The Effects of Social Capital on Local Government Performance and Economic Development

by

Tammy Wakefield Laughlin

A dissertation submitted to the Graduate Faculty of
Auburn University
in partial fulfillment of the
requirements for the Degree of
Doctor of Philosophy

Auburn, Alabama
May 7, 2012

Keywords: social capital, government performance, economic development efforts, economic wealth, municipal government, community involvement

Approved by

Cynthia J. Bowling, Associate Professor of Political Science and Public Administration
Linda Dennard, Professor of Political Science and Public Administration
Murray Jardine, Professor of Political Science and Public Administration

Abstract

The purpose of this study is to examine the idea that social interaction, government performance, and development efforts positively affect economic wealth on the local level in cities within the United States. New methods to study social capital on the city government level were developed by utilizing zip codes and NAICS industrial codes available through the U.S. Census Bureau. Institutionalism theory was linked to economic development efforts and overall wealth within cities. The use of industrial codes in the study of social capital and particularly associational density, as well as the study of the number and types of organizations involved in the economic development decision making process provides new tools for researchers to understand the role community organizations play in government performance, development efforts, and economic wealth.

Some studies argue that community involvement and government performance positively affect the ability of municipalities to promote wealth. (Putnam, 1993; Guiso, Sapienza, Zingales, 2004). Other studies indicate community involvement and government performance do not necessarily promote economic wealth. This study investigates the degree to which social capital, government performance, and development efforts contribute to economic wealth on the city level.

This dissertation established a new method to examine social capital on the city level within the United States using publicly available data. The study found community organizations have the greatest impact on economic wealth when included in the decision making process, and is positively related to government performance, and development efforts within the city.

Acknowledgments

The author would like to thank Dr. Cynthia Bowling for her insight and knowledge, and for her constant encouragement throughout this process. The author would also like to thank her committee members Dr. Linda Dennard, and Dr. Murray Jardine for their insight and knowledge. The author would like to also thank the insight provided by former chair Dr. Carl Grafton and former committee members Dr. Anne Permaloff, Dr. Kathleen Hale and Dr. Harold Turk.

The author would like to thank the many people that have walked through life with her to provide the encouragement and guidance needed to accomplish this task. She is very thankful for the teachers and mentors that she has had throughout the years. These include Phillips High School teachers: Mrs. Helen Mann, Mrs. Pamela Dixon, Mrs. Charlotte Rushing, Mr. Wayne Phillips, Mr. James McKenzie, Mr. Edward Cummings, and Mrs. June Glass. She is thankful to the mentors who became wonderful friends at Troy University including Mr. James Deloach, Mr. Walt Hollon, Dr. John Tarver, Dr. Charles Durham, and Dr. Don McDonald. She is especially thankful for the encouragement that she received from Dr. Patrick Demerath whom she worked with for ten years who believed in her more than she believed in herself, and always encouraged her to just finish it.

The author is thankful for the friendship and encouragement of Mrs. Mary Moseley, Dr. Laura Corn, Mrs. Page Craig and Mrs. Janette Cole. She is thankful for the love and friendship of her husband’s family and for her dear cousins.

She is thankful for having Mrs. Movelene Wakefield in her life who taught her that all things good and bad happen in God’s time for God’s purposes. She is particularly thankful that Movelene came into her life and the life of her family.

The author is particularly thankful for the abundance of love, friendship and encouragement that she has received from her wonderful sisters Sharon Tompkins, and Lisa Thompson, as well as their husbands Tommy Tompkins and Kevin Thompson. She is particularly thankful that they have brought the sunshine of their children into our lives. She is very thankful for having Miss Chelsea Tompkins, Mr. Michael Thompson, and Mr. Matthew Thompson in her life as they have inspired her to think about the future and to encourage them to overcome any obstacles to reach their dreams.

She is particularly thankful to have had the love of her parents Jimmy and Joyce Wakefield who brought her up in a home full of love and happiness, in an environment that asked that she strive for success while seeking God's wisdom, to be thrifty, to do what was right and not what was popular, and to always take the road less traveled. She is also thankful to have had her loving grandmother Mrs. Vonnie Wakefield in her life who was always provided unwavering love to her family, and was the hardest working woman she has ever known.

The author is most thankful for the abundant support, and encouragement of her loving husband Benny Laughlin. His great love and companionship have helped her to overcome many obstacles in life. He has shared many heartaches and triumphs. He has kept the ship sailing, and has kept the household afloat both financially and domestically. He has done countless loads of laundry and dirty dishes, while keeping his ego in check. He is a wonderful husband, and she is forever grateful to him, appreciates his sacrifices, and is thrilled to have the love of her life by her side.

Dedication

This dissertation is dedicated to the loving memory of my Mom.

Joyce Harper Wakefield (1935-1991)

Table of Contents

List of Tables

List of Figures

CHAPTER 1

Introduction

Technological advances and increased capital mobility have resulted in the loss of jobs in the United States to less developed nations (Friedman, 1999, 2004). Regional economists and development researchers working on the state and local level continue to seek creative solutions to reverse job losses and create wealth. Scholars (Putnam, 2000; Fukuyama, 1995; Halpern, 2005) have advanced theoretical ideas to suggest wealth creation is more likely to take place in communities with an involved citizenry and / or a high functioning government. These theories can be explored as all cities vary in their strengths and abilities.

Some cities are home to healthy vibrant economies, while others suffer from stagnation. Some cities do an excellent job in educating its citizens, while others do not. Some cities have a highly productive and educated work force, while other cities lag behind. Some local problems are universal; others are specific to particular places. Towns and cities everywhere struggle with improving crumbling buildings and serving needy populations. All cities want to provide job opportunities for their workforce. Some cities, like Tupelo Mississippi, are able to overcome struggles, and stumbling blocks to become idyllic places to live, work, and raise families. How do towns and cities overcome their difficulties? What allows a place like Tupelo to overcome its struggles? Do well performing cities exist solely because they have access to physical resources or is it something far more elusive?

Many practitioners believe positive economic development results from leadership and funding only. This idea arose in a time when the Federal government spent countless dollars re-inventing inner-cities by the acre. Cohen (2007) provides a detailed case study of the role leadership and funding played in development between the 1940s and 1970s by focusing on the work of Edward J. Logue. Logue led New Haven CT, Boston MA, and then the State of New York in its development efforts in the 1950s and 1960s. Logue was considered one of the top development leaders in his time. He had great talent for obtaining funds from the Federal government to transform downtown areas. Although the efforts of Logue and others led to mixed results, the ideas of yesterday persist. Newspaper accounts such as Tesslar's 2011 account of federal tax credits in Dayton, Ohio continue to discuss how the reliance of cash stimulus still permeates the economic development landscape.

Not all effective development strategies rely heavily on a cash component. Some cities tend to re-use existing buildings and rely on the volunteer efforts of the people living within the city. This strategy is often chosen from necessity. On occasion, cities find themselves in crises due to plant closures or natural disasters. Citizens unite to build something from nothing. Unity of purpose leads to pride in completed projects, and ultimately makes citizens proud to hail from a specific place.

Not all development is successful as development projects can be poorly received or met with suspicion by the citizenry. This leads to the question: Why are some cities and towns able to develop economically with meager funding while other cities cannot?

Dr. Vaughn Grisham of the University of Mississippi tells a fascinating story about how the people of Tupelo Mississippi pulled themselves out of poverty by working together. He tells how citizens in the 1930s changed the city because of one man, George Mclean. Mclean, a Tupelo newspaper editor, said "It is the responsibility of the people of Mississippi to try to raise the level - economically, educationally, spiritually and otherwise - of all the people of Mississippi. There's nobody else who's going to come in here and do it for us"(www.createfoundation.com). Mclean told the local merchants their prosperity rested on the fate of the local farmers and convinced the merchants to buy a prize bull to help the farmers add dairies to their operations. Afterwards, success built on success. Tupelo flourished for decades and still serves as a beacon of what a city can do if the people of the city choose to work together to accomplish their goals (Grisham, 1999). The Tupelo story is included in Putnam's book *Better Together* which provides numerous case studies to inspire the reader to want to be like George Mclean. The case studies found provide evidence to show people can work together to make a difference in their community even with very few resources. The attitude and willingness of the people to work together is possibly one of the most important components of both government performance and economic development.

Some of the disparities in prosperity between cities and towns are regional in nature. Other differences can be explained by access to interstate highways or whether an area is rural or urban. Yet, other differences among cities defy explanation. Why would two cities close in size, proximity, and natural resources have dissimilar economic growth and development? Snyder (2002) argues community groups play an important role in forming networks of solidarity among people who would otherwise be isolated. While recreational groups may only help build a sense of connectedness among members, groups like the PTA move beyond connectedness to address public problems like childhood education.

Imagine two cities. One city has an active PTA in which the parents and students work with the teachers and administrators to assure a positive learning environment for students. Business owners actively work with the local chamber of commerce to support their efforts to grow existing businesses and recruit new businesses. For the most part, the citizens actively participate in both the community and the local government. Not surprisingly, over the years the city manages to attract highways, businesses, and over many years doubles in size. Now imagine another city, where the people do not work together. The handful of people who do attend PTA or chamber of commerce meetings are accused of seeking undue favor for their children or for their businesses. Volunteering within the city all but guarantees quarrels and bickering. At the same time, the citizenry does not participate in city government. There is a general apathy about the overall condition. Any new efforts made by city government are met with suspicion. The two cities were once very similar. Over the years, the first city has eclipsed the second one. The citizens in the second city wonder why the first city gets all of the jobs, the new school buildings, new civic center, and interstate highway. They wonder why the other city seems to have all of the luck. The citizens of the second city have no perception of how active participation could change economic outcomes. The citizens do not perceive how working for the community could be of benefit, or how voicing opinions could lead to a seat at the decision making table.

Competition for resources is greater than it ever has been. How will communities who do not work well together survive? Cox (2004) described many of the challenges local economies will likely see in this age of globalism. He predicts labor, corporations, and government will create new models to cope with the need to shift cost away from themselves and onto others to be the “low cost provider.” Wal-Mart is widely criticized by organizations such as the AFL-CIO (www.aflcio.org/corporatewatch/**walmart**/) and Wal-Mart Watch (http://walmartwatch.org/get-the-facts/) for shifting healthcare cost away from the company and onto the public by mostly hiring part-time workers without healthcare benefits. Government and hospitals must then shoulder the burden of caring for the Wal-Mart workers. This leads to higher medical care and insurance cost for the insured and higher taxes for the public. In more recent times, workers have seen the wholesale transfer of jobs from the United States to nations such as India and China. This has meant higher unemployment for the United States, and in turn has lowered the taxes paid by Americans resulting in budget shortfalls on the federal, state, and local levels.

Cox (2004) suggests governments will soon be forced to rethink how and what services will be provided to the citizens. Governments will make policy choices with social ramifications. Cox states “It is not just the redistribution of values that is likely to be at stake. In addition, there are ingrained practices, deeply held convictions, structures of cooperation to be overturned.” Cox goes on to explain that what happens on the local level will be decided through the structure of government and which powers can exert the most political power.

An NPR broadcast in 2007 by Davidson explains how globalization affects local economies. The story illustrated how globalization affects local economies by describing the ill fated American sock industry, and its home of Fort Payne, Alabama. Just a few years ago, Fort Payne was known as the sock capital of the world and was the home to over 150 sock factories. In the late 1990s the U.S. started importing large numbers of socks from China, Pakistan, and Honduras because socks were one cent cheaper to produce outside the United States. Fort Payne's sock industry lost two-thirds of its manufacturers in a shakeout which was quick and brutal. Fort Payne quickly went from a successful city to one with thousands of laid off high school dropouts whose only skills were related to making socks. Fort Payne adapted quickly and was able to bring in several new businesses. The city of Fort Payne has also learned the importance of education and now invests in it and in the future of the people. For now, many former sock workers have had to settle for lower paying retail jobs, but they have high hopes for the future.

As global competition becomes stronger, small towns face many new challenges such as being able to provide needed services to the public while still offering good jobs. If they are to remain strong, they must draw on all their resources to position themselves not only in their local environment but in the world. The case studies described in Putnam's *Better Together*, particularly Grisham's Tupelo, provide one possible avenue to assure growth for our cities and nation in the 21st century.

This dissertation explores the following question: "Does social participation influence economic wealth on the city level?" City government performance and development will be examined to determine if and how participation by the citizenry increased the performance of city government, affected the economic development efforts by cities, and influenced the economic wealth within cities. This question will be investigated with the use of a review of the pertinent literature and by use of a multiple regression analysis on social, governmental, and economic data available from 641 cities within the United States.

Purpose of the Study

This study developed a model to provide evidence to determine whether social interaction, government performance, and development efforts positively affect economic wealth on the local level in cities within the United States. Previous studies have linked parts of the model used in this study together, but have not combined all of the parts at the same time. This study steps beyond the existing literature by developing methods to study social capital on the city government level by utilizing zip codes and NAICS industrial codes available through the U.S. Census Bureau. This study is distinctive in its exploration of the number of types of organizations involved in economic development. This essentially linked institutionalism theory to economic development efforts and overall wealth within cities. The use of industrial codes in the study of social capital (and particularly associational density) as well as the study of the number and types of organizations involved in the economic development decision making process provides new tools for researchers to understand the role community organizations play in government performance, development efforts, and economic wealth.

Very few studies have been conducted regarding the interaction of social capital, government performance, development efforts and wealth (Boix & Posner, 1998; Ball 2001; Dasgupta, 1999). Some studies argue community involvement and government performance positively affect the ability of municipalities to promote wealth (Putnam, 1993; Guiso, Sapienza, Zingales, 2004). Other studies indicate social capital and accountable government do not necessarily promote economic wealth, or play little or no role in cities. Existing studies are fragmented and inconclusive as they tend to only study either social capital or government performance effects on economic wealth. This study investigates the degree to which social capital, government performance, and development efforts contribute to economic wealth on the city level.

For the purpose of this study, the following terms have been defined:
Social capital is the public and private assets created when people come together socially. Social capital can be referred to as the level of cohesiveness and participation in collective activities. Three forms of social capital will be discussed. These are associational density, civic engagement, and community involvement. Associational density refers to the quantity of associations in each city. Civic engagement refers to people and organizations working to make improvements in a community through political processes. An example of civic engagement is voter registration. Community involvement shows individuals and organizations involved in local economic development.

Overview

New technologies have changed the needs of companies wishing to locate new facilities, while allowing knowledge based workers to live wherever they choose. As the United States economy transitions from industrial to knowledge based, the abilities of the workforce become more important than transportation cost and logistics. Municipalities offering opportunities with the lowest tax burdens will be able to successfully compete for new people and jobs.

As a result, fierce competition develops among local governments as they strive to provide high functioning schools, safe and clean neighborhoods, and enjoyable recreational activities with a low tax burden. Competitive cities leverage the abilities of non-profit organizations and volunteers to provide services rather than being the service provider. Thus, the local government best serves the public if they are successful in acting as an agent between non-profits and state and federal programs. (Clarke and Gaile, 1997)

Questions often arise as to why some city governments with similar resources have a greater ability than others to provide positive economic development for their citizens? Do the attitudes of the citizens towards working together affect a city's ability to provide greater economic development, and does their attitude toward cooperation affect the overall performance of the city's government? Finally does the government's performance actually affect economic wealth?

Belief in the willingness of a community to provide opportunities for all and trust in the effectiveness of the political system seems to be essential to economic success in Western democratic governments. By better understanding social and governmental factors, we can determine how the social environment and government actions impact economic wealth in communities throughout the United States. In this light we ask: Can the promotion of civic engagement, trust among neighbors, and good government become an economically viable tool to promote wealth? Do strong interpersonal relationships improve performance and increase participation? Will local governments with a participating public operate more efficiently? Will the requirements for increased face to face contact ultimately be inefficient? Grisham (1999) explains the use of social capital is not initially efficient due to the need for face to face contact. However, long-term results are very efficient and worthwhile for the overall economic wealth of the local area.

Background of the Problem

Economic Wealth

Local economic development is a process involving both the creation of jobs for the public, and providing a high quality of life for the citizenry. Successful cities understand it is much easier to attract new industry into the city if they can offer personnel a pleasant environment for their families. Components of this environment include high quality schools, parks and recreational facilities, low crime rates and cultural activities (Blair, 1995).

Beginning in the 1970s, conservative attitudes towards taxing and spending led local governments to find more creative ways to provide services to citizens as revenues slowed or declined. Public officials became more entrepreneurial in their efforts to rebuild the local economic base. At times, some agencies have chosen a top-down approach to provide private service delivery, with little or no input from citizens. In other instances, a bottom-up approach was used with nonprofit and volunteer organizations (Eisinger: 1988; Reese and Fasenfest 1996; Walzer and Jacobs 1998) providing a broader based approach and tapping into civic institutions (Walzer and Jacobs; Jones 1998).

Jones (1998) labels this bottom up approach as the “social economy” partnership model. This model contrasts with free-market and private sector partnerships as wealth creators. Wilson (1995) believes creating economic development through volunteer organizations is ideal as volunteer organizations are independent from the state, have a concern for human development, offer democratic structure, and practice nonprofit distribution. Time spent by volunteers to improve the community or provide economic development certainly provides a low cost alternative for local governments, while providing a higher quality of life for the citizens. Much can be learned about a specific community's ability to provide positive economic development and wealth by studying how well the community works together by studying the social capital concept.

Social Capital

Over the past fifteen years, social scientists have used the concept of social capital to focus efforts on understanding how and why people assemble in groups and how assembly affects society. Maskell (2000) suggests frequent assembly influences mutual trust and economic performance within the community, and more trusting communities are better able to care for its residents. Thus, the economic building blocks of health, education, and welfare are improved. The increased mutual trust of residents extends to elected officials which enables civic discourse, and allows for flexibility in policy making. This study examines three aspects of social capital.

Associational Density

Associational density provides a measure of how much people assemble together within an area. This study specifically examines the number of Putnam style and Olson style groups within a city according to its population. Putnam groups are associations and civic organizations giving participants a sense of shared endeavors. Olson groups are associations meeting for the purpose of lobbying government for special benefits.

Civic Engagement

Civic engagement, another element of social capital, increases government accountability and allows for greater monitoring of elected officials. Civic engagement is unlike associational density as the interaction is strictly political in nature, and lacks a social purpose. It promotes activities like voting which can make the government more responsive to the needs of the citizens at large as opposed to special interests. The preceding activities help eliminate waste, fraud, inefficiency, and incompetence because a more involved citizenry would serve as a deterrence to wrong doing by public officials. Further, a more involved citizenry would be more likely to catch any wrong doing by public officials. Greater trust of public officials to do the right thing gives the public officials more freedom to do what they believe is correct.

Community Involvement

Community involvement benefits from high levels of associational density and civic engagement. When projects are completed by the community, less government intervention is required. This has the potential to make the city more attractive, lower taxes, and attract new residents and businesses. King (2004) theorizes citizens move to jurisdictions offering services they value for tax rates they are willing and able to pay. (See also: Lyons & Lowery 1986; Ostrom, 1977; as well as McGinnis & Schneider, 1989). Community involvement also improves government performance because the community will have increased interaction with government officials which in turn increases government accountability.

