, 2012). Community development corporations can be involved in several forms of programmatic activity, to include affordable housing, family services, crime prevention, job training, and economic development (Glickman & Servon, 2012; Krigman, 2010).

This indicates similar programmatic efforts between economic development corporations and community development corporations. However, the primary goal of the community development corporation is “support and revitalize communities, especially those that are impoverished or struggling” (Erekaini, 2014, para. 2; Green & Haines, 2015; Krigman, 2010).

In many cases, community development corporation's economic development focus is on linking persons to jobs or developing an environment that fosters small business creation from within the community (Green et al., 2002). Community-based organizations are focused on addressing societal issues, normally in areas that are declining or impoverished. Those community development corporations that shift focus from societal impact to private sector development can lose the community image in which they are based (Deslatte et al., 2019). Therefore, the vast literature of community development organizations, and the existing empirical evidence answers diverse types of development questions than necessary to understand economic development corporations.

Chapter III
METHODOLOGY
Design

This project uses quantitative analysis to determine if economic development corporations are benefitting the communities they support. To do this, the Pearson correlation method is utilized. This is a measure of the strength of a linear association between two variables and is denoted by r . A Pearson product-moment correlation attempts to draw a line of best fit through the data of two variables, and the Pearson correlation coefficient, r , indicates how far away all these data points are to this line of best fit (i.e., how well the data points fit this new model/line of best fit). This is the most common method to use for numerical variables; it assigns a value between -1 and $+1$, where 0 is no correlation, $+1$ is total positive correlation, and -1 is total negative correlation.

Population/Sample

The population for the study is 78 rural counties in North Carolina. The North Carolina Rural Center's definition of rural is used, where counties with a population density of 250 people or less per square mile constitutes a rural. Of the population, 25 counties have an economic development corporation, and 53 counties do not.

It is important to note the criteria used to select the municipalities. All 53 counties that do not have an economic development corporation possess an economic development capability. In some cases, the municipality uses an economic development

office manned by government employees, and in some cases the economic development responsibilities reside with another department within the county government.

Additionally, many municipalities, with and without economic development corporations, have Chambers of Commerce that assist in the economic development realm. The Chambers of Commerce were not considered as an economic development corporation due to their non-profit status. Economic development corporations are required to benefit the public 501(c)(3). Chambers of Commerce are only required to benefit their members 501(c)(6). This is an important distinction, as this study is meant to assess the economic impact to the community, which is the charter of economic development corporations.

Per Capita Income - Dependent Variable (DV)

The dependent variable for this study is Per Capita Income. Conventionally, and particularly with respect to national level studies, growth is measured using Gross Domestic Product per Capita (Fell & Greenfield, 1985; Hudson, 2015). However, with respect to measuring economic growth at the local level, academic literature is not in agreement.

Ammons (2001) describes the challenges of economic development measures at all levels of government. More importantly, much of the literature focuses on government organizations, not the impact of economic development corporations on economic development (Berman & Wang, 2000; Julnes & Holzer. 2001; Wang & Berman, 2001). These studies look at several variables to include organizational characteristics, organizational goals, and population characteristics. While these studies are an important

foundation, they are less concerned with measuring economic development, but instead focused on conditions that were amenable to economic development measurement.

A shortcoming in the research of Hammond and Tuson (2011) is that they do not account for income disparity within a municipality. Given the sample size of that study, it is understandable that the data did not provide for controlling income disparity. Fell and Greenfield (1985) explain that controlling for income level within the sample will prevent overstating the economic growth. For example, if two towns are of equal size, and show equal economic growth, a study might conclude that economic growth is being seen across the populations in each town. However, by controlling for income, further assessment might show that economic growth is represented in only select segments of the population.

Hudson (2015) defines economic growth as the “increase in per capita income or purchasing power” (p.16). However, per capita income, population growth, or property tax revenue could be misleading as commuter populations that work outside the county in which they live can supply false indications of economic growth.

Moreover, research at the local level is limited to the data available. Typically, economic growth is measured by GDP; however, economic data are more difficult to obtain below the state level. However, per capita income is available at the county level and is the best available economic indicator at the local level of community growth. Additionally, as the data are the averages across the county, they sufficiently address the issue of income disparity described above. Per capita income is also a desirable measurement because it can capture increases (or decreases) to average individual economic status over time. An assumption is that the data will illustrate greater increases

to per capita income with the emergence of economic development corporations in each locale. The dependent variable will be obtained from publicly available governmental data. The research design is longitudinal, meaning the dependent variable will be analyzed over time.

Independent Variables

The independent variable (IV) data are obtained from the North Carolina Department of Commerce Labor Market and Data Tools Website (North Carolina Department of Commerce Labor Market and Data Tools, 2024). The data span a 20-year period from 2000 to 2019.

IV 1: Unemployment. The unemployment rate is the percentage of the labor force without a job.

IV 2: Labor Force. The labor force is the sum of employed and unemployed persons.

IV 3: Average Weekly Wage. Represents the average of wages paid to workers in a calendar week.

IV 4: Housing Price Index. Measures changes in single-family home prices across a designated market.

IV 5: Private Sector Employment. Measure of private sector employment through individual business owners, corporations, or other non-government agencies.

IV 6: Real Gross Domestic Product. The inflation adjusted value of the goods and services produced by labor and property location.

Limitations

Due to limited academic literature on this topic, this study will not be generalizable outside of the study parameters of North Carolina. However, this is a necessary first step to show correlation and association before conducting regional and national level studies.

Additionally, this research is limited to understanding economic development corporation's relationship with their supporting government and the effect on economic growth. This study does not address the relationships with private business and government organizations that could also affect economic growth. However, in this sample, this is an acceptable risk given that these local level governments have delegated development to the economic development corporations.

Please note, this study was deemed exempt by the Institutional Review Board (IRB) for the Protection of Human Research Participants (reference Appendix A: IRB Protocol Exemption Report).

Chapter IV

RESULTS

Introduction

This chapter focuses on the research question: Does the presence of an economic development corporation increase economic growth in a rural municipality? The growth of these organizations since the 1970s would indicate that municipalities see economic value in their presence. However, as rural municipalities in North Carolina continue to witness population growth, and government resources are stretched thinner, perhaps the growth of economic development corporations is less a result of economic benefit and more a result of “outsourcing” economic development activities to private organizations to limited municipality financial resources. If the data show that there is increased correlation between the economic indicators (independent variables) and per capita income (dependent variable) in municipalities with economic development corporations compared with those without, then this would indicate that economic development corporations are providing an economic growth benefit.

Conversely, if there is not an increase in correlation or less correlation between municipalities with economic development corporations, it might indicate that other factors considered when adopting this model. This chapter is partitioned into three sections. The first section discusses the findings of rural economic development. The second section examines if the data are consistent when suburban-sized and urban-sized municipalities are considered.

The third and final section provides a summary of findings. Statistical Package for the Social Sciences (SPSS) was utilized to examine the quantitative data statistically. Data were analyzed using Pearson correlation method. This is a measure of the strength of a linear association between two variables and is denoted by r . A Pearson product-moment correlation attempts to draw a line of best fit through the data of two variables, and the Pearson correlation coefficient, r , indicates how far away all these data points are to this line of best fit (i.e., how well the data points fit this new model/line of best fit). This is the most common method to use for numerical variables; it assigns a value between -1 and $+1$, where 0 is no correlation, $+1$ is total positive correlation, and -1 is total negative correlation. The data are presented in the aggregate using tables. The raw data used in the computation and SPSS outputs are included as appendices.

Reliability/Validity

The method applied in this study was created to analyze the correlation of economic indicators for economic growth. Reliability tells us how consistently we are measuring whatever we are measuring. Validity is concerned with whether we are measuring what we say we are measuring. The data was obtained from North Carolina state and U.S. federal government data banks, aggregated across municipality and year. Given the sole sourced dataset from government sources, reliability is strong. Other researchers can use this data set or collect the raw data to replicate the results presented below.

With respect to validity, this study is limited to the variables available from public resources. Potentially, other variables could better explain this phenomenon, but data

limitations prevent a study with greater breadth. Due to this constraint, generalizations are restricted and limited to the data/variables depicted below.