Government Performance

Anecdotal evidence of a connection between government performance and economic wealth are plentiful. One need only to think of stereotypical cases of local governments in third world countries. Government entities are riddled with nepotism, government employees are unavailable, and offices are often closed. Putnam (1993) indicates even in a modern country like Italy, significant differences in the level of economic development relate to the government performance of each region. In China, Wei (2000) found capital inflows were impeded due to high levels of government corruption. This was corroborated by Golberman & Shapiro (2003) who suggested foreign direct investment by the U.S. companies was stymied by increased red tape and lack of transparency.

Economic Development Efforts

Scholars discuss variations in the development tools used by cities. Structural theory posits development is shaped by economic and social conditions beyond the control of local policy makers. Peterson (1981, 20) argues cities promote their own interests, and respond to pressure by competing with other cities to attract new firms and residents.

Rubin and Rubin (1987) use structural model theory to suggest slow growth or decline make cities more vulnerable to pressure to promote growth. This compliments Baldassare (1986) who believes rapidly growing places (primarily suburbs) feel little need to stimulate development and may try to limit growth.

The agency model places emphasis on leadership, coalition building, organization, and political influence. Logan and Molotch (1987) link development to “growth machines” comprised of politicians, local media, retailers, and others with similar interests who hope to benefit from the improved economy.

Development policies are more likely to be adopted in cities with a mayor-council government (Feiock and Clingermayer, 1986). Cities with greater bureaucratic capacity (staff size, expertise, and experience) should be able to implement more development policies (Rich 1989). Moreover, cities may employ more economic development tactics when they have a specialized agency to administer them (Fleischmann and Green 1991; Rubin 1989).

Case studies stress the importance of strategic planning for successful development programs (e.g., Blakely 1989: 72-90). The relationship between use of a plan and the number of development policies a city adopts is ambiguous, however (Fleishmann et. al., 1992).

Background of the Problem Summary

The previous sections detailed how municipalities are limited in their abilities to provide services and improve the economic viability of their cities. An overview of social capital, its subgroups of associational density, civic engagement, and community involvement were discussed. Government performance and economic development efforts were also reviewed. Each section focused on how the citizenry may influence economic wealth within a city either directly or indirectly.

Research Question and Hypotheses

This dissertation poses the questions: Does social participation influence economic wealth on the city level? And if so, does social participation affect wealth directly, or by improving the performance of the city government and/or economic development efforts within the city. Specifically, this dissertation asks:

Q1: Does social capital affect municipal government performance?

H1: In comparing American cities, social capital within the city positively affects local government performance.

There are two basic ways social capital can improve governmental performance. First, it can increase governmental accountability. Social capital enhances the political involvement of citizens, making it easier to overcome the collective action problem of paying attention to and keeping track of the government. It inspires activities like monitoring officials, protesting, and voicing preferences, which can make the government more responsive to the needs of the citizenry at large as opposed to special interests. The preceding activities help eliminate waste, fraud, inefficiency, and incompetence through detection or deterrence. When there is a fund of social capital, "free riding" is less frequent and government performance can be improved by affecting the level and character of political participation, reducing "rent-seeking," and enhancing "public-interested behavior" (Knack, 2002). Second, social capital can make government more efficient. It encourages cooperation and public spiritedness among officials and administrators; and counter-act gridlock and polarization. Other evidence suggests social capital leads to "greater innovation and flexibility in policy making," thus allowing for the creation of policy to speed response to economic crises or take advantage of opportunities.

Q2: Does social capital affect economic development efforts and wealth?

H1: In comparing American cities, social capital positively affects economic development efforts within the city.

H2: In comparing American cities, social capital positively affects economic wealth within the city.

H3: In comparing American cities, economic development efforts positively affect economic wealth.

Social capital enables firms to improve their innovative capability, facilitates business transactions, cuts coordination costs, and enhances the division of labor. Maskell (2000) states general reciprocity (a form of social capital) influences the level of mutual trust within a community and effects long-term economic performance as the positive or negative levels of trust builds upon itself. Communities with greater social capital should have greater trust, and a greater level of care for the fellow man. Because of this, economic building blocks such as health, education, and welfare are also improved. Putnam (1993) relates higher levels of social capital to people being more involved in all types of community organizations. Greater involvement in the community at large often includes community self-improvement projects leading to economic development (McGuire et. al., 1994). At first glance, one would think increased development efforts would automatically translate into economic wealth. This may or may not be the case as some localities are blessed with positive economic wealth with little or no effort. This is often the case with suburban growth. At the other extreme, rural and inner cities may be forced through circumstances to spend countless hours on economic development efforts, hoping that hard work and determination could provide just a few new jobs.

Q3: Does municipal government performance affect economic development effort and wealth?

H1: In comparing American cities, municipal government performance positively affects economic development efforts.

H2: In comparing American cities, municipal government performance positively affects economic wealth.

H3: In comparing American cities, economic development efforts positively affect economic wealth.

It can be argued well performing governments are efficient, competent, and responsive to the citizenry. Putnam (1993) revealed a correlation between government performance and the level of economic development in Italy. Specifically, Putnam found regions with more professional, responsive governments were also more economically advanced, and government performance within the region was at least in part responsible for the differences in economic prosperity. Knack and Keefer (1995) examined the effects of government performance on economic development in 27 countries. They concluded government performance has a significant effect on economic wealth and development.

Government performance likely affects economic development efforts within a locality. Economic development efforts are often a high priority for communities. Logic dictates high functioning communities will likely be competent in its economic development efforts. This in effect gives the community an advantage. The community is attractive because it is well-functioning. Then, as part of its strong operations, it also possesses a strong competent economic development effort. In this case, a high functioning government leads to a highly efficient economic development effort, which in turn leads to positive economic wealth and development.

Methodology

This dissertation analyzes the effects of social capital on a city's ability to prosper. It will test whether the overall government performance of a city is related to levels of social capital. Further, this dissertation will analyze the effects of social capital on government performance, development efforts, and wealth on the city level. By conducting this analysis, researchers will gain a better understanding of whether and / or how the social and political dynamics within each municipality influences the overall economic wealth within the community, or if the differences can be more easily described by other controlling factors.

By conducting multiple regression analysis of the social capital elements we can determine to what degree social capital affects government performance, and development efforts. The analysis will also access to what degree government performance alone affects economic wealth with or without citizen participation.

Rationale for Using Multiple Regression and Path Analysis

Multiple regression analysis is a widely used tool in conducting social science research. It is appropriate when the researcher wishes to explore the relationship between one dependent and multiple independent variables. The purpose of multiple regressions are to provide (1) an estimate of the independent effects of a change in the value of each independent variable on the value of the dependent variable and (2) an empirical basis for predicting values of the dependent variable from the knowledge of the joint values of the independent variables. (Manheim, et. al. 2002)

The Path Analysis is a statistical technique by which we can evaluate the accuracy of models by empirically testing the direct and indirect effects of one variable on another. It has been widely used in the social science because it is applicable to many research questions and allows the researchers to test large pieces of theory at one time instead of testing each hypothesis separately. (Manheim, et. al. 2002)

Figure 1.1 Multiple Regression Model

<u>Independent Variables</u>
Putnam Style Groups
Olson Styles groups
Civic engagement
Community Involvement

<u>Intervening Variables</u>
Government Performance
Economic Development Efforts

<u>Dependent Variable</u>
Economic Wealth

By conducting this study, we can develop a greater understanding of the need to promote social capital and good government in improving economic development on the local level.

Organization of the Study

This dissertation is divided into five chapters. Chapter 1 provides an overview of why we need to study social capital, government performance, and economic development efforts to enhance local economic wealth. Chapter 1 also discussed how social capital affects government performance and how social capital, government performance, and development efforts affect economic wealth. This chapter also provides an overview of the purpose, methodology, and organization of the study.

Chapter 2 discusses the pertinent literature addressing the following questions:

(1) Does social capital affect municipal government performance?

(2) Does social capital affect economic development efforts and wealth?

(3) Does municipal government performance affect economic development efforts and wealth?

This review provides a scholarly and comprehensive assessment of the differences of opinion on the value of the contributions of the social capital factors of associational density, civic engagement, and community involvement on government performance, economic development efforts, and economic wealth. This literature review will also provide a discussion of the value government performance plays in economic development efforts and economic wealth. The review of the literature demonstrates prior studies have not definitively answered the questions concerning the relationships between social capital, government performance, and economic development.

Chapter 3 provides an overview of the methodology and statistical techniques, sources, procedures, research parameters, and methods used for data collection and analysis criteria. The identification and explanation of indicators used to measure the independent variables of associational density, civic engagement, community involvement, and the intervening variables of government performance, and development efforts are identified as well as indicators to measure economic wealth are presented. Control variables are also presented in this chapter to determine whether there are other plausible explanations for the phenomena presented.

Chapter 4 presents a graphical analysis of descriptive statistics. Trends and patterns in the data are noted in relation to associational density, civic engagement, community involvement, government performance, and economic development. The hypotheses are evaluated in light of the data and the supporting literature. Presentations of the statistical findings for each of the hypotheses based upon simple and multiple regressions are made. The nature of the relationship between each of the independent variables and the increase or decrease in economic development is first established through simple regressions of the direct relations between them. More complex multiple regression models are applied to describe how the independent variables act together to shape economic wealth. Control variables are then inserted into multiple regression models to determine whether alternate explanations better explain the models.

Chapter 5 provides a discussion of the findings and conclusions to this study. Based upon results presented in Chapter 4, each of the research hypotheses is evaluated and related to the theoretical literature. The limitations of the study are noted, along with recommendations for further study in the areas of social capital, government performance, economic development efforts, and economic wealth.

Chapter 2: Literature Review

Introduction

Over a century and a half ago, Tocqueville ([1840]; 1969) stated the health of a democratic society may be measured by the quality of functions performed by private citizens. Tocqueville was enamored by the regularity in which Americans congregated to solve community problems, and the willingness of all strata of the community to serve together to create prosperity by creating business opportunities and to improve the community. This leads to the question: Does social participation and good governance equal economic wealth on the city level? Blair (1995) argues most decisions affecting local economic development are made by self-interested private individuals or institutions. Blair states economic development is part of a larger process of community development and notes it is difficult to make distinctions between social, political, and economic concerns within the community. Grisham (1999) argues, at its best, community development is about people working together to solve common problems. Blair and Grisham's opinions concerning the nature of community and economic development differ primarily because Blair looks at economic development as an economist and Grisham looks at the same problems as a sociologist.

In 1988, sociologist James S. Coleman helped pioneer the concept of social capital. In his paper, "Social Capital and the Creation of Human capital," Coleman examined the very different ideas about social action in the fields of sociology and economics. Most sociologists see the individual as a socialized being whose actions are governed by social norms, rules, and obligations. Thus, actions of individuals are partially explained by social capital (Coleman, 1988). This contrasts with the ideals of most economists who see the individual acting independently in his pure self interest to receive the greatest benefit for his/her actions. In sociology, the individual is solely a product of his or her environment. In economics, the individual is not at all affected by the social environment. By labeling the benefits of interacting with other individuals a form of capital, it allows sociologists, economists, and public administrators to better understand social phenomena and their cost and or benefit to society.

Aspects of the social capital concept will be examined to provide insight into how the social environment, particularly citizen participation affects the quality of government, development policy, and economic wealth. City government performance will be examined to determine if and how participation by the citizenry increases the performance of the city government, affects the economic development efforts by the city, and impacts economic wealth. This chapter discusses the role social capital plays in government performance and economic development on the local level.

Historical Perspective of Social Capital

The role society plays in our everyday lives has been studied from the earliest times. Theoretical precursors to social capital can be traced back to Adam Smith, de Tocqueville, Durkheim, and arguably Aristotle. In public administration, the concepts of institutionalism and communitarianism arose with parallels to the social capital concept. The term "social capital" was first used in its present context by Hanifan in 1916 to gain support by business people for progressive ideas, and was picked back up in the 1980s by Bourdieau and Coleman who wished to explore the concept and gain support by economic minded administrators.

Alexis de Tocqueville is often quoted in support or defense of particular issues in American society. Authors in favor of collective action in America often refer to the work of Alexis de Tocqueville and his praise of associational life in 19th century America. Tocqueville was interested in the "role associational life plays in society" and what he believed was the foundation of American democracy. Tocqueville stated, "Nothing, in my view, more deserves attention than the intellectual and moral associations in America. American political and industrial associations easily catch our eyes, but the others tend not to be noticed" (de Tocqueville, [1840] 1969, p. 517). Tocqueville argued "an association unites the energies of divergent minds and vigorously directs them toward a clearly indicated goal" (ibid, p. 190). In modern times, social scientists would rephrase Tocqueville's argument and say associations facilitate the solution of collective action problems. Associational life also counterbalances the dangers of individualism, which might eventually degenerate into an "exaggerated love of self which leads man to think of all things in terms of himself and prefer himself to all." (ibid) Tocqueville argued through associational life, "feelings and ideas are renewed, the heart enlarged, and the understanding developed only by the reciprocal action of men upon one another" (ibid, p. 515).

Durkheim favored group action as well. Durkheim wrote: "A nation can be maintained only if, between the state and the individual, there is interposed a whole series of secondary groups near enough to the individuals to attract them strongly in their sphere of action and drag them, in this way, into the general torrent of social life" (Durkheim, [1893] 1964, p 28). Durkheim observed, even for the most individualistic of acts, the behavior of individuals could not be understood in isolation from the characteristics of the community and the relationships in which they are embedded (Durkheim, [1893] 1964, p 28).

Adam Smith, known as the father of modern economics weighed in on the social fabric as well. Smith understood the importance of mutual sympathy, networks, and values in the sustaining of markets (Bruni and Sugden, 2000). His examples were not always positive, as he pointed out ways merchant meetings were used to conspire against the public for greater private profit (A. Smith, [1776] 1979). Even with this interest by Smith, economists have generally not shown great interest in the role of social networks and norms in economic life. Although there has been some interest, (I. Fisher, 1906; Couse, 1937, and Loury 1977) most economists have not been interested until relatively recently (Piazza-Giorgi, 2002).

The earliest specific use of the term 'social capital' (Woolcock, 1998) seems to have been by Hanifan (1916, p. 130; 1920, p. 16). Hanifan used the term to refer to "good will, fellowship, sympathy, and social intercourse among the individuals and families who make up a social unit" (1920, p. 78). Hanifan used this definition to facilitate discussions with hard-nosed businessmen who would likely be more impressed with economic language over softer references to community. This is similar to the decision of contemporary social scientists to use this term to explain the importance of society to money-minded policymakers of today. Hanifan (1916) spoke of making tangible assets more valuable. He referred to:

> "…that in life which tends to make these tangible substances count for more in the daily lives of a people, namely, goodwill, fellowship, mutual sympathy and social intercourse among a group of individuals and families who make up a social unit, the rural community, whose logical center is the school. In community building as in business organization and expansion there must be an accumulation of capital before constructive work can be done." (Hanifan, p. 130)

Origins of Hanifan's work were embedded in the social center movement within the progressive era. This movement included the promotion of civic clubs, community music, reading circles, public libraries, and university extension (Farr, p. 13, 2004). John Dewey served as the inspiration of many of Hanifan's ideas. For Dewey, "society means association; coming together in joint intercourse and action for the better realization of any form of experience which is augmented and confirmed by being shared" (Dewey, p. 12:196, 1920). Dewey further stated democracy itself was nothing other than "a mode of associated living" experienced by citizens in and through their communication with each other, via associations, education, and public work. (Farr, p. 14, 2004)

Modern academic interest in social capital dates back to the 1980s. In Europe, Bourdieau noted economist's worldview strongly influenced both policy and social sciences. He argued economic orthodoxy limited itself to a narrow band of practices. Bourdieau offered the following definition of social capital:

> Social capital is the sum of the resources, actual or virtual, that accrue to an individual or a group by virtue of possessing a durable network of more or less institutionalized relationships of mutual acquaintance and recognition. Acknowledging that capital can take a variety of forms is indispensible to explain the structure and dynamics of differentiated societies. (Bourdieau and Wacquant, 1992, p. 119)

Close to the same time, James Coleman published a paper inspiring interest for many researchers. Coleman offered a very broad concept of social capital not grounded in a narrow area of study:

> Social capital is defined by its function. It is not a single entity but a variety of different entities, with two elements in common: they all consist of some aspects of social structures, and they facilitate certain actions of actors – whether persons or corporate actors – within that structure. Like other forms of capital, social capital is productive, making possible the achievement of certain ends that in its absence would not be possible. (Coleman, 1988, p. 96)

In today's academic world, one name has become almost synonymous with social capital. Putnam's definition of social capital is widely quoted:

> Features of social life – networks, norms, and trust – that enable participants to act together more effectively to pursue shared objectives…Social capital, in short, refers to social connections and the attendant norms and trust. (Putnam, 1995, pp. 664-5)

In *Making Democracy Work*, Putnam (1993) compared different regions of Italy in an attempt to determine what made some regional governments more effective than others. Putnam found the differences in the effectiveness of the regional governments – their speed of action, efficiency with which they worked, and the public's perception of them could not be explained by the size of their budgets or policy frameworks. Putnam (1993) found the critical factor to explain the effectiveness of the regional governments was the level of trust between strangers. Putnam's argument is essentially, the success of governments can be explained with the stable differences in social capital between the regions.

Fukuyama (1995) also brought attention to the concept of social capital. He believes economists have underestimated the importance of social capital. He noted successful nations such as the U.S. and Japan had a high level of trust between strangers, while the underperformance of Russia and African nations could be explained by a lack of trust between their own people.

Fukuyama (1995) notes a weakening of social capital within the United States, and argues the weakening authority of civil associations has led to the rise of a strong state. Further, he argues this decline in trust has created greater costs for tax payers, as a loss of trust leads to increased costs for security, police protection, and legal fees.

As the works of Putnam and Fukuyama have gained notoriety in the social sciences, a flood of articles and books has sought to provide new insights into the social capital concept. The explosion of articles has helped at times to define social capital, while adding detail to the depth and breadth of the concept. At the same time, the vast number of articles has had the effect of going in many conflicting directions, and making the study of social capital confusing.

Social capital as a term has been used sporadically since the early twentieth century, but only came into wider and more consistent usage following the work of Coleman, Bourdieau and Putnam in the late 1980s and early 1990s. The term refers to the social networks, norms and sanctions facilitating co-operative action among individuals and communities. From 1995, there has been an explosion in research on the topic across a wide range of academic disciplines. This expansion shows no signs of slowing, with national and even international policymakers and institutions showing increased interest in the concept and its apparent consequences.

Controversy still surrounds the measurement of social capital, but a rough and ready measure with reasonable reliability and validity seems to be “social-trust”, or more succinctly, the extent to which people in a given community or region feel others can generally be trusted. Work is currently under way in a number of countries on national “audits” of social capital, and should lead to more detailed information on the different types of social capital and their consequences. However, the development of cross-nationally accepted and comparable measures of all the different dimensions of social capital may be some way off, because of cultural differences and the problem of establishing functional equivalence.

Context within Political Science

Institutionalism's discussion of power and communitarianism's discussion of networks, norms and sanctions are identical to Putnam's definition of social capital.