Economic Development - Rural Municipalities

The sample set for this study includes data on rural, suburban, and urban municipalities (counties) in North Carolina. The determination of whether a county is considered rural, suburban, or urban was determined by the classifications created by the North Carolina Rural Center. This classification is based on the population density of a given municipality, which in this case is the county designation. Table 1 below provides a legend for subsequent tables in the results chapter.

Data were aggregated across the entire sample set, and then aggregated across the population designations (rural, suburban, and urban). Table 1 below provides an aggregate across all population designations and then further delineated to the rural population designation.

Table 1: Variable Naming Convention

Dependent Variable:	Per Capita Income
Independent Variable 1 (IV 1):	Population
Independent Variable 2 (IV 2):	Current-dollar GDP (thousand \$)
Independent Variable 3 (IV 3):	Real GDP (2012 \$)
Independent Variable 4 (IV 4):	Unemployment
Independent Variable 5 (IV 5):	Labor Force
Independent Variable 6 (IV 6):	Private Sector Employment
Independent Variable 7 (IV 7):	Average Weekly Wage
Independent Variable 8 (IV 8):	Housing Price Index
EDC:	Economic Development Corporation

Table 2: Rural Municipalities with Combined Data Totals

Rural	Population	Current-dollar GDP	Real GDP (2012 \$)	Unemployment	Labor Force	Private Sector Employment	Average Weekly Wage	Housing Price Index
Rural, Suburban, Urban	0.490	0.856	0.266	-0.174	0.005	0.000	0.965	0.643
Rural Total	0.363	0.825	0.117	-0.221	-0.207	-0.170	0.964	0.596
EDC - Yes	0.308	0.783	0.024	-0.285	-0.275	-0.318	0.966	0.663
EDC - No	0.389	0.845	0.161	-0.191	-0.174	-0.100	0.963	0.564

With respect to the correlation between the DV (per capita income) and the eight IVs, the strength of correlation is consistent between the average total of the data set and the aggregation of the rural sub-data set. The rural sub-data set is 78% of the total data set (78 rural counties out of 100 counties in North Carolina), which indicates that the rural sub-data set provides a greater weight to the aggregated data set. Therefore, the data show greater similarity between the rural sub-data set and the data set compared to suburban and urban sub-data sets.

Typically, with Pearson's Correlation Method, correlation strength greater than $-.5/+ .5$ is where correlation significance is observed. With this data set, both at the total data set aggregate and the rural sub-data set, correlation significance is only witnessed in three independent variables (Current Dollar GDP, Average Weekly Wage, and Housing Price Index). In each of these variables, a strong, positive correlation is observed with per capita income (DV). This correlation was expected. While intuitive, this data illustrates that as per capita income increases GDP, wages, and housing prices also increase.

Table 3: Rural Municipalities

Rural	Population	Current-dollar GDP	Real GDP (2012 \$)	Unemployment	Labor Force	Private Sector Employment	Average Weekly Wage	Housing Price Index
Rural Total	0.363	0.825	0.117	-0.221	-0.207	-0.170	0.964	0.596
EDC - Yes	0.308	0.783	0.024	-0.285	-0.275	-0.318	0.966	0.663
EDC - No	0.389	0.845	0.161	-0.191	-0.174	-0.100	0.963	0.564

Population, Current Dollar GDP, and Real GDP show stronger correlation in counties without an economic development corporation (see Table 3 above). Conversely, Unemployment, Labor Force, Private Sector Employment, Average Weekly Wage, and Housing Price Index show stronger correlations in counties with economic development corporations (see Table 3 above). It is worth noting that four of the five variables that have a stronger correlation with the DV in municipalities with an economic development corporation are labor related (unemployment, labor force, private sector employment, and average weekly wage).

It is interesting that GDP variables across rural and suburban data sets show higher correlation for those municipalities without an economic development corporation. “Real gross domestic product is the inflation adjusted value of the goods and services produced by labor and property located in the United States” (Investopedia, 2024). Whereas, Current dollar GDP, also known as nominal GDP, is the total value of goods and services produced in a country, plus government expenditures, investments, and exports, minus total imports. Current dollar GDP is an approximately 6% increase in rural counties without an economic development corporation compared to those that have an economic development corporation, and the Real GDP variable is almost a 14% increase in rural counties without an economic development corporation compared to those that an economic development corporation. This illustrates that rural counties without an economic development corporation are producing more goods and may be an indication for why a municipality would not pursue the economic development corporation economic growth model. Due to the agrarian nature of rural counties in North Carolina, this might also indicate that more successful agriculture communities do not

seek economic diversification, and the counties that have adopted the economic development model seek to close the economic development gap by seeking community investments outside of the agriculture market.