Before the late 1960s, the study of networks focused on power and the ways in which it is attained or denied through interactions. Prominent scholars in this area include: Mills & Ulmer (1946), Mills (1956), Dahrendorf (1959), and Robert Dahl (1961).

In 1946, Mills and Ulmer asked: "Do communities with larger war plants manifest markedly different levels of social, economic and political welfare than communities where the economic base consists of many, locally owned firms?" Mills & Ulmer found cities with many smaller firms had a better socio-economic well being than cities dominated by a few larger firms. In *Who Governs?* Dahl (1961) reasons outcomes in public policy are ultimately the outcomes of free competition between ideas and interests in society. Dahl states power involves the control of people's behavior. Bachrach and Baratz disagree with Dahl by arguing power includes the ability to exclude issues from the agenda. By the 1970s, Dahl concluded liberal democracy provided its greatest benefit to business interest, and had negative effects for individuals. Dahl's remedy for this situation was to create a more participative, open and fairer democracy.

Communitarianism serves as a response to the 1960s and 1970s "Rawlsian" policy research concerned with fairness of outcomes, and the success of the 1980s focus on the individual. The idea of the "community" as a response to state centralism and free market individualism is not a new idea. (Parsons, p. 51-52, 2001) Etzioni (1994) is at the forefront of advocating communitarianism as a public policy approach. Etzioni wrote:

> As communitarians see it, a strong, but scaled back, core of the welfare state therefore should be maintained. Other tasks, currently undertaken by the state, should be turned over to individuals, families and communities. The philosophical underpinnings for this change require the development of a new sense of both personal and mutual responsibility. But how do we work out which activities should be dealt with at which level of society? …By applying the principle of subsidiarity. This says that responsibility for any situation belongs first to those who are nearest to the problem. Only if a solution cannot be found by the individual does responsibility devolve to the family. Only if the family cannot cope should the local community become involved. Only if the problem is too big for it should the state become involved. (Etzioni, 1994; Parsons, p. 53, 2001)

Etzioni believes public policy should "aim to promote and revive those institutions which stand between the individual and the state: family; voluntary organizations; schools; churches; neighborhoods; and communities." (Parsons, p. 53, 2001) This idea is consistent with the concept of social capital.

Olson (1965) is not as hopeful as Etzioni concerning the positive attributes of group or community action. Olson believes large groups will have a difficult time organizing for collective action because there will be a large number of "free riders" willing to receive the benefits of membership with little or no effort on their part. Olson submits organizations partaking in collective action hurt economic growth because special interest groups lobby for preferential policies, which could impose substantial costs on society. Olson's argument lies in direct opposition to Putnam's views concerning associations and civic engagement. Olson wrote "special interest organizations and collusions reduce efficiency and aggregate income in the societies in which they operate and make political life divisive" (Olson, 1965).

Components of Social Capital

This discussion familiarizes the reader with the social capital concept and its history, provide a breakdown of its component parts, and provide evidence both defending and disputing social capital's importance in government performance and economic development.

Over the past few decades, social capital has received much attention in academic circles. In simplest terms, social capital is about how people are connected with one another. This loose definition is problematic because it is so broad and can mean "everything and nothing" (Halpern, p. 1; 2005). Fine (2010) views social capital as a flawed concept wrought with circular reasoning, while others believe it is the "most important and exciting concept to emerge out of the social sciences in fifty years" (Halpern, 1).

Many supporters find social capital appealing because it utilizes economic concepts and language to recognize and quantify the importance of society in the macro economy. Many articles discuss the forms and quality of people's social networks and a range of important economic outcomes. This research area will likely expand exponentially as social networks and social media continue to shape our daily lives and world events.

As stated earlier, social capital is a concept bridging sociology and economics by looking at social phenomena in economic terms. Social capital is essentially a three dimensional concept. The concepts include the basic components, the different types of places or levels of analysis, and the characteristics of social capital.

1. Components – networks, norms, and sanctions (Halpern, p. 9-10)
2. Levels or domain of analysis – individual, group, community, nation, etc. (Halpern, 13)
3. Character or function – bonding, bridging, linking (Gittell & Vidal; 1998)

Networks

Understanding the component parts of social capital is made simple when we look at examples in our everyday lives. As people, we are rooted in an array of *social networks* and associations. These are people who regularly associate with for various reasons. These include our friends, coworkers and business associates, the people we play sports with, belong to clubs with, or others, as well as our family, neighbors, and members of our church or ethnic groups (Halpern, 2005).

Norms

Halpern (2005) points out “people are connected with one another through intermediate social structures – webs of associations and shared understandings of how to behave.” These “shared understandings” are the *norms* of behavior (p. 3). *Norms* of behavior are customs developed in different areas, which in reality serve a purpose to help society function better. Living in a community requires certain rules or “social norms”. Many of the rules of the community are unwritten, and may include helping our neighbors and being courteous and considerate to others. Some norms of behavior are very widespread, while others are very place specific (p. 10).

Sanctions

The flip side of the *norms* of behavior is sanctions. There are both positive *sanctions* (rewards) and negative *sanctions* (punishment) for behaviors. Most are very informal but are nonetheless effective in maintaining social norms (Luzzati, 2000). Neighborhood living is associated with certain kinds of sanctions on good and bad behavior. Sanctions often appear in very mild but effective forms. Neighbors find ways of communicating their disapproval of acts which violate the unwritten codes of the neighborhood, including a disapproving glance, an angry exchange of words, vulgar hand gestures, or even the threat of action. Sanctions include negative gossip and loss of reputation, while praise serves as a positive sanction (Luzzati, 2000).

Trust

Trust is an important concept embedded into *networks, norms,* and *sanctions.* The most important *norm* in successful societies is the concept of *trust*. Individual's lack of trustworthiness will be *sanctioned* by the exclusion from *networks*. Axelrod (1984) states people in high trust states and regions may generally be 'nicer' to one another. Both friends and strangers may be more pleasant making everyday life easier with less conflict.

The existence of social capital, specifically trust, has other benefits for the individuals and communities within it. James Coleman (1988) discusses the New York wholesale diamond market in his influential paper on social capital. In this paper, Coleman discusses how the diamond merchants hand over thousands of dollars in diamonds to other merchants to examine without using expensive contracts and insurance. Yet, the market is extremely efficient and successful. This market only works because of the closeness and high degree of trust and trustworthiness among the community of merchants. This custom of behaving honorably is an immense asset which allows them to trade efficiently and profitably. However, the assets of this community cannot be viewed as holding financial, physical, or even human capital. This network is enjoying the benefits of 'social capital' (Coleman 1988). Communities with high amounts of social capital tend to have people who trust each other more because the networks in their community provide better opportunities to punish deviants (Coleman, 1990).

The concept of the social network has been changing. Our social relationships are not always experienced as positive and can be characterized by rivalry and dislike. The people who live within a neighborhood are all part of the social network of the community. The network may be defined geographically or formally. Boundaries may be ill defined, and can be characterized by its density and closure (the preponderance of intra-versus inter-community links.) (Halpern, P. 10, 2005)

One can argue three basic components of social capital are found in contexts ranging from the very intimate, such as in the family, to super-communities such as the nation-state. The components largely define social capital structures. There is much debate over how far reaching the social capital concept should be considered as a tool for understanding societal phenomena.

Levels of Social Capital

Researchers vary over the range of subjects which should be included in the social capital concept (Halpern, 2005). Researchers have attached social capital to social trust (Boix and Posner, 1998; Knack & Keefer, 1997; Narayan and Pritchett, 1997; Svendsen and Svendsen, 2003). They have joined the concept with the idea social networks enable some immigrant and ethnic groups to succeed while others fail (Fukuyama, 1995). Social capital allows for the study of practices and habits of successful communities (Grisham, 1999) (Eschbach, 1997). It provides insight into the types of parent networks helping schools and students succeed (Teacherman, et. al., 1997). Social capital is a vehicle to study voluntary associations of almost any kind (Baumgartner and Walker, 1988; Verba, et. al. 1995); as well as neighborhoods (Berry, 2007); sports and special interest clubs; (Charles, 1993; Miller, 2003). The concept of social capital helps us better understand the social networks of friends as well as organizational diversity (Eastis, 1998). It helps us understand economic development (Fedderke, de Kadt, Luiz, 1999; Knack & Keefer, 1997; Bardhan, 1993; Guiso, et. al., 2004). Social capital helps us understand politics (Jackman & Miller, 1998); as well as government and democracy (Paxton, 1999; Skocpol, 1996. 1997, 1999; Knack, 2002). It gives us a way to better understand the structure and character of families, from the presence of two parents in the home to the frequency to which families eat together as a whole. (Astone, 1999)

The social capital term has been used to also describe large-scale 'cultural' phenomena. At the same time, it can be used to describe very small-scale, micro-level family phenomena.

Ben Fine, arguably the most vocal critic of social capital, dismisses social capital as "a totally chaotic, ambiguous, and general category that can be used as a notional umbrella for almost any purpose" (Fine, 2001, p. 155). Fine's criticisms have merit, as some authors have stretched the meanings of networks, norms and sanctions to refer to unrelated concepts. Some concepts, for example, measuring the value of trust in a business relationship are considered a legitimate use of the social capital concept; other concepts such as, i.e., the level of trust among complete strangers is more controversial.

National Customs Affect Social Capital

Researchers disagree as to whether the character and form of relationships between relative strangers is to be considered a form of social capital. When visiting different nations, one cannot help but be struck by the differences in how people commonly behave. Southern Europeans think the British custom of forming and standing in lines is odd, while the British get very angry with overseas visitors who try to jump the line (Van Oorschot, Arts, & Gellisen; 2006). Are behavioral customs quaint cultural differences or are they important aspects of social capital? Does forming lines facilitate the ability of a nation's population to get along? In this sense, many aspects of national and regional culture fit the loose definition of social capital. At the macro-level, social capital allows investigation of national economic performance; regional effects within the nation, the relationship to government, institutions, and culture; the formation of national economies; and globalism (Van Oorschot, Arts, & Gellisen; 2006).

Fukuyama (1995) spoke extensively on how the societal norms, specifically general trust within nations affected the overall economic well-being of the nation. Fukuyama noted although American, German, and Japanese customs were all very different, they all had the same tendency of being very trusting of strangers. This tendency is very different from the Italian and Chinese cultures which have very high levels of trust within the family only. In cultures such as the United States, wealth was created in the form of large corporations. This is the opposite of the culture in China, as business firms tend to only be as large as the ring of trust within the extended family.

Although the U.S. has benefitted from a high level of social capital in the past, it may not in the future. Putnam (1995) suggested the United States has over the years become a much less trusting nation and is now losing its store of social capital. The trend of decreasing social capital on the national level will have a negative effect on the level of social capital on the community level. This loss of social capital will effectively serve as a tax on individuals and communities as the loss of trust in society leads to an increased number of lawsuits, and raises crime rates.

Individuals affect social capital

Some theorists have demonstrated social capital has an effect on the personal or individual level. Astone (1999) found the acquisition and maintenance of social capital is a major motivator of human behavior. She found the formation of sexual partnerships, and the birthing and rearing of children involves social capital, and noted an individual's stock of social capital is handed down to future generations in virtually all societies. Teacherman, et. al., (1997) found social capital plays a significant role in whether or not young people drop out of school. Obviously, understanding how social capital can motivate individuals in positive ways has great potential in improving the economic vitality of both communities and the nation.

Portes (1998) declared, "I believe that the greatest theoretical promise of social capital lies at the individual level" (p. 21). Ibarra, Kilduff, & Tsai (2005) agree by saying the study of social capital on the micro-level allows researchers to examine ideas like whether or not investing in social capital make you wealthy? Ibarra, Kilduff & Tsai continue by suggesting social capital helps researchers better understand how a community can improve educational outcomes to provide for a better community and economic development environment.

Communities Affect Social Capital

Much has been written about social capital on the meso (i.e., community) level. Grisham (1999) has written extensively on how the building of social capital over sixty years turned Tupelo, Mississippi from a poor to prosperous community. Putnam's 2003 book *Better Together* gives countless examples of how communities, neighborhoods, churches and associations came together to accomplish goals and built essential social capital in the process. The study of social capital at the community level explains how to better neighborhoods and communities, how to utilize social capital in the firm to improve long-term profits, and the advantages of creating industry clusters to improve economic development (Kilpatrick, Field, & Falk; 2003). By understanding what makes people come together to achieve common goals, and build well functioning communities that attracts new people and businesses, we can better learn how to build strong communities throughout the country, improve the lives of all citizens, and increase economic prosperity for everyone.

Nations, communities, and individuals are all connected to social capital. Therefore, it is necessary to include definitions of social capital which exist on the individual, community, and national levels. Social capital can be found in small groups. National social capital is comprised of the sum of the variables of the individual or community levels. This concept can be realized when we think of how the rate of high school education completion within the United States affects the level of federal income tax receipts, size of the welfare rolls, and unemployment rate. (Svenden, 2006)

Function and Character of Social Capital

Bonding and Bridging Social Capital

Recent theoretical work has sought to break the notion of social capital down into different sub-types. Perhaps, the most important distinctions are between ‘bonding’ and ‘bridging’ social capital. Bonding social capital is either by choice or necessity, inward looking, and tends to reinforce exclusive identities and homogeneous groups. Bonding social capital is essentially the ties individuals have with close friends and family. This form of social capital gives the individual emotional support, and helps us cope with our daily lives. Bridging social capital is outward looking and includes people across diverse social divisions. With bridging social capital, the individual has loose ties to other individuals. Loose ties are ideal when you are looking for business contacts, or lead to find a new job. Your loose ties are the people you know from little league, or church, or the PTA. "Bonding social capital provides a kind of sociological superglue whereas bridging social capital provides a sociological WD-40" (Putnam, 2000, pp. 22-23).

Putnam credits the coining of the bonding-bridging distinction to Gittell and Vidal (1998). This is in contrast with Granovetter's (1973) use of "weak ties" and "strong ties" to discuss social networks. Bridging and bonding has attracted widespread use in a very short period of time. While the bridging-bonding distinction may be important in some cases, it may not be necessary to always measure both bonding and bridging social capital as an individual or community rich in one kind of social capital, will probably be rich in the other (Svenden, 2006).

Linking Social Capital

Szreter (2002) studied the concepts of bridging and bonding social capital and offered the idea of a fundamental relationship between social capital and the state. He found evidence to suggest power, politics, and ideology helped account for historical trends in social capital formation and deterioration. Putnam's study of Italy (1993) is consistent with Szreter's finding as he found the domination of the Catholic church in Southern Italy between the 12^{th} and 19^{th} centuries impeded the ability of the people to work together to achieve common goals in a democratic fashion.

Linking social capital describes the relationship citizens have with people in power. It refers to relations between individuals and groups in different social strata in a hierarchy where power, social status and wealth are accessed by different groups (Cote and Healy, 2001:42). Woolcock (2001) extends this to include the capacity to leverage resources, ideas and information from formal institutions beyond the community. One might think of linking social capital in terms of how easily the individual can contact and communicate with people who have financial or political power.

Historical evidence suggests bridging and respectful forms of linking social capital only flourish when there is ideological and political support for “the state,” local participation in government, and supportive to the needs of all citizens in the community. A high regard for the state and the activities through which it instills a sense of collective pride, and a high evaluation of the services provided by all levels of government are essential for citizens to respect and value each other, value each other’s differences and give their time in trusting, cooperative activities. When this respect for the state and the larger public is absent or fails, bridging and linking social capital diminish and, in extreme cases, leave only a social landscape of isolated camps of people with only bonding social capital (Szreter, 2002).

Szreter (2002) continues by stating social capital is not an alternative to “the state.” The two concepts are interwoven. Szreter argues for societies and communities to achieve healthy balances of bonding, bridging, and linking social capital. He further states the best way to build the right amounts and combinations of social capital are to restore “collective faith” in the state and local governments.

Unfortunately, since social capital is a public good, there tends to be an under-investment, as it is not the sole property of single individuals and is vulnerable to free-riding. Being part of a social network, or living in a community where cooperation and helpfulness are widespread, provides benefits to the individual whether or not they do anything to maintain the network. In practice however, many forms of networks are not fully public goods as they are not equally accessible to everyone. In this sense, social capital may only be a semi-public or club good. In some cases, it may exist in forms wider group would regard as bad or pathological such as the mafia (Putnam, 1993).

Edwards and Foley (1998) suggest it is not sufficient simply to describe the size and density of a person's network. We must also look at the resources connecting individuals to networks. Edwards and Foley (1998) continue by suggesting researchers have estimated the levels and types of resources individuals receive from their social networks, and have documented differences in the materials and emotional benefit support available across social classes.

An awareness of the private goods aspects of social capital obliges us to build a consideration of power and resources into the concept, and recognize its club good aspects (Szreter, 2002). Woolcock (1999) has looked at the social capital framework in relation to the power of the state and the elites who control it. Woolcock (1999) argues an important characteristic of state-society relations is how closely tied, or embedded, the state is to the society over which it presides. Linking social capital may be viewed as a special form of bridging which specifically concerns power – it is a vertical bridge across asymmetrical power and resources. High levels of bridging and linking indicate a highly interconnected society, sharing power and resources through a never-ending and evenly spun web of connections. If the society is characterized by low levels of bridging and linking then, depending on its underling level of inequality, we will get a very varied picture of its social capital at the micro or individual level (Svenden, 2006).

Associational Density, Civic Engagement, and Community Involvement

The preceding literature provided an in-depth starting point to provide the necessary insight in determining what is important when answering the question: "Does social participation influence economic wealth on the city level?" The remainder of the literature will concern how specific aspects of social capital notably associational density, civic engagement, and community involvement affect government performance and economic development efforts and wealth, and how government performance affects development efforts and wealth.

Associational Density

For the purpose of this study, associational density is the number of Putnam style or Olson style groups within a city by population. Putnam groups are associations and civic organizations which give participants a sense of shared endeavors. Olson groups are associations which meet for the purpose of lobbying government for special benefits. Knack (2003) notes the conflict Putnam and Olson provide the social sciences concerning the influence private associations have on society and the economy. Olson (1982) hypothesized groups lobby government for special benefits such as tariffs, tax breaks, subsidies or regulations which inhibit competition, which is inefficient, reduces investment, slows the rate of innovation, and ultimately reduces growth (61-65).

Putnam (1993) viewed groups more favorably than Olson, as he noted associations give individuals a greater sense of trust and increases the number of their social ties. Associations "instill in their members habits of cooperation, solidarity, and public spiritedness" and participation in civic organizations creates a sense of shared responsibility for collective endeavors" (Putnam, 1993; Knack, 2003).

Putnam analyzed data across Italy and found areas in Northern Italy with a greater inclination for associational groups were far more economically advanced than their counterparts in Southern Italy who were much less predisposed to participating in associations. To gain a better understand this conflict between Putnam and Olson, Knack theorized groups could be categorized as “Olson” style or “Putnam” style groups. Knack used the World Values Study (WVS) to create a cross-country analysis to determine the effectiveness of different type groups in creating prosperity. Putnam style groups were identified as organizations promoting trust and cooperation. Putnam groups include civic and social organizations, bowling centers, golf and country clubs, fitness clubs, sports organizations, and religious organizations. Olson style groups were identified as rent-seeking groups, or have a financial incentive to form and join. Olson groups include political, labor, business, and professional organizations. Knack found little support of Olson and mixed support for Putnam’s claims concerning citizen participation and economic wealth. Questions remain about the types of participation most needed, and its overall effects particularly in cities within the United States. Therefore, this paper will study both Putnam and Olson style groups.

Civic Engagement

The concept of civic engagement combines the trust and social norms embedded in social capital and unite it with the concept of civic participation. This concept allows us to better understand why democracy and capitalism are so closely related. Thomas Jefferson stated, “when the people are afraid of the government, it is called tyranny, and when the government politicians are afraid of the people, it is called democracy.” (University of Virginia E-text, Jefferson Digital Archive) A healthy capitalist economy requires there be a sufficient amount of civic engagement to allow businesses, individuals, and networks to be self-organizing for both commerce and governance.

The literature concerning civic engagement indicates greater participation of the general public in government affairs has had a positive effect on democracy, and further has led to greater government accountability and performance, and greater economic development. Fukuyama (1995) hypothesizes a healthy capitalist economy is one which has a sufficient amount of civic engagement in the underlying society to permit groups to be self-organizing. Although governments can and do promote key firms and sectors, free markets almost always work more efficiently when private actors make economic decisions. At the same time, democratic societies cannot exist if society consists only of unorganized, isolated individuals who can only express their opinions at the ballot box. Their weaknesses and separateness would not allow the people to express their views properly, and would be an open invitation to despotism and demagoguery. Fukuyama (1995) further surmises this lack of trust and civic engagement in the U.S. creates greater costs for tax payers, as the nation already pays significantly more than other industrialized economies for security, police protection, and attorney fees than other advanced nations. The increased costs from a lack of trust and civic engagement amount to a measurable percentage of gross domestic product annually, and essentially amounts to a direct tax on the public. Fukuyama continues by stating the United States has been living off a fund of social capital, and specifically civic engagement. He says the energizing civic engagement is both complicated and mysterious. While government can enact policies decreasing trust in society, they have not found ways to enact policies meant to increase the trust and participation in civic engagement.

Keele (2007) demonstrated just how difficult it is to increase trust in society by showing even though congressional performance arguably improved in the 1990s, the trust in Congress remained low. Keele continued by suggesting a lack of trust in government makes it more difficult for political leaders to succeed as they become pinned into positions by constituents, and cannot compromise for the good of everyone involved.

Szreter (2002) suggested our level of trust in society would increase if governments restored the collective faith in both central and local governments, and in the depleted social services, and submits civic engagement is best used as a tool to analyze how citizens use their relationships to engage or disengage in the business of the state. Paxton (2002) found civic engagement promotes democracy and economic development, and suggests foundations and agencies funding non-profit organizations should consider how an organization cuts through society in making funding decisions. Under Paxton's recommendation, Civitan or Lions Club type groups would receive funds over organizations such as battered women or homeless shelters. Paxton supports this notion as quantitative research has consistently demonstrated a strong relationship between groups bringing people together from all walks of life, economic development and democracy.

Why is civic engagement as part of social capital important to government performance and economic development? Often government officials have difficulty knowing the needs of the population. This problem is most evident when there are low levels of civic engagement within the community. When citizens are informed and actively participate in the political process, government officials become more attuned to the demands of the citizenry. Active participation by the citizenry takes many forms. An involved public takes part in the community by reading newspapers, attending public forums, giving to political campaigns, voting, and by becoming involved in volunteer groups involved in the betterment of the neighborhood or community. This involvement, which makes government more responsive to the citizenry results in a more livable community, makes the city more attractive for business recruitment, and allows government leaders to pursue economic development projects which would not otherwise be approved (Rice, Sumberg: 1997).

Weil (1994) supported the idea of civic engagement as a pre-condition of economic development by concluding the “civic community index” based on organizational density, newspaper readership, and electoral characteristics have an extraordinarily strong correlation with government performance including economic development (Weil: 1994). Swank (1996) provided additional evidence by arguing values embodied in civic engagement, especially values emphasizing collective action such as people coming together to attain community goals, explain 84% of the economic growth of 25 countries between 1960-1989 (Swank: 1996).

Stagner and Duran (1997) argue economic growth and neighborhood problems are more readily addressed by increasing the civic engagement of individuals within the governance of programs. They suggest through the implementation of active economic development through Comprehensive Community Initiatives (CCIs), social service agencies were more effective in helping to improve the lives of children and families in extreme poverty by providing better services, which led to a more capable citizenry, which led to greater economic development. (Stagner, Duran: 1997)

Evans (1997) argues civic engagement creates social trust, which in turn facilitates civic engagement, effective government, and economic development. This assertion is supported by Tolbert, Lyson, and Irwin (1998) who suggest the combination of local capitalism and civic engagement lead to positive local socioeconomic outcomes (i.e. economic development). They argue localities high in civic engagement will have an abundance of small manufacturers, which in turn, promotes economic development. Small town institutions promote "horizontal ties" cutting across diverse groups which foster civic engagement, boosts competitiveness, and promotes local capitalism. (Tolbert, Lyson, Irwin: 1998)

Irwin, Blanchard, Tolbert, Nucci, and Lyson (2004) suggest a community's long term economic vitality and development depends on the attachment and commitments citizens make to communities which can only be developed through civic engagement. Ball (2001) argues the strength, scope, and dimensions of civic engagement certainly influence economic development as the widening of people's networks of interaction and exchange provides economic opportunities for individuals and society. Saunders (2002) agrees civic engagement is an essential component of economic development efforts, and state community self-development projects are now being recognized as an essential ingredient for economic development. (Saunders: 2002)

Meyer (2003) suggests political participation/civic engagement plays an essential role in any democracy, but citizens and political theorists differ on whether democratic legitimacy and stability rest on engaged participation or on a somewhat less engaged consent. Meyer goes on to suggest the importance of civic engagement in democracy is a myth not supported by hard evidence. Carothers and Barndt (1999-2000) disagree with

Meyer and others suggesting not all civic engagement and interaction is good. Carothers and Barndt go on by suggesting some groups work together to produce reprehensible outcomes, and what makes for the public good is highly debatable. Although clean air is desirable, many would argue low energy costs are desirable as well.

Harriss (2001) argues factors other than local civic engagement are not essential to economic development, and argues communities must reach out to external linkages. The inward looking, political participation making up civic engagement is ultimately not very important.

Community Involvement

Community involvement is discussed in the literature in terms of its ability to influence government performance and economic development. Communities across the country have adopted policies of self-development (Fosler, 1989; Blakely, 1989; Gittell, 1990; McGuire, et. al., 1994). It is a process of bringing the citizens of the community together to find ways to solve community problems and improve economic vitality. Small communities especially benefit from an involved public. The governments in small communities tend to lack the administrative capacity of larger communities to perform the functions of grant writing, acquisition, information technology, and financial management (Mead, 1986). Community involvement allows communities to overcome shortcomings through synergistic efforts. Communities with a high capacity for development successfully balance controlling or coordinating development activities and allowing the public to participate in the development process. (Gittell, 1990) Community involvement is generally thought to contribute to positive government performance and economic development in cities of all sizes, as it allows local groups an outlet to communicate with public administrators, enables individuals to participate in development, and allows grass-roots organizations to provide services essential for the self-improvement of the community. Community involvement is again an important part of how society interacts with government and the economy and will be included in this study.

Tupelo, Mississippi serves as an excellent example of how citizens can bond together to achieve common goals. Grisham (1999) gives a detailed account when community is achieved and people learn to work toward common goals. Grisham spent six years of detailed study of the community. He read newspaper accounts going back 120 years, reviewed public records, school and church records, library materials and personal memorabilia. He reviewed all of the records of the Community Development Foundation, attended its executive sessions, and interviewed over 2000 people. (Grisham, 1999) The question asked was, "What gives Tupelo its advantage?" The answer to the question was "The citizens of Lee County have learned to work together." (Grisham, 1999)

Tupelo's ultimate goal was to become a "competent community." Leonard Cottrell (p. 6-7, 1977) describes a competent community as "one in which the various component parts of the community: (1) are able to collaborate effectively in identifying the problems and needs of the community; (2) can achieve a working consensus; on goals and priorities; (3) can agree on ways and means to implement the agreement; and (4) can collaborate effectively in the agreement of actions." Grisham argues it is very difficult to become a "competent community." There is a common tendency for people to work towards their own goals without recognizing the commonality of interest and problems which might bring citizens together with a common purpose and sense of community. The next section will discuss the interactions between social capital, government performance, economic development effort, and economic wealth and development. This dissertation theorizes social capital affects local government performance, economic development effort, and economic wealth and development.

Social capital and government performance

There are two basic ways social capital can improve governmental performance. First, it can increase governmental accountability. Social capital enhances the political involvement of citizens, making it easier to overcome the collective action problem of paying attention to and keeping track of the government. It inspires activities like monitoring officials, protesting, and voicing preferences, which can make the government more responsive to the needs of the citizenry at large as opposed to special interests. Citizen involvement activities help eliminate waste, fraud, inefficiency, and incompetence through detection or deterrence. When there is a fund of social capital, "free riding" is less frequent and government performance can be improved by affecting the level and character of political participation, reducing "rent-seeking," and enhancing "public-interested behavior" (Knack, 2002). Second, social capital can make government more efficient. It encourages cooperation and public spiritedness among officials and administrators; which help counteract gridlock and polarization. Social capital leads to "greater innovation and flexibility in policy making," thus allowing for the creation of policy which can more easily respond to crises or take advantage of opportunities.

Social capital and economic wealth

Social capital enables firms to improve their innovative capability, facilitates business transactions, cuts coordination costs, and enhances the division of labor. Maskell (2000) states social capital influence the level of mutual trust within a community, and effects long-term economic performance as the positive or negative levels of trust builds upon itself. Communities with greater social capital should have greater trust, and a greater level of care for the fellow man. Because of this, economic building blocks such as health, education, and welfare are also improved. Putnam (1993) relates higher levels of social capital to people being more involved in all types of community organizations.

Greater involvement in the community at large often includes community self-improvement projects which lead to economic development (McGuire et. al., 1994). At first glance, one would think increased development efforts would automatically translate into economic wealth. This may or may not be the case as some localities are blessed with positive economic growth with little or no effort. This is often the case with suburban growth. At the other extreme, rural and inner cities may be forced through circumstances to spend countless hours on economic development efforts hoping the hard work and determination pays off in providing just a few new jobs.

Government performance and economic development efforts

Government performance likely affects economic development efforts within a locality. Economic development efforts are often a high priority for communities. Fleishmann, Green and Kwong (1992) notes local officials are often criticized for using a large variety of incentives, organizational plans, analytical techniques, and processes to promote development because such policies have a very limited effect on business location decisions.

Scholars discuss variations in the development tools used by cities, and provide two competing theories. One theory is based on broad economic and political systems (structure) and another relies on the actions of local political and economic actors (agency) (Fleishmann, Green, Kwong; 1992).

The underlying premise of structural theories is urban-development is shaped by economic and social conditions beyond the control of local policy makers. Peterson (1981: 20) argues cities must promote their "interest," i.e., "the economic position, social prestige, or political power of the city, taken as a whole." Local officials act in response to this pressure by competing with other cities to attract new firms and residents and to keep existing taxpayers from moving.

Structural theories imply cities adversely affected by broad economic, demographic, and political forces, will be more likely to adopt development policies. This is also true for communities dependent on manufacturing. Economic well being may vary with the metropolitan status of a community. Slow growth or outright decline may make cities more vulnerable to pressure to promote growth (Rubin and Rubin 1987), while rapidly growing places (primarily suburbs) feel little need to stimulate development and even try to limit growth (Baldassare 1986).

In the agency model, emphasis is placed on leadership, coalition building, organization, and political influence. Logan and Molotch (1987) link development to "growth machines" comprised primarily of politicians, the local media, retailers, utility companies, developers, realtors, mortgage companies, and similar interests who benefit from the increased value of particular pieces of property.

There are several actor-centered theories which can affect development policy. Development policies are more likely to be adopted in cities with a mayor-council government because mayors are expected to be more responsive to citizen and group pressures than are politicians in cities using the council-manager plan (see Feiock and Clingermayer 1986). Activism by pro-growth coalitions should result in projects created by government or public-private partnerships due to the limited authority of the private sector to condemn land or issue municipal bonds (Mollenkopf 1983; Ottensmeyer et al. 1987; Blakely 1989: 252-64).

Cities with greater bureaucratic capacity (staff size, expertise, and experience) should be able to implement more development policies (Rich 1989). Moreover, cities may employ more economic development tactics when they have a specialized agency to administer them (Fleischmann and Green 1991; Rubin 1989).

Case studies stress the importance of strategic planning for successful development programs (e.g., Blakely 1989: 72-90). The relationship between use of a plan and the number of development policies a city adopts is ambiguous, however (Fleishmann et. al.; 1992).

Government performance and economic wealth

The role society plays on government performance, and consequently economic wealth should be studied. Government performance can and does influence economic wealth as a stable and predictable environment is needed for businesses to locate, grow, and flourish. Wei (2000) examined global capital inflows into China and found government performance, or more specifically government corruption had a significant negative effect on capital inflows into China. Golberman and Shapiro (2003) went on to suggest Foreign Direct Investment (FDI) made by United States companies were dependent on the “governance infrastructure”, which included particular aspects of the legislatures, regulations and legal systems which condition freedom of transacting, security of property rights, and transparency of government and legal processes. Further, King (2004) theorizes when multiple jurisdictions to choose from, efficient markets for public services arise, and suggests citizens move to jurisdictions offering services they value and for tax rates they are willing and able to pay.

Well performing governments are efficient, competent, and responsive to the citizenry. Putnam (1993) revealed a correlation between government performance and the level of economic development in Italy. Specifically, Putnam found regions with more professional, responsive governments were also more economically advanced, and the government performance of the region was at least in part responsible for the differences in economic prosperity. Knack and Keefer (1997) examined the effects of government performance on economic development in 27 countries. They concluded government performance has a significant effect on economic growth and development.

Summary

This review of the literature provided the reader with an understanding of the many facets of the social capital concept, and how it influences both government performance and economic development. This review discussed the development and scholarly foundations of the social capital concept, and then related it to government performance and economic development.

The greater part of this literature supports the notion social participation has a positive effect on both government performance and economic development. However, some authors refute this notion by arguing participation by the general public hinders government's efforts to provide for the citizenry, and is counter-productive. The model presented in chapter 3 will address these concerns and will advance the literature in determining "Does social participation influence economic wealth on the city level?

CHAPTER 3: RESEARCH DESIGN

Introduction

Chapter 2 provided a scholarly examination of the literature to provide insight into how and to what degree social participation influences government performance, economic development efforts and economic wealth on the local level. The literature review discussed the scholarly foundation of the social capital concept, and how social capital relates to government performance, economic development efforts and economic wealth. The previous literature leads to the question: Does social participation influence economic wealth on the city level? One may examine the social environment by studying the many aspects of social capital. A cross-sectional study will examine whether participation by the citizenry is related to government performance, economic development efforts, and economic wealth on the city level.

Not all group participation is created equally. Knack (2003) noted that Putnam and Olson provided the social sciences conflicting insights into the influence private associations have on society and the economy. Olson (1982) suggested groups lobby government for special benefits such as tariffs, tax breaks, subsidies or regulations. Olson argued special benefits inhibit competition, create inefficiency, reduce investment, slow the rate of innovation, and reduce economic health (61-65). Putnam (1993) viewed groups more favorably than Olson, noting associations give individuals a greater sense of trust and increase the number of social ties. Associations "instill in members habits of cooperation, solidarity, and public spiritedness" and participation in civic organizations creates a sense of shared responsibility for collective endeavors" (Putnam, 1993; Knack, 2003).

The literature concerning civic engagement indicated greater participation of the general public in government affairs has had a positive effect on democracy, leading to greater government accountability, performance, and economic development. Fukuyama (1995) hypothesized a healthy capitalist economy is one with a sufficient amount of civic engagement in the underlying society to permit groups to be self-organizing. Although governments can and do promote key firms and sectors, free markets almost always work more efficiently when private actors make economic decisions. At the same time, democratic societies cannot exist if society consists only of unorganized, isolated individuals who can only express their opinions at the ballot box. Fukuyama (1995) believes a lack of trust and civic engagement in the U.S. creates greater costs for tax payers, as the nation already pays significantly more than other industrialized economies for security, police protection, and attorney fees than other advanced nations. The costs incurred from a lack of trust and civic engagement is a measurable percentage of the annual gross domestic product and a direct tax to the public.

Community involvement is discussed in the literature in terms of its ability to influence government performance and economic development. Communities across the country have adopted policies of self-development (Fosler, 1989; Blakely, 1989; Gittell, 1990; McGuire, et. al., 1994). It is a process of bringing the citizens of the community together to find ways to solve community problems and improve economic vitality. Small communities especially benefit from an involved public. The governments in small communities tend to lack the administrative capacity of larger communities to perform the functions of grant writing, acquisition, information technology, and financial management (Mead, 1986). Community involvement allows communities to overcome shortcomings through synergistic efforts. Communities with a high capacity for development successfully balance controlling or coordinating development activities and allowing the public to participate in the development process. (Gittell, 1990) Community involvement contributes to positive government performance and economic development. It allows local groups a method to communicate with public administrators enabling individuals and grass roots organizations to participate in government services.

The role society plays on government performance, and consequently economic wealth is addressed in this study. Government performance can and does influence economic health as a stable and predictable environment is needed for businesses to locate, grow, and flourish. Golberman and Shapiro (2003) suggested Foreign Direct Investment (FDI) made by United States companies were dependent on the "governance infrastructure", which included particular aspects of the legislatures, regulations and legal systems. The governance infrastructure affects the freedom of transacting, security of property rights, and transparency of government and legal processes. Further, King (2004) theorized with multiple jurisdictions to choose from, efficient markets for public services arise. King suggested citizens move to jurisdictions offering services that citizens value and for tax rates citizens are willing and able to pay.

"The Production of Social Capital in U.S. Counties" by Rupasingha, Goetz, and Freshwater (2006) provides a tool for analysis of social capital on the county level. Census data, county business patterns, and information concerning charitable contributions were used as proxies for social capital. The data collected were analyzed, and cross-referenced with data results from the General Social Survey (GSS) and the University of Michigan's World Values Survey (Rupasingha, et. al). The development of reliable social capital data on the local level provides the opportunity for greater in-depth analysis of how social capital affects government performance and economic development. Although Rupasingha, et. al. compiled the social capital data on the county level, the same techniques can be used on the zip code level to find indicators on the city level.

Goldfinger and Ferguson's "Social Capital and Governmental Performance in Large American Cities" provides an analysis of how social capital affects managerial performance at the local, state, and national levels by analyzing general reciprocity and civic engagement's effects on managerial performance. Social capital data was collected through the use of telephone surveys of 1,820 respondents in 18 cities to ask six questions pertaining to the significance of trust and civic engagement in communities. The dependent variable, managerial performance, was taken from the Government Performance Project (Barrett and Greene, 2000).