Except for average weekly wages, the three labor-based variables and one housing-based variable are approximately 10% higher in correlation in rural counties with an economic development corporation than their sister counties without the economic development corporation model. This indicates that economic development models provide a platform to increase economic development with respect to labor. The average weekly wages are nearly identical correlation in counties with or without economic development corporations. This might indicate that pay in rural counties is weighted more heavily on lower paying jobs, and diversification in rural counties doesn't equate to attracting industries that have higher wage rates than the agriculture industry.

Economic Development - Suburban and Urban Municipalities

As noted above, the rural data set is more like the combined data set due to the total number of rural municipalities compared to suburban and urban municipalities. More municipalities classified as rural heavily influences the statewide averages for the data set.

Above, Table 3 depicts a higher level of correlation across all variables except unemployment. This demonstrates a distinct difference between the rural municipalities and the higher populated suburban and urban municipalities. Please note, all urban municipalities contain an economic development corporation. However, not all suburban municipalities contain an economic development corporation.

Table 4: Dataset Combined and by Municipality Type

	Population	Current-dollar GDP	Real GDP (2012 \$)	Unemployment	Labor Force	Private Sector Employment	Average Weekly Wage	Housing Price Index
Total	0.490	0.856	0.266	-0.174	0.005	0.000	0.965	0.643
Rural Total	0.363	0.825	0.117	-0.221	-0.207	-0.170	0.964	0.596
Suburban	0.939	0.969	0.786	-0.045	0.696	0.547	0.977	0.800
Urban	0.933	0.952	0.815	0.088	0.914	0.755	0.957	0.847

A similar trend is observed between population, current-dollar GDP, and real GDP in the suburban dataset compared to the rural data set (see Table 4 above). The suburban municipalities without an economic development corporation witness slightly more correlation with the DV than those municipalities with economic development corporations, a trend witnessed in the rural dataset. However, the population and current-dollar GDP are negligible differences (~2% in population and ~1% in current-dollar GDP). With respect to real GDP, an ~16% variance is noted.

With respect to the labor variables and housing variable, the suburban data depict variance across the suburban data set. Unlike the rural data set, municipalities without an economic development corporation see a stronger correlation with the DV in labor force, private sector employment, average weekly wage, and housing price index. Explaining this variance is beyond the scope of this study. However, a likelihood is that many of the suburban municipalities without an economic development corporation economically benefit from their proximity to urban municipalities. Conversely, the suburban municipalities that have economic development corporations might suffer from transient labor, meaning that the labor force in that municipality travel to urban municipalities for employment, thereby affecting the labor variables at the suburban level.

Unfortunately, the urban and rural data sets, aside from sharing similar trends of correlation in some of the variables, do not indicate that the economic development corporation economic growth model is consistent across municipality types (rural, suburban, and urban). Instead, the suburban data indicate that the economic development corporation economic growth model is chosen for reasons that cannot be explained by this data set. Perhaps, this is an indication that some municipalities use this model to

preserve public resources by “outsourcing” economic development to entities that can raise capital outside of tax-funded programs. Whereas other municipalities might be witnessing economic growth because of this model, or in some cases benefitting from economic development corporations outside the municipality impacting internal municipality economic growth.

Table 5: Suburban Municipalities

	Population	Current-dollar GDP	Real GDP (2012 \$)	Unemployment	Labor Force	Private Sector Employment	Average Weekly Wage	Housing Price Index
Total	0.490	0.856	0.266	-0.174	0.005	0.000	0.965	0.643
Suburban Total	0.939	0.786	-0.045	0.696	0.547	0.977	0.800	0.800
EDC - Yes	0.932	0.967	0.735	-0.088	0.594	0.472	0.973	0.780
EDC - No	0.955	0.975	0.899	0.049	0.921	0.712	0.984	0.843

Summary of Findings

The purpose of this research is to quantitatively assess if the presence of an economic development corporation increases economic growth in a rural municipality. The quantitative approach provides an objective analysis to municipal level economic development research. The hypotheses and findings of the data are presented below in Table 6.

Table 6: Rural Municipalities

Rural	Population	Current-dollar GDP	Real GDP (2012 \$)	Unemployment	Labor Force	Private Sector Employment	Average Weekly Wage	Housing Price Index
Rural Total	0.363	0.825	0.117	-0.221	-0.207	-0.170	0.964	0.596
EDC - Yes	0.308	0.783	0.024	-0.285	-0.275	-0.318	0.966	0.663
EDC - No	0.389	0.845	0.161	-0.191	-0.174	-0.100	0.963	0.564

Hypothesis 1: Population Growth is positively correlated to a greater strength with Per Capita Income in counties with an Economic Development Corporation.

Hypothesis 1 is not supported by these findings, although the correlation is not statistically significant. Counties with an economic development corporation are ~8% less correlated to the DV than counties without an economic development corporation.

Hypothesis 2: Current Dollar Gross Domestic Product (GDP) is positively correlated to a greater strength with Per Capita Income in counties with an Economic Development Corporation. Hypothesis 2 is not supported by these findings, and the correlation is statistically significant. Counties with an economic development corporation are ~6% less correlated to the DV than counties without an economic development corporation.

Hypothesis 3: Real Gross Domestic Product (GDP) is positively correlated to a greater strength with Per Capita Income in counties with an Economic Development Corporation. Hypothesis 3 is not supported by these findings, although the correlation is not statistically significant. Counties with an economic development corporation are ~13% less correlated to the DV than counties without an economic development corporation.

Hypothesis 4: Unemployment Rates are negatively correlated to a greater strength with Per Capita Income in counties with an Economic Development Corporation.

Hypothesis 4 is supported by these findings, and the correlation is statistically insignificant. Rural municipalities with an economic development corporation have an ~9% stronger correlation than municipalities without an economic development corporation.

Hypothesis 5: Labor Force is positively correlated to a greater strength with Per Capita Income in counties with an Economic Development Corporation. Hypothesis 5 is not supported by these findings, and the correlation is statistically insignificant. Municipalities with an economic development corporations are negatively correlated in the labor force variable, as are municipalities without an economic development corporation. The data shows an ~10% negative correlation increase in rural counties with an economic development corporation.

Hypothesis 6: Private Sector Employment is positively correlated to a greater strength with Per Capita Income in counties with an Economic Development Corporation. Hypothesis 6 is not supported by these findings, although the correlation is statistically insignificant. Municipalities with an economic development corporation witness an ~21% negative correlation increase compared to municipalities without an economic development corporation in the private sector employment variable.

Hypothesis 7: Average Weekly Wage is positively correlated to a greater strength with Per Capita Income in counties with an Economic Development Corporation. Hypothesis 7 is supported by these findings, and the correlation is statistically significant. However, the difference in correlation between municipalities with economic development corporations compared to those without is less than 1%.

Hypothesis 8: The Housing Price Index is positively correlated to a greater strength with Per Capita Income in counties with an Economic Development Corporation. Hypothesis 8 is supported by these findings, and the correlation is statistically significant. Municipalities with economic development corporations witness

an ~9% increase in correlation compared to municipalities without in the housing price index variable.

This study illustrates a quantitative difference between rural municipalities with economic development corporation compared to those without. Interestingly, the data are divided. Rural municipalities without an economic development corporation have a higher, positive correlation with population and gross domestic product variables. Conversely, the correlation for labor, wage and the housing variables shows higher correlation (negative and positive depending on the variable) in rural municipalities that have an economic development corporation.

This implies that economic development corporations have an impact on jobs, wages, and real estate value. The data illustrates no impact on increasing the dollar value of goods and services output of a municipality. Answering the “why” to this finding is outside of the scope of this research. However, it’s possible that the gross domestic product output of a municipality is a reason why the economic development corporation model would be adopted. Perhaps, a greater duration longitudinal study would provide data to show that economic development corporations are impacting the gross domestic product output, but the relative newness of many of these organizations indicates that they need more time to demonstrate effectiveness in this area.