By combining Rupasingha, et. al., methods of creating a proxy measure of social capital, with Goldfinger and Ferguson's ideas about the connection of social capital and government performance, one can measure the connection between social capital and government performance. However, Goldfinger's study of the connection between social capital and government performance only covered 18 cities, and the government performance project, which served as the dependent variable in Goldfinger's study, only contained 35 cities. This dissertation extends the previous studies by examining both social capital and government performance in terms of economic wealth on the city level. The focus of this study is to determine if social capital, government performance, and economic development efforts contribute to economic wealth.

Research Questions and Hypotheses

This dissertation poses the questions: Does social participation influence economic wealth on the city level? And if so, does the social participation affect wealth directly, or did it affect wealth by improving the performance of the city government, and / or improve the economic development efforts within the city. Specifically, this dissertation asks:

Q1: Does social capital affect municipal government performance?

H1: In comparing American cities, social capital within the city positively affects local government performance.

There are two basic ways social capital can improve governmental performance. Social capital can increase governmental accountability. Social capital enhances the political involvement of citizens, alleviating the collective action problem of paying attention to and keeping track of the government. Social capital inspires activities like monitoring officials, protesting, and voicing preferences, which can make the government more responsive to the needs of the citizenry at large as opposed to special interests. Social capital activities help eliminate waste, fraud, inefficiency, and incompetence through detection or deterrence. When there is a fund of social capital, "free riding" is less frequent and government performance can be improved by affecting the level and character of political participation, reducing "rent-seeking," and enhancing "public-interested behavior" (Knack 2002, 773). Social capital can make government more efficient. Social capital encourages cooperation and public spiritedness among officials and administrators; these qualities help counteract gridlock and polarization. There is evidence social capital leads to "greater innovation and flexibility in policy making," thus allowing for the creation of policy can more easily respond to crises or take advantage of opportunities (774).

Q2: Does social capital affect economic development efforts and wealth?

H1: In comparing American cities, social capital positively affects economic development efforts within the city.

H2: In comparing American cities, social capital positively affects economic wealth within the city.

H3: In comparing American cities, economic development efforts positively affect economic wealth.

Social capital enables firms to improve their innovative capability, facilitates business transactions, cuts coordination costs, and enhances the division of labor. Maskell (2000) stated general reciprocity (a form of social capital) influences the level of mutual trust within a community, and effects long-term economic performance as the positive or negative levels of trust builds upon itself. Communities with greater social capital should have greater trust, and a greater level of care for the fellow man. Because of social capital, economic building blocks such as health, education, and welfare are improved. Putnam (1993) related higher levels of social capital to people being more involved in all types of community organizations. Greater involvement in the community at large often includes community self-improvement projects for economic development (McGuire et. al., 1994). Intuition would suggest increased development efforts would automatically translate into economic wealth. It may or may not be the case as some localities are blessed with positive economic wealth with little or no effort. Suburban growth is a prime example of how a city can grow without herculean development efforts. At the other extreme, rural and inner cities may be forced through circumstances to spend countless hours on economic development efforts hoping hard work and determination pay off in providing just a few new jobs.

Q3: Does municipal government performance affect economic development effort and wealth?

H1: In comparing American cities, municipal government performance positively affects economic development efforts.

H2: In comparing American cities, municipal government performance positively affects economic wealth.

H3: In comparing American cities, economic development efforts positively affect economic wealth.

One can argue, well performing governments are efficient, competent, and responsive to the citizenry. Putnam (1993) revealed a correlation between government performance and the level of economic development in Italy. Specifically, Putnam found regions with more professional, responsive governments were also more economically advanced. Putnam found the government performance of the region was at least in part responsible for the differences in economic prosperity. Knack and Keefer (1997) examined the effects of government performance on economic development in 27 countries. They concluded government performance has a significant effect on economic wealth and development.

Government performance likely affects economic development efforts within a locality. Economic development efforts are often a high priority for communities. High functioning communities will likely be competent in its economic development efforts.

The high government performance gives the community a boost. The community is attractive because it is well-functioning, and then as part of its strong operations, it possesses a strong competent economic development effort. In this case, a high functioning government leads to a highly efficient economic development effort, which in turn leads to positive economic wealth and development.

Research Model

The various factors identified in the hypotheses culminate in the model presented below in Figure 3.1. The model depicts six factors influencing economic wealth in 2004 and the direction of the influence. In the model design, there are four independent variables, all of which represent some form of social capital, two intervening variables, and one dependent variable. The independent variables include associational density, civic engagement, and community involvement. The independent variables will be used as predictor variables for the dependent variable in the regression model, and path analysis. Government performance and economic development efforts are the intervening variables in this model. Government performance is an intervening variable because it is a result of actions influenced by the amount and kinds of social capital, specifically by the associational density, civic engagement, and community involvement. Economic development efforts within the community reflect both the amount and kinds of social capital within the community as well as the overall government performance of the community, and should serve as a direct pre-cursor to economic wealth.

Figure 3.1 Variables: Independent, Intervening, and Dependent

Independent Variables
Putnam Style Groups
Olson Styles groups
Civic engagement
Community Involvement

Dependent Variable
Economic Wealth

Intervening Variables
Government Performance
Economic Development Efforts

Description of Population

The International City / County Management Association (ICMA) provides excellent resources for researchers. With a mission of creating excellence in local governance by developing and fostering professional local government management worldwide, ICMA provides broadly administered, well recognized surveys often used by researchers in political science. (http://icma.org/en/icma/about/organization_overview). ICMA conducts periodical surveys of 9,000 plus cities using widely accepted statistical techniques. Each survey is conducted every five years and is conducted on a rotating basis. The 2004 ICMA Economic Development Survey is used in this dissertation. The 2004 ICMA Economic Development Survey was sent to 3,703 top administrators in city or county governments. Of these, ICMA received 726 responses, for a response rate of 19.6%. 2009 survey data was available but not chosen as both survey results and economic wealth data may be outliers due to an unusually weak U.S. economy.

Since proxies for social capital data are essentially available for every zip code in the United States, the number of cities used in our study is only limited to the number of reliable measures of government performance and economic development. This study requires each measure be on the same geographical level, and data to be available for all measures. Since the studies proxies for social capital are available for all U.S. cities, we are only limited by the number of cities responding to the ICMA Economic Development survey. There were a total of 726 municipalities who completed the 2004 ICMA Economic Development survey. 85 responses were on the county level and will not be used. Therefore, a total of 641 places listed as cities, townships, or boroughs will be used in this study.

Data Collection

Data Sources

Data were obtained from the U.S. Census Bureau, Bureau of Economic Analysis, and Secretaries of State, The National Main Street Center, International Downtown Association, FBI Crime Statistics, Government Finance Officers Association (GFOA) and the International City / County Management Association. Data instruments originate from official sources, are often used in large studies, and are accepted as valid. For instance, Knack (2002) applied census data to social capital and the quality of government while Damanpour and Schneider (2009) used ICMA data to study innovation adoption in public organizations.

Levels of Measurement

Care was taken to assure the greatest possible analysis of data. Interval data was employed in all but two measures. Whereas ordinal measures give only a rough idea of the relationship between cases with respect to a variable. Interval measures provide information on the distance between cases.

Dependent Variable

The intent of this study is to determine if variables of social capital, government performance, and economic development efforts affect the economic wealth in a community. It is essential to examine legitimate economic wealth statistics. The level of per capita income and median household income will be examined for the year 2004 using data available from the U.S. Census Bureau. Per capita income and Median household income data is widely available, and commonly used as dollars and cents indicators of the well being of individuals in a community.

Summary of Dependent Variable

Table 3.1 – Measures of Dependent Variables

Variable	Indicator	Coding	Source
Economic Wealth (D)	Level of Per Capita Income in 2004	Interval	U.S. Census Bureau
Economic Wealth (D)	Level of Median Household Income in 2004	Interval	U.S. Census Bureau

Independent and Intervening Variables

Social capital is the independent variable in this study, and includes associational density, civic engagement, and community involvement as its component parts.

The intervening variables for this study are municipal government performance, and economic development efforts.

Social Capital Variables

The social capital variables include measures of associational density. By looking at both associations promoting trust and cooperation (Putnam groups), and rent-seeking organizations with a financial incentive to form and join (Olson groups) we can better understand the level of trust and cooperation within cities. U.S. Postal Service listing of zip codes will be used to find all zip codes for each city studied. The number of organizations per zip code and population in each zip code will be obtained from U.S. Census Bureau. The total number of organizations per zip code will be added as well as the population of each zip code to determine the total number of organizations within each city. This methodology of determining how many organizations are within each city has some drawbacks as zip codes and city boundaries do not necessarily coincide. However, the use of the zip code method does provide all organizations with addresses attached to each city's name. Utilizing zip codes is the most accurate data available.

Civic engagement is measured to determine how involved the citizenry is in the political system. Voter participation is used as a proxy for civic engagement. A widely accepted measure of voter participation is the percentage of voters who voted in presidential elections. The voter turnout for presidential elections information is only available on the County level through State Secretary's of State. However, voter turnout in presidential elections is the best measure readily available to measure civic engagement on the local level.

The community involvement variable assists the research in gaining a better understanding of participation in Grisham's criteria for successful cities. One measure determines if a city is a member of either a Main Street program or if it has a membership in the International Downtown Association (IDA). Downtown areas are the core of almost all cities; a source of pride for the citizens; and have almost universally been in a state of decline throughout the last half century. Both the National Main Street program and the International Downtown Association advocate for cities to improve their downtown areas through citizen participation. The organizations are very well established, and are the primary vehicles for communities to come together. A community's participation in Main Street or IDA serves as an excellent indicator of community involvement. Nevertheless, it is possible for a community to be very involved in the improvement of the city without belonging to either Main Street or IDA. Another measure of community involvement germane to this study is available in the 2004 ICMA Economic Development Survey. The survey asks, "Which of the following participate in developing your local community's economic development strategies?" Choices include city, county, state government, federal government, chamber of commerce, economic development corporation, regional organizations, planning consortia, public/private partnerships, private business/industry, and private/community economic development organizations. This can be measured for its breadth by counting the number of organizations, but also provides additional opportunities for analysis by examining what type of entities are included in creating development strategies. Table 3.2 presents the variables, indicators, coding, and data sources for the independent variable measures.

Measures for Independent Variables

Table 3.2 Measures of Independent Variables

Variable	Indicators	Coding	Predicted +/-	Source
Associations promoting trust and cooperation Putnam Groups	Combined number of organizations per 10,000 people at the city level	Interval	Positive	U.S. Census Bureau
Rent-seeking groups with a financial incentive to	Combined number of organizations per 10,000 people at the city level	Interval	Positive	U.S. Census Bureau

form and join. Olson Groups				
Civic Engagement	Percentage of voters in county who voted in 2004 presidential election	Interval	Positive	www.fec.gov
Community Involvement	Does the city belong to the National Main Street program?	Yes = 1; No = 0	Positive	National Main Street Program Website
Community Involvement	Does the city have memberships in International Downtown Association?	Yes = 1; No = 0	Positive	IDA website
Community Involvement	Which of the following participate in developing your local community's economic development strategies? • City • County • State government • Federal government • Chamber of Commerce • Economic development corporation • Regional organizations • Planning consortia • Public/private partnership • Private business/industry • Private or community economic development foundation • Utility • College/university • Citizen advisory board commission • Ad hoc citizen group	Interval (0-15)	Positive	ICMA 2004 Economic Development Survey

Intervening Variables

The municipal government performance variable provides insight into whether or not municipal governments are attempting to determine whether their policies are effective and or efficient. Government entities find it important to carry out performance measures as they do not benefit from the profit motive. Of particular interest is to determine whether or not citizen participation in the community has an overall effect on municipal government performance, and whether in turn this affects the types of economic development programs or strategies pursued, and economic wealth. Measures for municipal government performance come from the ICMA. First, the 2004 ICMA Economic Development Survey will be utilized. This survey asks: “Does your local government use performance measures to assess the effectiveness on its economic development efforts? If yes, which of the following performance measures are used? Input measures, output measures, and efficiency measures.

Economic development effort provides an intriguing variable for the study. By including the efforts of government in using development tools, insight is gained into how the community and government performance affects the vigor and creativity of development professionals, and whether or not the use of these tools lead to increased economic wealth within the community. The 2004 ICMA Economic Development Survey also asks: “Does your local government support any of the following programs to support economic development? Responses include: Community Development Corporation, Community Development Loan Fund, Environmental Sustainability, Efficient transportation systems, High quality physical infrastructure, Job training, Affordable quality child-care, Affordable housing, and other high quality of life (good education, recreation, and arts/cultural programs). This survey question can be measured by counting the number of inclusive programs or tools. This survey question provides additional opportunities for analysis by examining what type of tools are included in development efforts. It also is used to determine which tools were used in cities with the greatest wealth. Another useful measure is available from the 2004 ICMA Economic

Development Survey which asks the following series of questions: "Does your government have a written small business development plan? Does your government have a written business retention plan? Does your government have a written business attraction plan? Does your local government offer business incentives? The previous questions allow us to peer further into the question of whether social capital and government performance affects the tools used by development professionals, and whether these tools affect economic wealth. In addition to the previous survey questions, a measure will include communities awarded the Government Finance Officers Association (GFOA) Budget awards for 2001, 2002, 2003, and 2004.

Table 3.3 provides information regarding the variables, indicators, coding, and data sources for the intervening variables.

Measures for Intervening Variables

Table 3.3 Measures of Intervening Variables

Variable	Indicators	Coding	Source
Government Performance	ICMA survey question on performance measure usage	Interval (0-4)	2004 ICMA Economic Development Survey*
Government Performance	Did the community receive a GFOA budget award in 2001, 2002, 2003, and 2004?	Yes = 1; No = 0	GFOA website
Economic Development Effort (I)	Does your local government support any of the following programs to support economic development? • Community Development Corp. • Community Development Loan Fund • Environmental Sustainability • Efficient	Interval (0-10)	2004 ICMA Economic Development Survey*

	transportation systems • High quality physical infrastructure • Job training • Affordable quality child-care • Affordable housing • Other high quality of life (good education, recreation, and arts/cultural programs		
Economic Development Effort (I)	Does your government have a written small business development plan? Does your government have a written business retention plan? Does your government have a written business attraction plan? Does your local government offer business incentives?	Interval (0-4)	2004 ICMA Economic Development Survey*
Economic Development Effort (I)	Please indicate which of the following incentives your local government offers? (Check all applicable) • Tax abatement • Tax credits • Tax increment financing • Locally designed enterprise zones • Federal / State designated enterprise zones • Special assessment districts • Free land or land write downs • Infrastructure improvements • Subsidized buildings • Low-cost loans • Grants • Zoning/permit	Interval (0-19)	2004 ICMA Economic Development Survey*

	assistance • One stop permit assistance • Utility rate reduction • Regulatory flexibility • Relocation assistance • Employee screening • Training support • Other		

* Survey questions and demographic information for each city used within the 2004 ICMA Economic Development Survey may be found in Appendices A & B.

Control Variables

Control variables include property and violent crime, education attainment, transportation access, and form of government.

By applying the control variables, we are able to validate a connection between the control variables and the dependent variables.

Crime negatively effects economic wealth. Citizens in crime ridden communities tend to be more cautious, and less willing to meet with their neighbors. However, it may be easier for criminals to commit crimes in communities where people do not know their neighbors well. Further, high crime rates negatively effects governments as they must spend more of their budgets on law enforcement than other services. Prevalence of crime may also serve as a deterrent for economic wealth as workers and firms may be reluctant to locate to a city with high crime rates.

Education plays a significant role in social capital, government performance, and economic wealth. Studies show education attainment is a key indicator of whether or not people participate in civic organizations. Educated citizens tend to have a greater knowledge and ability to provide solutions for the community. At the same time, more civic societies understand the value of providing educational opportunities for the entire population. At the same time, better educated voters may make better decisions at the voting booth, which may improve government performance. Education is crucial to economic wealth and development. An educated work force is more attractive to potential employers, and attracts educated citizens. Education attainment is measured by the percentage of the population who has attained a high school education.

Business firms strategically analyze transportation access when making locational decisions. Reality says no matter how much a community comes together to solve its problems, it may not be able to overcome barriers to development. However, as the economy becomes much more knowledge based, transportation becomes much less important.

Council / Manager as a form of government is known to be more professional than other forms of local governments.

Table 3.4 provides information regarding the variables, indicators, coding, predicted relationship, and data sources for the control variables.

Measures for Control Variables

Table 3.4 Measures of Control Variables

Variable	Indicators	Coding	Source
Crime (C)	Violent Crimes Per Year	Interval	FBI Crime Statistics
Crime (C)	Property Crimes Per Year	Interval	FBI Crime Statistics
Education Attainment (C)	Percentage of Population with high school diploma	Interval	U.S. Census Bureau
Transportation Access (C)	Which of the following is in your jurisdiction? • Railroad • Airport • Port • Truck route	Interval (0-6)	2004 ICMA Economic Development Survey*

	• Major waterway • Major highway		
Form of Government	Data provided in ICMA dataset	Nominal	2004 ICMA Economic Development Survey*

* Survey questions and demographic information for each city used within the 2004 ICMA Economic Development Survey may be found in Appendices A & B.

Statistical Analysis

This study utilized a cross-sectional analysis technique, which allows for the study of phenomena in the same time period over a wide variety of cases. In this instance, the cases are cities across the United States. Numerous performance measures were drawn on to find the most useful models possible to predict economic wealth on the city level. Analyses were conducted systematically to determine the best variables to use in the study, and to eliminate less viable variables. Model schemes were utilized at times. For instance, one set of analysis was created to determine whether Putnam and Olson groups should be analyzed using raw scores with population or whether standardized scores would be more appropriate. Regression experiments including various control variables were employed to determine what best fit into the models. Finally, several different dependent variables were analyzed to see if additional knowledge concerning economic well being could be established utilizing this data. Appendix C provides a list of all measures considered for the models.

Cross-Sectional Analysis

Cross-sectional analysis has both benefits and limitations. In cross-sectional surveys, data are collected from respondents only once. With a representative sample, this design allows us to describe populations and relationships between variables in those populations at a given time. It does not allow us to say how the characteristics or relationships have developed or will develop over time. Cross-sectional surveys offer a snapshot of a moving target. They are best suited to exploratory and descriptive studies, but together with a strong theory and proper data analysis, cross-sectional surveys can provide some basis for explanation (Manheim, et. al.; 2001).

We recognize a limitation inherent in the cross-sectional nature of our research design. Ideally, research on changes in social capital would employ a longitudinal, interrupted time-series analysis, involving panel responses. In this ideal research design, data would be collected prior to institutional changes and, by interviewing the same subjects over time, researchers could isolate the specific effect of institutional changes. Unfortunately, few researchers had the foresight or the resources to conduct such a study; trade-offs must inevitably be made. For example, Putnam (1993) used aggregate level and (some would say) problematic measures of social capital (see Jackman and Miller 1996a) and went beyond his data to explore historical differences in the development of Italian regions.

Regression Analysis

Regression is the principle statistical technique used to model the relationship among variables at the interval level of measurement. Most measures in this study are interval measures (Clark, 2007, Chapter 12).

This brings us to the most important set of results in regression, which measures the strength of the association of relationship between the two variables. Two measures of strength are commonly reported in regression analysis. The first is the correlation coefficient, Pearson's r, and the second is the statistical significance of the relationship.