Chapter V

DISCUSSION/CONCLUSION

Study Overview

This study sought to understand the effect of economic development corporations on available economic indicators in rural municipalities in North Carolina. This research highlights findings that contribute to the current body of work in this field. Economic development corporations influence economic development in rural North Carolina. However, the findings show that this is limited to labor, wage, and housing variables.

Significant Findings

Does the presence of an economic development corporation have a positive effect on a rural municipality's economic development in North Carolina? Positive effect is defined as a higher correlation between available economic indicators and Per Capita Income. Unfortunately, this research does not definitively answer this question. This shouldn't be considered a failure, as this research furthers the understanding of economic development corporation's effect on economic development in rural North Carolina, and perhaps beyond. This chapter provides an in-depth discussion of the findings in Chapter 4, as well as discussions on the limitations of this research and implications for future research.

As explained in the review of the literature, little research exists on the efficacy of economic development corporations. This research sought to remedy this using quantitative means to measure this niche subject area in Public Administration. The

theory is that with increasing numbers of economic development corporations across the United States, and more specifically in North Carolina, a demonstrable increase in correlation of economic development indicators will be witnessed in municipalities that adopted the economic development corporation model.

The results In Chapter 4 Indicates mixed results. Rural municipalities without an economic development corporation have a higher, positive correlation with population and gross domestic product variables. Conversely, the correlation for labor, wage and housing variables shows higher correlation (negative and positive depending on the variable) in rural municipalities that have an economic development corporation. The statistical findings of this research show only a positive effect in labor/wage and housing. The existence of an economic development corporation did not have a positive effect on the production indicators (GDP) in rural North Carolina.

Economic development corporations, as they are known today, were born from the socially motivated organizations that began appearing in urban areas in the late 1960s and early 1970s. These organizations were called community development corporations. The original intent was to revitalize dilapidated inner-city communities through programs to improve housing and job markets (Green & Haines, 2015; Krigman, 2010). An interesting finding of this research is that North Carolina's rural economic development corporations provide similar benefits to the communities that they serve, increasing job and housing in the municipality.

The findings suggest that the economic development corporation model Is a solution for municipalities seeking to attract industries that are not reliant on the natural resources associated with certain production industries. Instead, the economic

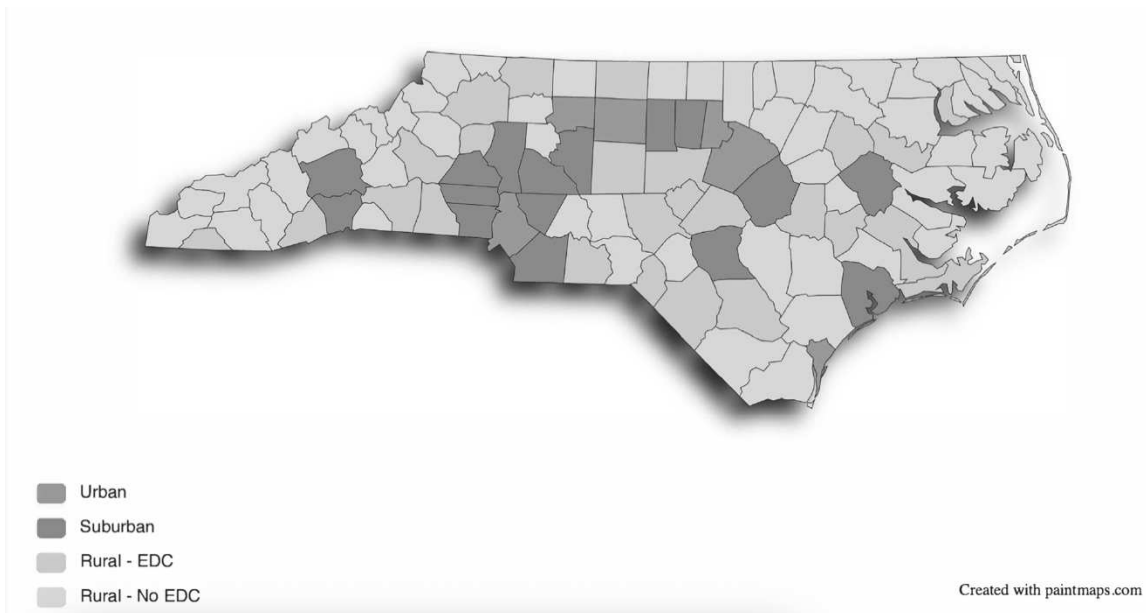
development corporation model is used to attract industries seeking a labor base for industries that do not require natural resources for production.