A correlation coefficient, such as Pearson's r, provides a standardized measure of how strongly two variables are related. It varies between 0 when there is no association at all to either plus or minus 1 when there is a perfect relationship. Technically, a perfect relationship occurs when the values of the dependent variable can be exactly predicted from the values of the independent variable, or in graphical terms, when all the data points fall precisely on the regression line. Note the positive or negative sign of the correlation denotes the direction of the relationship, not the strength of the association. For example, an r of -.65 is much stronger than one of .35.

The other measure of strength is the statistical significance of r and b, which is the same for both. Significance is the probability the observed relationship between two variables in a scatter-plot reflects "random chance" rather than actual association. When the probability is low, conventionally 5% or less, the relationship is said to be statistically significant. Significance is calculated from "test statistics," such as F or t, which have known distributions. The test statistics can be used to calculate the probability of an F or t of a given size. The size of the statistics and, hence, the significance of a relationship is based on two factors. First, the higher the correlation between two variables, and the more likely it is to be statistically significant. Secondly, a larger number of cases in the analysis, equates to greater confidence, and consequently provides a more significant correlation.

Multiple Regressions

Multiple regressions are an extension of simple regression using two or more independent variables in a linear equation to predict the dependent variable (this section is based on Clark, 2007, Chapter 13). The linear equation for multiple regressions is represented as $Y = \mathrm{a}+b_1x_1+b_2x_2+\ldots b_zx_z$. As with simple regression, in multiple regressions the assumption is made for all the variables can be measured as either ratio or interval scales. In this equation, a reflects the value of Y when all the x values for the independent variables in the linear equation are zero. As in simple regression, the statistical significance of Multiple R is measured by an F statistic.

In simple regression, there was only one measure of statistical significance for both r and b. In multiple regressions, in contrast, the value of b measures the separate effects of the independent variables and Multiple R measures their combined impact. Thus, each b needs its own measure of significance. Here, they are provided by the test statistic t.

Statisticians have developed a statistic referred to as beta, or the "Standardized Regression Coefficient." The beta is the coefficient if all the variables had the same units of measurement. The larger beta is, therefore, the greater the relative impact of an independent variable.

Path Analysis

Path analysis is a statistical technique by which we can evaluate the accuracy of such models by empirically testing the direct and indirect effects of one variable on another. It has been widely used in the social sciences because it is applicable to a great many research questions and has the advantage of allowing us to test large pieces of a theory at once rather than one hypothesis at a time. (Manheim, et. al. 2002).

Multicollinearity

Multicollinearity is a situation in which one or more independent variables are strongly correlated with another independent variable. Few social science variables are perfectly predicted from knowledge of another set of variables. However, many important variables do tend to be highly correlated with each other. Relationships such as urbanization and industrialization, or education and income tend to be very highly correlated. Multicollinearity is a concern because if the correlations among the independent variables are high enough, the estimations of the coefficients become inaccurate and we cannot place any confidence in the results of the regression analysis. Significant multicollinearity can cause large variances in the partial regression coefficients, and becomes impossible to compare to the relative effects of different independent variables on the dependent variables. Plus, coefficients may fail to attain statistical significance even where there is a substantial relationship, which would lead us to falsely identify bivariate relationships as being spurious (appearance of two variables have a causal connection when they in fact have no relationship). (Manheim, et. al. 2002)

Endogeneity

When conducting analysis in the social sciences, it can be difficult to ascertain the true path of causality among variables. Problems with endogeneity (a loop of casuality between independent and dependent variables) often arise. The author acknowledges the potential for endogenity, but makes the case for the path model used. Time, resources, and data limitations did not allow for the study of endogeneity. Future research will include the study of lag variables to alleviate this possibility.

Conclusion

This chapter provided a detailed overview of the methods used in this study of social capital, government performance, economic development efforts, and economic wealth. The aim of this chapter was to connect the data with the method of analysis in

Chapter 4. In order for the data to have any meaning after it is collected, it must be properly analyzed using the correct method. This information is important because it aids in the interpreting of statistical figures about the relationship of the independent variables against the dependent variable in this cross-sectional study.

CHAPTER 4

RESEARCH RESULTS

Introduction

This chapter focuses on the presentation of statistical data to determine whether community organizations and / or local government performance measures can predict economic wealth on the city level. Alternate forms of independent variables were explored to determine if they offered a truer measurement of the concepts or better fit in the model. A variety of potential dependent variables were explored to determine which variable had both the best fit and was consistent with the existing literature. Statistical results for the model chosen are contained within the chapter. Alternate regressions were place in appendices.

This chapter provides an overall test of the theoretical models described in chapters one and three while also better defining the best components to be placed in the model.

Descriptive Statistics

A statistical analysis begins with basic statistical techniques such as determining the frequency of occurrence of particular responses. It is also helpful to know information such as the mean or average score for particular variables. The following tables provide information about the variables used in this study.

Community Variables

One of the most common ways individuals participate in the direct improvement of their community is by improving business districts through a local Main Street program. Table 4.1 presents the number and percentage of cities within this study having an active Main Street Program. Twenty-two percent of cities studied have Main Street programs. This information was found by visiting the National Main Street website and determining whether each of the cities listed a Main Street Program.

Table 4.1 Frequency of Main Street Membership

		Frequency	Valid Percent
Valid	No Program	491	77.9
	Program	139	22.1
	N	630	100.0

SOURCE: www.mainstreet.org

Table 4.1 indicates the number of cities employing the Main Street Program in its economic development strategy.

Larger cities tend to choose programs advocated for by the International Downtown Association that promotes individual participation in the direct improvement of their community. Table 4.2 presents the number and percentage of cities within this study having an active membership in the International Downtown Association. 6.7 percent of cities studied have membership in the International Downtown Association. This information was provided with paid membership in the International Downtown Association.

Table 4.2 Frequency of Membership In International Downtown Association (IDA)

		Frequency	Valid Percent
Valid	Not a Member	588	93.3
	IDA Member 1.00	42	6.7
	N	630	100.0

SOURCE: www.ida.org

Table 4.2 indicates the number of cities with a membership in the International Downtown Association. This is an indicator of city staffs utilizing recommended IDA strategies.

Another measure of community involvement germane to this study is available in the 2004 ICMA Economic Development Survey. The survey asks, "Which of the following participate in developing your local community's economic development strategies?" Choices include city, county, state government, federal government, chamber of commerce, economic development corporation, regional organizations, planning consortia, public/private partnerships, private business/industry, and private/community economic development organizations. Table 4.3 provides the frequency and percentage of the number of types of organizations involved in economic development within each city. Sixty cities involved three different types of organizations in its economic development representing 9.5 percent of the cities surveyed. Seventy-five cities gave the most typical response by indicating five types of organizations were involved in the economic development process. A preponderance of cities indicated between two and six organizations were involved in the development process. Less than 10% of all cities surveyed involved more than ten types of organizations.

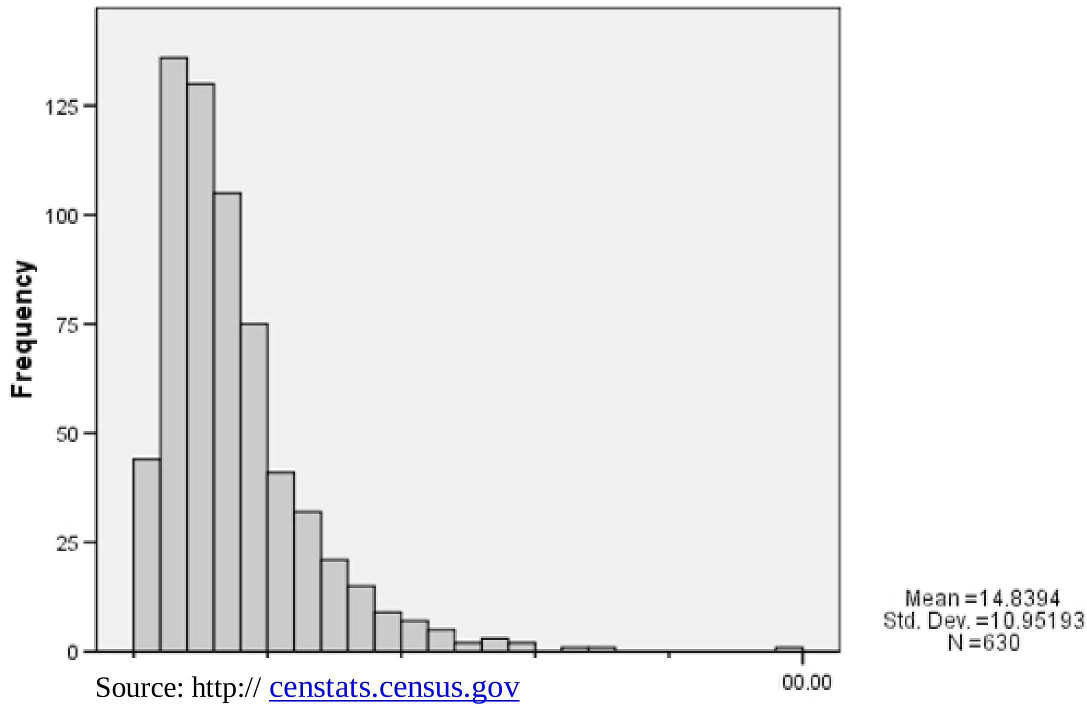
Table 4.3 Frequency of Number of Types of Organizations Involved in Economic Development Decisions

		Frequency	Valid Percent
Valid	0	102	16.4
	1	29	4.7
	2	57	9.1
	3	60	9.6
	4	61	9.8
	5	75	12.0
	6	60	9.6
	7	46	7.4
	8	43	6.9
	9	26	4.2
	10	24	3.9
	11	17	2.7
	12	10	1.6
	13	7	1.1
	14	6	1.0
	N	623	100.0

Source: ICMA 2004 Economic Development Survey

Community involvement can also be measured by looking at the number of organizations in which people congregate with each other. These measures are known as "associational density" measures and can be divided into two different type groups -- Putnam style and Olson style groups. Putnam groups include religious organizations, civic organizations, golf and country clubs, fitness centers, and bowling alleys. Putnam popularized the idea that people who came together socially were more likely to work together in improving their communities. Figure 4.1 indicates Putnam style groups have a mean (average) number of groups per 10,000 people in each city of 14.8394.

Figure 4.1 Histogram of the Number of Putnam Style Groups per 10,000 people.

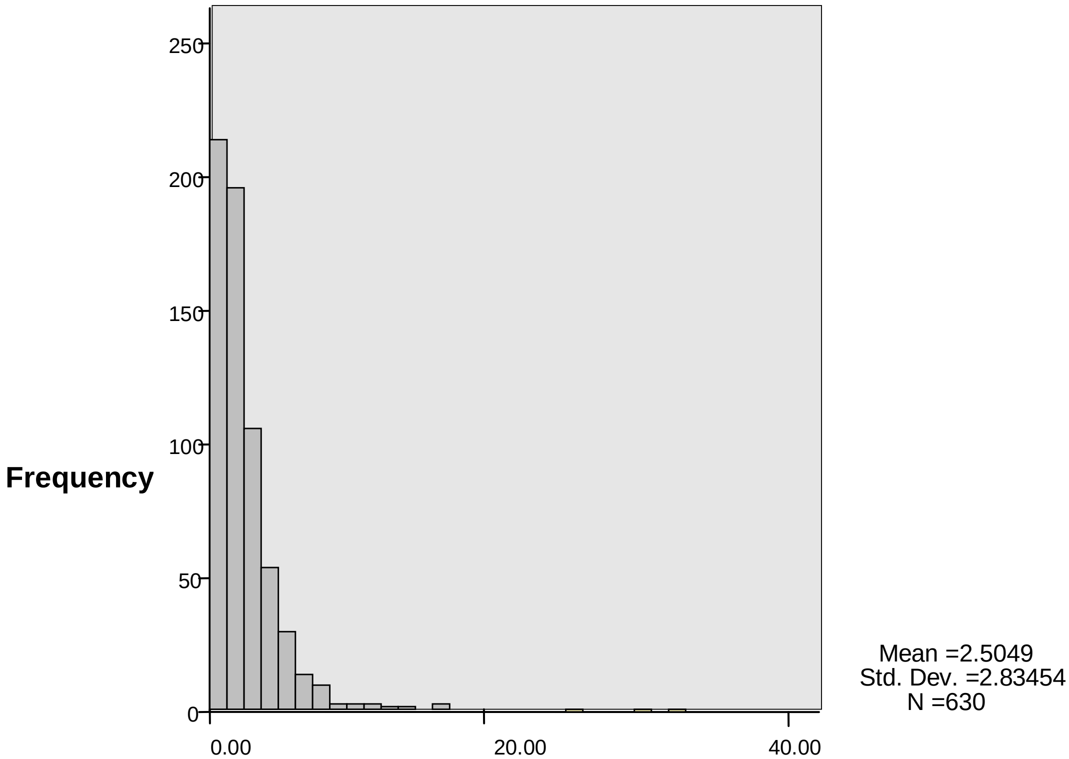


Source: http:// censtats.census.gov

Figure 4.1 provides an illustration of the frequency of Putnam groups within cities standardized by population. Note most cities had less than 20 civic organizations per 10,000 people.

An alternative measure of the associational density of civic participation can be labeled as Olson style groups. These groups are considered "rent seeking" as their purpose is to provide an advantage to its membership in some material way. Olson groups include professional associations and trade unions.

Figure 4.2 Histogram of the Number of Olson Style Groups per 10,000 people.



Source: www.censtats.census.gov

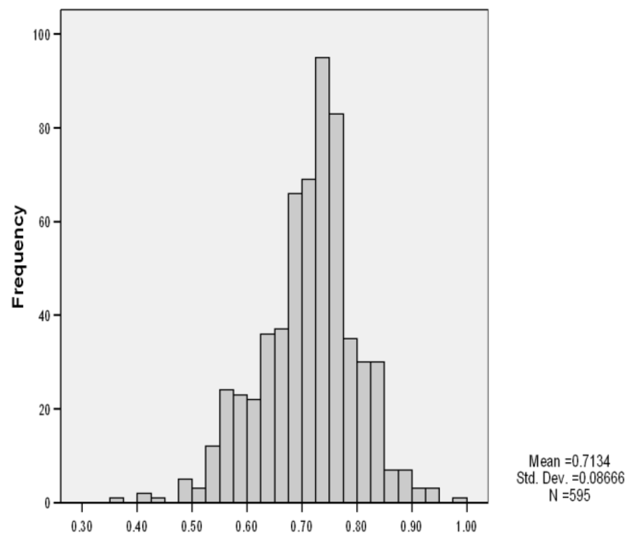
Figure 4.2 shows the number of Olson (professional) organizations in cities per 10,000 people. Cities generally have far fewer Olson groups than Putnam groups. The mean (average) number of Olson groups is 2.50 organizations per 10,000.

Civic engagement refers to people and organizations working to make improvements in a community through political processes. An example of civic engagement is voter registration. Community involvement shows individuals and organizations involved in local economic development.

Civic engagement is measured to determine how involved the citizenry is in the political system. Voter participation is used as a proxy for civic engagement. A widely accepted measure of voter participation is the percentage of voters who voted in presidential elections. This information is only available on the County level through each state's Secretaries of State office. However, it is the best readily available measure of civic engagement on the local level.

Figure 4.3 displays the percentage of people who voted in the 2004 Presidential General Election. Voter turnout averaged 71.34% for the cities within the sample and generally had a normal distribution.

Figure 4.3 – Histogram of the Percentage of Registered Voters who Voted in the 2004 General Election for president



Source: www.fec.gov

The majority of cities had voter turnout in a range between 65-85%.

Intervening Variables

The intervening variables include data measuring both government performance and economic development efforts within cities. Cities commended by the Government Finance Officers Association (GFOA) for submitting excellent budgets as well as responses for ICMA survey data concerning the extent a city uses performance standards in its business recruitment measured government performance. Data regarding the number of economic development programs, number of types of strategic plans, and number of types of tax incentives utilized by each city were used to measure economic development effort. The following figures and tables illustrate the frequency and percentage of responses from each measure.

Cities commended by the Government Finance Officers Association (GFOA) for submitting excellent budgets in any of the years from 2001 to 2004 were coded as having received an award for its government budgets. 34.3 percent of surveyed cities were given awards for excellent budgets in the years 2001-2004. 65.7 percent of the cities did not receive budgeting awards in the 2001-2004 timeframe.

Table 4.4 – Frequency of Cities Awarded GFOA Budget Awards (2001-2004)

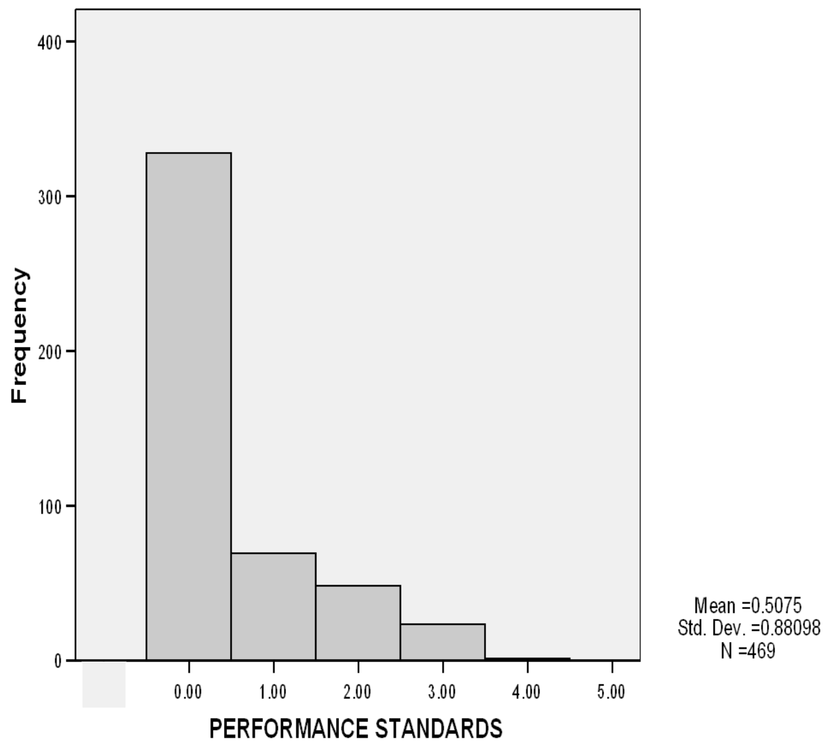
		Frequency	Valid Percent
Valid	Not Awarded	414	65.7
	Awarded	216	34.3
	N	630	100.0

Source: www.gfoa.org

The performance standards measure provides insight into whether or not municipal governments are attempting to determine whether their policies are effective and or efficient. It is particularly important for government entities to carry out performance measures as they do not benefit from the profit motive. It is particularly interesting to determine whether or not citizen participation in the community has an overall effect on municipal government performance, and whether in turn this affects the types of economic development programs or strategies pursued, and economic wealth. Measures for municipal government performance come from the ICMA. The 2004 ICMA Economic Development Survey will be utilized. This survey asks: “Does your local government use performance measures to assess the effectiveness on its economic development efforts? If yes, which of the following performance measures are used?

Input measures, output measures, and efficiency measures. An example of input measures would be the number of staff hours expended by a program. An example of an output measure would be the number of organizations receiving assistance. For efficiency measures, program expenditures per tax dollars generated would be a good example.

Figure 4.4 Frequency of the Number of Performance Standards Utilized in Economic Development within Cities



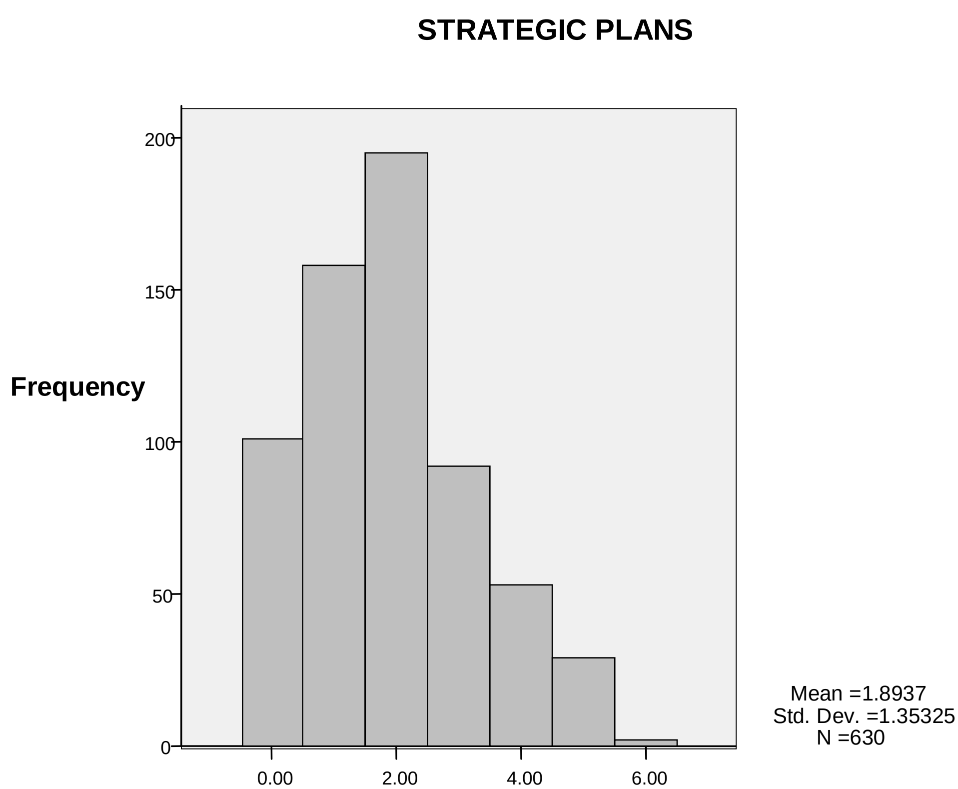
Source: 2004 ICMA Economic Development Survey

Figure 4.4 shows the number of types of performance standards each city employed in its economic development strategies. Note the first column consist of both 0 and “no answer” responses.

Economic development effort provides an intriguing variable for the study. By including the efforts of government in using development tools, insight is gained into how the community and government performance affects the vigor and creativity of development professionals, and whether or not the use of development effort tools lead to increased economic wealth within the community.

A useful measure is available from the 2004 ICMA Economic Development Survey which asks the following series of questions: “Does your government have a written small business development plan? Does your government have a written business retention plan? Does your government have a written business attraction plan?

Figure 4.5 - Histogram of the Number of Types of Strategic Plans used in Economic Development

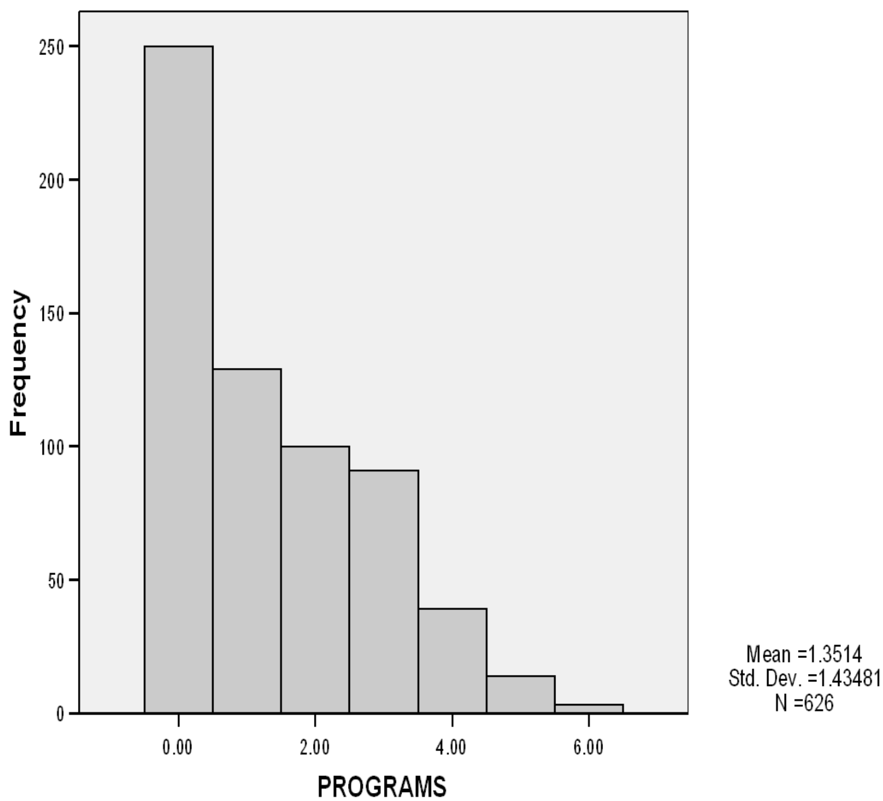


Source: 2004 ICMA Economic Development Survey

The 2004 ICMA Economic Development Survey also asks: “Does your local government support any of the following programs to support economic development? Responses include: Community Development Corporation, Community Development

Loan Fund, Environmental Sustainability, Efficient transportation systems, High quality physical infrastructure, Job training, Affordable quality child-care, Affordable housing, and other high quality of life (good education, recreation, and arts/cultural programs). This survey question can be measured by counting the number of inclusive programs or tools. It also is used to determine which tools were used in cities with the greatest wealth.

Figure 4.6 Histogram of the Number of Types of Programs used in Economic Development



Source: 2004 ICMA Economic Development Survey

Figure 4.6 indicates the number of economic development programs utilized by each city. Please note according to this graph, answers of 0 and “no answer” appear the same.

Correlations.

One of the most common statistical techniques is the measure of association between two interval variables. By conducting correlations we can better understand the relationships between variables. This is a preliminary step performed to determine if two variables are similar and have a connection. For instance, we may have a hunch poorly educated individuals are more likely to commit crimes. Correlations allow us to conduct an analysis to see if whether on the surface there is a connection between the two and whether or not there is a positive or negative relationship.

The research question is this dissertation asserts cities with many community organizations tend to have more prosperous citizens. This analysis allows us to look at many types of community organizations to determine which if any are related to a city's economic wealth. By correlating different types of organizations we are able to see if there are relationships between them. This dissertation will discuss correlations between community variables, between government performance variables, and economic development effort variables. Correlations between control variables are listed in appendix E.

Community Variables

The community variables for this study include the number of civic organizations per 10,000 people within a city (Standard Putnam Groups). It includes the study of the number of professional organizations per 10,000 people (Standard Olson Groups). It concerns itself with whether the city has a Main Street Program or has a membership within the International Downtown Association (IDA). Other community variables include the number of types of organizations involved in the economic development process within the city and the voter turnout in the 2004 presidential election.

Table 4.5 provides correlations between each of the community variables used within the study. Note Putnam Standard and Olson Standard had a significantly high correlation of .632. Cities with a higher percentage of civic organizations in the population were more likely to have more professional organizations as well. This correlation was also significant at the .01 level. Other relationships were significant as well with lower correlations. Cities with Main Street programs have a positive correlation of .203 with Putnam standard groups and were significant at the .01 level. Main Street programs had a negative correlation of -.119 with voter turnout and were significant at the .01 level.

Table 4.5 – Correlations between Community (Social Capital) Variables

		STANDARD PUTNAM GROUPS	STANDARD OLSON GROUPS	MAIN STREET PROGRAM	INTERNATIONAL DOWNTOWN ASSOCIATION MEMBERSHIP	VOTER TURNOUT	NUMBER OF ORGANIZATIONS INVOLVED IN ECONOMIC DEVELOPMENT
STANDARD PUTNAM GROUPS	Pearson Correlation	1	.632(**)	.203(**)	.019	.014	.052
STANDARD OLSON GROUPS	Pearson Correlation	.632(**)	1	.062	.055	.061	.047
MAIN STREET PROGRAM	Pearson Correlation	.203(**)	.062	1	.011	-.119(**)	.054
INTERNATIONAL DOWNTOWN ASSOCIATION MEMBERSHIP	Pearson Correlation	.019	.055	.011	1	-.094(*)	.183(**)
VOTER TURNOUT	Pearson Correlation	.014	.061	-.119(**)	-.094(*)	1	-.056
NUMBER OF ORGANIZATIONS INVOLVED IN ECONOMIC DEVELOPMENT	Pearson Correlation	.052	.047	.054	.183(**)	-.056	1
	N	623	623	623	623	589	623

** Correlation is significant at the 0.01 level (2-tailed).
* Correlation is significant at the 0.05 level (2-tailed).

Intervening Variables

The intervening variables include data measuring both government performance and economic development efforts within cities. Cities commended by the Government Finance Officers Association (GFOA) for submitting excellent budgets as well as responses for survey data concerning the extent a city uses performance standards in its business recruitment.

Table 4.6 provides correlations between government performance measures and economic development measures. Economic development programs and tax incentives have a correlation of .537. This is consistent with the idea that cities utilize multiple tools in improving their economic outlook. The use of strategic planning techniques appears to be highly correlated with many government performance and economic development effort measures. Strategic plans are positively correlated to tax incentives and performance standards at the .01 level. The use of strategic planning and performance standards in tandem is quite plausible as both are professional techniques taught in public and business administration.

Table 4.6 – Intervening Measures Correlations

		ECONOMIC DEVELOPMENT PROGRAMS	STRATETIC PLANS	PERFORMANCE STANDARDS	GFOA AWARDS	TAX INCENTIVES
ECONOMIC DEVELOPMENT PROGRAMS	Pearson Correlation	1	.290(**)	.199(**)	-.019	.537(**)
STRATEGIC PLANS	Pearson Correlation	.290(**)	1	.244(**)	.099(*)	.364(**)
PERFORMANCE STANDARDS	Pearson Correlation	.199(**)	.244(**)	1	.187(**)	.314(**)
GFOA AWARDS	Pearson Correlation	-.019	.099(*)	.187(**)	1	.146(**)
TAX INCENTIVES	Pearson Correlation	.537(**)	.364(**)	.314(**)	.146(**)	1
	N	626	630	469	630	630

** Correlation is significant at the 0.01 level (2-tailed).
* Correlation is significant at the 0.05 level (2-tailed).

Comparing Independent Variables

It is essential to know which of several independent variables exerts the most influence on a dependent variable. This study concerns itself in understanding the relationships between participation in the community, the performance of government, economic development efforts within the city, and its effects on economic wealth. By understanding these relationships we may better understand how we as citizens may positively influence the prosperity of our community and inversely how the government may set policies promoting both cohesion and prosperity within the community. This analysis is novel in that previous studies have not used a model to measure these relationships on such a vast scale on the city level.

The following sections will provide analysis of the relationships between the independent and intervening variables.

Community Effect on Government Performance

In multiple regressions, measures are looked at in a linear sort of way. In this multiple regression, community involvement comes before government performance.

Figure 4.7 -- Model Illustrating Path from Community Involvement to Government Performance

Community Involvement → Government Performance

Table 4.7 on page 99 shows the un-standardized Beta coefficient and standard error for multiple regressions with community and control variables serving as independent measures and the GFOA Award measure and Performance Standards measure serving as dependent variables. This allows us to understand how the community level variables interact with government performance. Cities who were honored with the GFOA Award for excellent budgeting in any of the years 2000-2004 were coded with a 1 while cities who had not obtained the award was given a value of 0. The Performance Standards Measure is a response to question 33 on the 2004 ICMA Economic Development Survey. This question asks “Does your local government use performance measures to assess the effectiveness of its economic development efforts?” and if “yes,” which of the following performance measures are used (check all applicable.) 1.) Input Measures, 2.) Output Measures 3.) Efficiency Measures, or 4) other. Positive responses were then added. Cities scores could range from 0 to 4, with zero being for the city used no performance measures at all, and 4 being one in which the city responded yes, they do use performance measures, and then checked all 4 boxes as well. This question relies on human responses to a questionnaire.

In the GFOA budget award regression analysis, voter turnout had a negative relationship and was significant at the .01 level. Hence, cities with lower voter turnout were more likely to have won the GFOA budget awards. Membership in the International Downtown Association was significant at the .05 level and indicates cities with membership in the IDA are more likely to win the GFOA award. These findings are consistent with the existing literature concerning community involvement and government performance. The positive connection between IDA and GFOA can be explained due to the tendency of larger cities to have IDA memberships and a higher degree of professionalism by the city employees. The connection may exist because IDA also promotes a high degree of professionalism and education in providing guidance to its membership. The strong negative relationship between winning GFOA awards and lower voter turnout is notable. One explanation could be larger cities are more likely to submit more professional budgets and have a very professional formal budget process. The same cities would also tend to have lower voter turnout. Putnam and Olson groups as well as Main Street programs were not found to be significant to winning GFOA awards. This indicates the number of civic or professional groups within a city as well as the existence of an organized group implementation of preservation and revitalization may not influence whether or not the local government provides detailed, professional budgets. This also shows that community organizations are not a determining factor in whether a city has overall good governance. The notion that the number of types of organizations involved in creating economic development within the city does not show a significant relationship with whether or not a city won budget awards. Even if many organizations have a seat at the table during the decision making process, it may not result in good government, or at least not result in city governments winning budget awards.

The existence of performance standards may serve as an excellent indicator of good government. Regressions point to a significant positive relationship between both membership in the International Downtown Association and the number of types of organizations involved in economic development. Both relationships were significant at the .01 level. Membership in the IDA may be connected to whether performance standards are used in economic development. The relationship may be due to an emphasis on professionalism within the IDA membership or the tendency for membership in larger cities. Findings suggest cities which include more types of organizations in the economic development process also create more performance standards measures. These findings suggest as committees come together they are more likely to create measures of success.

Cities willing to bring in many organizations to provide input on economic development projects may do so for a variety of reasons. The city may bring in many factions to reduce conflict within the city, or may be a function of the city very open to the ideas and contributions of many individuals, and is the natural way for the city to accomplish goals. It could also be a function of city leadership, which is not a focus of this dissertation. For a more in-depth discussion of city dynamics see Dahl 1961. Grisham (1999) provides an excellent case study of how citizen participation can evolve through leadership to lead to positive changes in economic development on the city level.

Comparisons of the regression results with independent community variables and dependent government performance measures indicate both similarities and differences. Neither GFOA nor Performance Standards indicated a significant relationship to Putnam or Olson groups, nor to Main Street Programs. Cities who had won GFOA budget awards were less likely to have a high voter turnout. Cities with a high number of types of organizations involved in the economic development process were more likely to use performance standards in evaluating their success or failure in obtaining goals. Education and crime were significant factors for both government performance measures. Cities with council manager forms of government were more likely to have won GFOA budget awards. The adjusted R-square for both models was weak, indicating a need for further refinement of the models.

Table 4.7 – Regression Results: Government Performance as Dependent Variable

Variable	**GFOA Awards Adj. R-Square = .105**	**Performance Standards Adj. R-Square = .095**
	Un-standardized Beta coefficient	Un-standardized Beta coefficient
	Standard Error	Standard Error
Community		
Putnam Standard	-.003	-.003
	.003	.006

Olson Standard	.001	.012
	.012	.028
Main Street	-.009	-.029
	.052	.114
IDA	**.165****	**.486*****
	.084	.179
Voter Turnout	**-.659*****	-.848
	.237	.522
Number of Organizations involved in ED	-.006	**.047*****
	.006	.015
Control		
Council/Manager	**.227*****	-.005
	.051	.112
Transportation Access	-.009	.034
	.012	.026
High School Diploma	**1.481*****	**1.365****
	.277	.634
Violent Crime	7.20E-005	**.001*****
	.000	.000
Property Crime	**2.51E-005***	-5.2E-006
	.000	.000

***Regression is significant at the 0.01 level.
** Regression is significant at the 0.05 level.
* Regression is significant at the 0.10 level.

The above table was provided to give the reader greater insight into the relationships community measures have with measures for government performance. Note that IDA was significantly related to both GFOA and Performance Standards. Voter Turnout was negatively related to GFOA budget awards. The number of types of organizations was positively related to the use of performance standards. In the previous figures, population was standardized but not used as a control variable itself. Regressions using raw scores for both Putnam and Olson groups can be found in Appendix F. The regressions were almost identical to the findings in Table 4.7 and did not appear to add to the discussion.

Community and Government Performance Effect on Economic Development Effort

In multiple regressions, measures are looked at in a linear sort of way. In this multiple regression, community involvement comes before government performance and government performance comes before economic development effort. This can be seen as:

Figure 4.8 -- Model Illustrating Paths of Independent and Intervening Variables

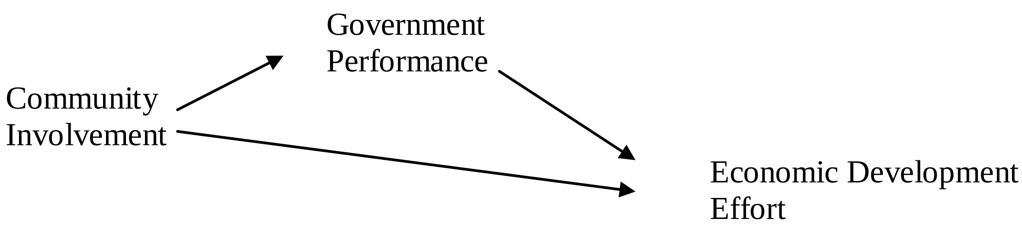


Table 4.8 provides the un-standardized beta coefficients, standard error, and significance of community involvement and government performance measures serving as independent variables with the dependent variables of economic development efforts. Dependent variables include the number of programs used for economic development, the number of types of strategic plans utilized, and the number of different types of tax incentives employed by the city governments.