Figure 3 below provides a graphical depiction of North Carolina's economic development corporation distribution. Please note, the legend provides a color-coded description. Unfortunately, this map creates more questions. Clearly, the most Western and Northern counties have opted out of the Economic Development model. While the West is less agrarian, the Central the counties that border Virginia to the North, are agriculturally based economies. This implies that agrarian vs. non-agrarian is not necessarily a consideration when opting out of the economic development corporation model.

However, the map does illustrate that counties that border suburban and urban municipalities, are more likely to adopt the economic development corporation model. With respect to the notion that rural municipalities that border suburban and urban locales will "free-ride" off the suburban and urban economic development corporations is not supported by this graphic. While there does appear to be instances of "free-riding", there is not a pattern to suggest that this is the norm. Perhaps the rural counties that adopted the economic development corporation model bordering urban/suburban counties are seeking to attract people and businesses to the rural counties believing that the economic development corporations can increase their chances of success in this effort. The networking aspect of the economic development corporation model might aid these counties in attracting businesses that would promote population displacement from urban/suburban to rural locales through partnerships with urban and regional economic development organizations. The population growth in many of these counties supports

this theory and illustrates a trend in suburbanizing rural counties that border suburban and urban counties.

Figure 3. Graphical Depiction of Rural Economic Development Corporations



Source: Image was generated using Paintmaps.com, with data derived from this research.

Implications of this Study

The primary purpose of this research was quantitative analysis of economic development corporations. The intent was not to answer or question assertions of previous economic development corporation research. However, the findings may add to some of this research and in some cases contradict previous research.

Hammond and Tuson (2011) evaluated the effect of government fiscal decentralization on economic growth and found that decentralization contributes to metropolitan economic growth, but not non-metropolitan economic growth. This research indicates that other factors could influence non-metropolitan growth. Specifically, the findings show that economic development corporations can increase certain economic development indicators, but not others. This might indicate that it's not as simple as

decentralization influencing urban vs. suburban/rural, but instead economic factors can influence decentralization at all population-size categories.

Fleischmann et al. (1992) argued that much of the literature concerning economic development in the 1980s and early 1990s did not account for variance in municipalities, or that one-size fits all policies are not tenable at the local level. Additionally, they found fault in the structure/agency approach. This means that the literature focused on the economic and political systems or the actors (local level economic and political actors). This second point they find polarizing and stifling structure/agent integration studies. They find a more complex economic development system, where multiple levels of structures and agents are at play in policy decisions at the local level. This study illustrates that economic development corporations influence some economic indicators, but not others. This finding requires further research but indicates that the economic system of a given municipality might be a better predictor of decentralization.

Cleave and Arku (2020) argued that a shift from traditional governance formats to entrepreneurial governments occurred to compete at the lowest municipal level as a response to globalization. This research indicates that globalization cannot be a catchall for economic development paradigm shifts. Instead, this research indicates a rural municipalities production capacity is a better indicator for entrepreneurial shifts in governments. Municipalities with less production capacity are more likely to adopt an economic development corporation model.

Similarly, Bryden and Munro (2000) explored rural areas in the era of globalization. They found that linkages to extra-community resources, and often national and international linkages are key to economic development in rural areas. They found

that private organizations had an impact in mobilizing development in rural locales. However, key to this success was the entrepreneurial approach adoption at the local level. Again, including production variables might indicate that not every rural area is the same, and the production capacity of a given municipality might be the motivator to seek extra-community resources.

Conversely, Feiock and Clingermayer (1992) determined four factors can influence local level policy choices: fiscal stress; growth coalitions; government institutions; and competition among cities. This research might strengthen their argument, as future research might illustrate that these factors support the quantitative findings of this research.

Bauroth (2009) found that population growth, economic expansion, and state level constraints have no impact on the formation of an economic development corporation. Instead, areas that had a strong manufacturing industry were more likely to form economic development corporations. The findings in Chapter 4 do not support this, however, future research could support Bauroth's research as this might be an explanation for economic development corporation's effect on the production variables in this study.

Economic development is a concept that is meant to impact the whole community. Most economic development corporations articulate a more holistic meaning of economic development, incorporating the necessity for economic development to impact the community. In the review of the literature, this was identified as a gap in the literature. Economic development cannot be explained by business recruitment and job creation alone. However, the findings suggest that with respect to economic development

corporations, wages, labor, and housing are key benefits to the economic development model.

Limitations of This Study

Every study has inherent limitations. This study utilized primary quantitative data from various federal, state, and local sources. However, the breadth of available indicators is limited to the variables used in this study. This results in a study that is limited to the data available, which could mean other factors could better explain or contradict the findings of this study but are not available.

Additionally, the data set used for Real GDP was based on 2012 economic data pulled from the U.S. Bureau of Economic Analysis (USBEA). The USBEA has amended a portion of this data using 2017 economic data (2017 to present). To remain consistent with the longitudinal study across all years (2001-2020), this research uses the 2012 economic data. Please note, the USBEA continues to provide the 2001-2020 data set using the 2012 economic data.

This research is limited to explaining economic development in North Carolina. The findings from this research do not generalize economic development, or rural economic development outside of North Carolina.

Recommendations for Further Research

Future research on rural economic development corporations' impact should be expanded to explore impacts in other states and regional, national, and global levels of analysis. Expanding the locales and levels of analysis will indicate whether the findings of this study can be generalized outside of North Carolina.

Additionally, future research should focus on the production vs. labor/wage/housing findings of this study. In addition to this research, the research by Cleave and Arku (2020) and Bryden and Munro (2000) could be further explained by focusing specifically on the production industries in rural North Carolina municipalities. Perhaps, further research and analysis will show that the rural municipalities with economic development corporations are predominately areas that were once predominately manufacture-based economies that witnessed decline due to globalization and economic development corporations are the response. Conversely, rural municipalities that do not have an economic development corporation achieved greater economic success due to production stability that is not manufacturing industry based.

Discussed in the first chapter, economic shocks both regional (natural disasters) and national (2008 Housing Crisis and the COVID-19 Pandemic) are an additional area of study with respect to economic development corporations. Future research can target pre to post economic shock data periods. Similar to this research, objective analysis can identify economic recovery periods for the affected municipalities with and without economic development corporations.

Conclusion

The quantitative analyses in this study suggest that economic development corporation's efficacy is limited to wage, labor, and housing variable. The finding from this study suggest that future research can expand these findings by adding variables to control for industries and proximity to suburban and urban municipalities. Unfortunately, sub-state data are limited to few variables to analyze. This suggests that uncertainty of validity will be a limitation to this study and any future pursuits.

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APPENDIX A:
IRB PROTOCOL EXEMPTION REPORT



***Institutional Review Board (IRB)
For the Protection of Human Research
Participants***

PROTOCOL EXEMPTION REPORT

Protocol Number: 04308-2022

Responsible Researcher(s): Thomas Peters

Supervising Faculty: Dr. Gerald Merwin

Project Title: *Outsourcing Economic Development: Exploring the Efficacy of Economic Development Corporations in Rural North Carolina.*

INSTITUTIONAL REVIEW BOARD DETERMINATION:

This research protocol is **exempt** from Institutional Review Board (IRB) oversight under 45 CFR 46.101(b) of the federal regulations **category 4**. If the nature of the research changes such that exemption criteria no longer apply, please consult with the IRB Administrator (irb@valdosta.edu) before continuing your research study.

ADDITIONAL COMMENTS:

- *Upon completion of the research study, all collected data (e.g. data set, name lists, email lists, payment log, etc.) must be securely maintained and accessible only by the researcher(s) for a minimum of 3 years. At the end of the required time, collected data must be permanently destroyed.*

If this box is checked, please submit any documents you revise to the IRB Administrator at irb@valdosta.edu to ensure an updated record of your exemption.

Elizabeth Ann Olphie

04.26.2022

Thank you for submitting an

IRB application.

Elizabeth Ann Olphie, IRB Administrator
irb@valdosta.edu or 229-253-2947.

Please direct questions to

Revised: 06.02.16