The programs measure used was obtained from the 2004 ICMA Economic Development Survey. Question 14 on the survey asked, “Does your local government support any of the following programs?” Choices included: Community Development Corporation, Community Development Loan Funds, Microenterprise Programs, Job Training, Childcare, or other. This table shows the number of types of organizations involved in economic development was significant at the .01 level. Putnam groups have a negative relationship and were significant at the .05 level, while Olson standard was significant at the .1 level. The number of types of organizations involved in economic development shows the breadth of organizations invited to the table in making economic development decisions. As more organizations become involved in the economic development decision making process, more programs designed to improve economic development will emerge from the process. As more organizations become involved in the process, more manpower may become available to pursue programs. Federal funding programs often require funded projects to have many different stakeholders who provide either direct or in-kind funds for the project. As an individual or organization becomes involved in a planning process, they are more likely to participate in the projects coming out of the planning process. This regression analysis suggests a city is more willing to come together to create programs if there is good transportation access and a greater level of Olson type (rent-seeking) organizations operating within the city. The positive relationship between Olson type (rent-seeking) groups and the number of programs used for economic development suggest when there are more professional groups within the city there are more economic development programs implemented. Consider that labor unions and other professional organizations were included within the Olson groups and would have a vested interest in increased economic development within the city. Putnam groups have a statistically significant negative relationship to the number of programs used for economic development. This suggests cities with fewer Putnam groups per capita have more economic development programs. Economic development programs implemented in this study are programs specifically implemented by the cities such as creating community development corporations, and implementing loan funds and microenterprise programs. The implementation of such programs may be more necessary in cities with less civic cohesion because of a decreased quality of life, and a decreased willingness for volunteer groups such as a downtown association to provide similar services.

Table 4.8 also includes the regression analysis of community variables serving as independent variables and strategic plans serving as the dependent variables. The strategic plans measure was a composite of several questions asked in the 2004 ICMA Economic Development Survey concerning the existence of particular types of strategic plans being utilized by city governments. This analysis indicates the number of types of organizations involved in economic development and the performance standards were significant at the .01 level, while being awarded with a GFOA budget award was significant at the .05 level. The number of organizations, performance standards, and GFOA budget awards were all positively related.

It appears the prevalence of strategic plans and the number of programs used in economic development would have operational similarities. A pattern emerges that suggests having more organizations involved in the economic development planning process influences the extent in which the city employs strategic planning techniques. By involving more groups, the city uses more professional planning techniques. It will be interesting to see if planning techniques increase economic wealth, as the anonymous saying goes, "He who fails to plan, plans to fail." The prevalence of performance standards and winning GFOA budget awards were also related to strategic planning. Reason would dictate professionally managed cities would employ performance standards, and would create effective budgets.

Table 4.8 provides the un-standardized beta coefficient, standard error, and significance of the prevalence of incentives, which serves as one part of the economic development effort variable. Olson standard, number of organizations involved in economic development and GFOA awards was significant at the .01 level. Putnam standard groups and performance standards were significant at the .05 level. Olson standard groups, number of organizations involved in economic development, performance standards, and GFOA were all positively related, while Putnam standard groups was negatively related. The significance of three community variables suggests community involvement indeed has a relationship with the extent a city employs tax incentives. As with strategic plans, cities with a proclivity to use tax incentives were also more likely to have positive government performance as performance standards and GFOA awards were positively related.

Table 4.8 – Regression Results: Economic Development Efforts as Dependent Variable

Variable	Programs Adj. R-Square =.263	Strategic Plans Adj. R-Square =.141	Tax Incentives Adj. R-Square = .202
	Un-standardized Beta coefficient	Un-standardized Beta coefficient	Un-standardized Beta coefficient
	Standard Error	Standard Error	Standard Error
Community			
Putnam Standard	-.017*	-.012	-.033*
	.009	.008	.017
Olson Standard	.078*	.053	.285***
	.041	.040	.081
Main Street	-.013	-.011	-.039
	.169	.163	.332
IDA	.341	-.116	-.749
	.273	.258	.526
Voter Turnout	.160	.189	.520
	.782	.751	1.528
Number of Organizations involved in Economic Development	.168***	.063***	.243***
	.023	.022	.045
Government Performance			
Performance Standards	.218**	.292***	.832***
	.082	.078	.160
GFOA Awards	-.126	.297**	.699***
	.149	.143	.292
Control			
Council /Manager	-.008	.202	-.448
	.169	.163	.332
Transportation Access	..059	.171***	.077
	.040	.038	.077
H.S. Diploma	-3.723***	-2.340**	-5.033***
	.971	.934	1.900
Violent Crime	.000	.000	.000
	.000	.000	.001
Property Crime	-7.4E-005*	-3.9E-005	-9.9E-005
	.000	.000	.000

*** Regression is significant at the 0.01 level.
** Regression is significant at the 0.05 level.
* Regression is significant at the 0.10 level.

Economic Wealth

Our completed model for the relationships between community involvement, government performance, economic development effort, and economic wealth is shown below. This model (Figure 4.9) shows community affecting government performance, development efforts, and economic wealth. Government performance is shown effecting development efforts and wealth. Economic development efforts are shown as being effected by both community involvement and government performance, and in turn affect economic wealth.

Figure 4.9 – Complete Model

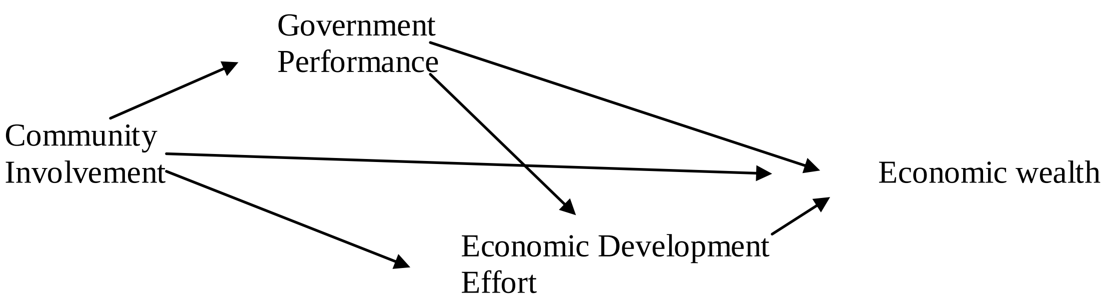


Table 4.9 indicates the similarities and differences in the data results for each of the regressions utilizing measures for economic development effort. Both Putnam and Olson groups were significant in predicting relationships with both programs and incentives. However, Olson groups were positively related while Putnam groups were negatively related. The number of the types of organizations involved in economic development and performance standards were positively related to all three of the economic development effort measure. GFOA budget awards were positively related to both strategic plans, and tax incentives.

This table provides the un-standardized beta coefficients, standard errors, and significance for each of the independent variables which include the community, government performance, and economic development effort variables, with all of the possible dependent variables. This study has concerned itself in determining the level of wealth within a city, the growth in wealth, and also the opinion of the economic development professionals who responded to the 2004 ICMA Economic Development Survey. Table 4.9 also provides an analysis of the adjusted R^2 for each regression analysis, which indicates just how well a particular model represents reality.

Per capita income and median household income both provide excellent measures for the overall wealth in the community. Though similar, per capita income measures the average income per person, while median household income is the income at the median or the middle most observation, and is for the entire household. The growth of per capita income and median household income is the percentage change from 1999 to 2004 and is used to determine whether or not there was growth or decline in incomes over a five year period. The 2004 ICMA Economic Development Survey asked the local economic development professionals to estimate the growth of their cities over the past five years and over the next five years. This allowed the researcher to not only analyze the actual economic performance, but to also analyze the perceptions of economic development professionals in terms of economic performance.

In conducting this analysis, Per Capita Income for 2004 had an adjusted R^2 of .428 and Median Household Income had an adjusted R^2 of .536. All other measures had an R^2 of less than .080. Because of this, we will discuss the un-standardized beta coefficients, standard error, and significance of regressions using per capita income and median household income as dependent variables, and all control, community, government performance, and economic development effort variables as independent variables. Regressions concerning economic growth and opinion of economic growth are provided in appendix H.

In the regression analysis with per capita income 2004 serving as the dependent variable, economic development programs were significant at the .01 level while IDA were significant at the .05 level. IDA was positively related to per capita income while economic development programs measure was negatively related to economic development. These findings are quite different from previous tables. Notably, IDA is significant while the number of organizations involved in economic development is not. There is a tendency for larger cities to have IDA membership, and population size may have made a difference to why IDA is significant for this analysis.

In the regression analysis with median household income 2004 serving as the dependent variable, the number of economic development programs measure was significant at the .01 level while Putnam groups were significant at the .05 level. Both Putnam groups and economic development programs were negatively related to median household income.

Table 4.9 Best models for all Possible Dependent Variables Not Used

Variable	Per Capita Income Growth Adj. R-Square = .021	Median Household Income Growth Adj. R-Square = .076	Change in Total Income 1999-2004 Adj. R-Sq = .010	Economic Development Opinion Last 5 Years Adj. R-Square = .034	Economic Development Opinion Next 5 Years Adj. R-Square = .043
	Un-standardized Beta coefficient	Un-standardized Beta coefficient	Un-standardized Beta coefficient	Un-standardized Beta coefficient	Un-standardized Beta coefficient
	Standard Error	Standard Error	Standard Error	Standard Error	Standard Error
Community					
Putnam Standard	.000	.000	.002	-.001	**.007**
	.003	.001	.003	.009	.007
Olson Standard	-.017	**-.005**	**-.023***	**.072***	.062**
	.013	.004	.014	.041	.031
Main Street	-.101	**-.018**	-.089	-.092	-.215*
	.054	.015	.056	.165	.127
IDA	-.074	.000	-.036	.338	.343*
	.088	.025	.091	.271	.205
Voter Turnout	.339	**.243***	**.511**	-.732	-.407
	.246	.073	.259	.763	.582
Number of Organizations involved in ED	-.002	-.002	-.004	-.022	-.005
	.008	.002	.008	.025	.019
Government Performance					
Performance Standards	-.012	.005	.013	-..106	-.114*
	.020	.008	.028	.083	.066
GFOA Awards	**.134***	-.002	**.096***	**-.340**	**-.134**
	.049	.014	.050	.148	.114
Economic Development Efforts					
ED Programs	.005	.001	.005	.073	-.030
	.019	.005	.018	.053	.041
Strategic Plans	.015	-.001	.013	.066	-.015
	.019	.005	.018	.054	.041
Tax Incentives	-.006	-.002	.000	.015	.012
	.009	.003	.009	.028	.021
Control					
Council /Manager	.003	.010	-.013	.011	-.057
	.053	.016	.056	.165	.125
Transportation Access	.004	-.002	-.006	.005	.056*
	.014	.004	.014	.040	.030
H.S. Diploma	-.097	**-.259***	-.356	-.630	-.362
	.297	.092	.332	.968	.734
Violent Crime	8.66E-005	**1.91E-005**	-1.31E-005	.000	**.000**
	.000	.000	.000	.000	.000
Property Crime	-2.11E-005	**-1.58E-005***	-1.40E-005	7.10E-005*	-6.05E-006
	.000	.000	.000	.000	.000

Table 4.10 below provides the multiple regression relationships between the dependent variables of per capita income and median household income and each of the independent and control variables. Tables detailing growth in per capita income and median household income, the opinions of economic development professionals concerning the level of growth in the past and next five years, as well as a the growth or decline for entire cities are provided in appendix F.

Table 4.10 – Best Models for Median Household Income and Per Capita Income Serving as Dependent Variable

Variable	Per Capita Income 04 Adj. R-Square = .428	Median Household Income 04 Adj. R-Square =.536
	Un-standardized Beta coefficient Standard Error	Un-standardized Beta coefficient Standard Error
Community		
Putnam Standard	-48.344	**-248.968****
	59.206	115.709
Olson Standard	-264.771	**-941.186***
	284.964	550.648
Main Street	-956.153	**-3902.277***
	1143.858	2206.003
IDA	**4704.749****	1181.594
	1866.626	3567.536
Voter Turnout	5449.251	15810.343
	5443.896	10699.917
Number of Organizations involved in ED	-279.908	-261.387
	170.869	335.714
Government Performance		
Performance Standards	232.179	1667.952
	567.522	1088.060
GFOA Awards	-347.604	1863.625
	1008.091	1956.140
Economic Development Effort		
ED Programs	**-1204.870*****	**-3066.753*****
	376.579	731.896
Strategic Plans	227.558	-426.919
	377.888	728.022
Tax Incentives	169.296	294.314
	193.570	375.438
Control		
Council /Manager	967.273	314.939
	1170.028	2265.508
Transportation Access	**-597.217****	**-1470.990*****
	278.403	537.784
H.S. Diploma	**63784.820*****	**95321.749*****
	6818.235	13294.164
Violent Crime	2.309	-.649
	1.909	3.749
Property Crime	**-.824*****	**-3.231*****
	.299	.583

*** Regression is significant at the 0.01 level.
** Regression is significant at the 0.05 level.
* Regression is significant at the 0.10 level.

Table 4.11: Best Models for Per Capita Income

Best Models for Per Capita Income								
Variable	**Adj. R-Square = .422**	**Adj. R-Square =.400**	**Adj. R-Square = .419**	**Adj. R-Square = .405**	**Adj. R-Square = .417**	**Adj. R-Square = .432**	**Adj. R-Square = .415**	**Adj. R-Square = .428**
Community								
Putnam Standard	3.898				-35.776	-5.104		-48.344
	50.932				59.112	50.923		59.206
Olson Standard	-295.259				-290.581	-275.714		-264.771
	235.548				282.213	235.640		284.964
Main Street	**-2107.48****				-993.161	**-2031.314****		-956.153
	986.519				1152.377	981.109		1143.858
IDA	**3540.568****				**3825.236****	**4066.031****		**4704.749****
	1606.358				1837.081	1621.253		1866.626
Voter Turnout	4850.231				5948.029	4552.189		5449.251
	4609.196				5463.062	4592.783		5443.896
Number of Organizations involved in ED	**-388.762*****				**-423.134*****	**-296.464****		-279.908
	118.571				156.161	142.485		170.869
Government Performance								
Performance Standards		3.010			217.901		344.335	232.179
		527.486			537.550		565.319	567.522
GFOA Awards		286.627			-70.270		-18.343	-347.604
		1001.142			999.955		1003.972	1008.091
Economic Development Efforts								
ED Programs			**-1230.144*****			**-1069.701*****	**-1282.535*****	**-1204.870*****
			334.575			355.419	359.787	376.579
Strategic Plans			517.160			524.532	187.064	227.558
			331.330			333.922	378.271	377.88
Tax Incentives			70.181			168.631	46.883	169.296
			162.780			166.080	190.012	193.570
Control								
Council /Mgr	658.600	846.168	862.595	793.731	904.598	718.387	916.319	967.273
	987.949	1173.754	972.176	976.712	1173.754	981.680	1167.983	1170.028
Transportation Access	-349.738	**-573.238****	-340.919	**-387.996***	**-617.173****	-418.406*	**-509.618***	**-597.217****
	230.495	272.372	249.728	225.653	271.303	248.989	279.468	278.403
H.S. Diploma	**64785.714*****	**71312.487*****	**66444.121*****	**68010.065*****	**66342.444*****	**63366.314*****	**67379.934*****	**63784.820*****
	5298.469	6355.823	5072.194	5074.835	6644.633	5320.243	6500.762	6818.235
Violent Crime	.368	2.538	1.266	.527	1.789	.784	3.073	2.309
	1.626	1.877	1.604	1.600	1.911	1.625	1.870	1.909
Property Crime	**-.612***	**-.954*****	**-.801*****	**-.776*****	**-.763****	**-.654****	**-.966*****	**-.824*****
	.255	.292	.247	.249	.300	.255	.289	.299

*** Regression is significant at the 0.01 level.
** Regression is significant at the 0.05 level.
* Regression is significant at the 0.10 level.

Table 4.11 is a model expressing per capita income as the dependent variable to be examined. Each column represents combinations of the variables. Control variables are included in all regression models. The first column lists all possible variables regressed to per capita income. Every possible combination of groups of independent and intervening variables is included in the models to determine which models have the greatest fit, and helped explain the model best. The last column in the table shows the regression analysis with all variables represented in the model. The Adjusted R-Square of .416 was the highest of any regression model using per capita income as the dependent variable.

Table 4.12: Best Models for Median Household Income

Variable	Adj. R-Square = .500	Adj. R-Square =.482	Adj. R-Square = .484	Adj. R-Square = .468	Adj. R-Square = .519	Adj. R-Square = .512	Adj. R-Square = .505	Adj. R-Square = .536
Community								
Putnam Standard	-83.082				-200.110*	-99.505		-248.968**
	100.204				116.303	99.905		115.709
Olson Standard	-1222.470***				-1117.987**	-1198.558***		-941.186*
	460.699				549.545	459.355		550.648
Main Street	-5905.589***				-3919.391*	-5821.496***		-3902.277*
	1925.405				2242.269	1906.673		2206.003
IDA	485.091				457.305	1051.893		1181.594
	3109.000				3544.684	3123.667		3567.536
Voter Turnout	8797.101				13822.507	9533.044		15810.343
	9127.170				10825.067	9057.430		10699.917
Number of Organizations involved in ED	-611.275***				-765.590**	-363.023		-261.387
	233.492				306.993	280.748		335.714
Government Performance								
Performance Standards		439.323			1089.998		1661.857	1667.952
		1044.345			1039.550		1108.121	1088.060
GFOA Awards		2865.658			2267.917		2128.351	1863.625***
		2002.163			1959.749		1984.205	1956.140
Economic Development Effort								
ED Programs			-2911.384***			-2664.282***	-3168.055***	-3066.753***
			661.736			695.081	708.844	731.896
Strategic Plans			637.361			534.187	-298.716	-426.919
			653.890			648.147	743.533	728.022
Tax Incentives			470.917			644.536**	71.622	294.314
			323.722			324.357	376.556	375.438
Control								
Council /Mgr	217.507	444.420	337.409	1550.431	-19.623	383.087	779.184	314.939
	1937.284	2345.728	1470.520	1944.521	2291.998	1917.968	2308.435	2265.508
Transportation Access	-1334.275***	-1574.185***	-841.416**	-1339.475***	-1721.467***	-1331.559***	-1259.711**	-1470.990***
	450.832	542.573	384.252	448.819	528.240	485.892	550.985	537.784
H.S. Diploma	109164.42***	113652.54***	91023.621***	111485.32***	105792.23***	104838.74***	101320.18***	95321.749***
	10419.775	12768.710	7805.776	10139.383	13067.779	10416.743	12907.474	13294.164
Violent Crime	-2.361	-1.565	-2.623	-3.372	-1.566	-1.210	-.742	-.649
	3.209	3.783	2.468	3.200	3.783	3.190	3.729	3.749
Property Crime	-2.639***	-3.868***	-2.350***	-3.336***	-3.077***	-2.741***	-3.885***	-3.231***
	.504	.590	.380	.499	.591	.501	.577	.583

*** Regression is significant at the 0.01 level.
** Regression is significant at the 0.05 level.
* Regression is significant at the 0.10 level.

Table 4.12 is a model expressing median household income as the dependent variable to be examined. Each column represents combinations of the variables. Control variables are included in all regression models. The first column lists all possible variables regressed to median household income. Every possible combination of groups of independent and intervening variables is included in the models to determine which models had the greatest fit, and helped explain the model best. The last column in the table shows the regression analysis with all variables represented in the model. The Adjusted R-Square of .549 was the highest of any regression model.

Path Analysis

It is often important to know which of several independent variables exerts the most influence on a dependent variable (Manheim, 2002). For instance, this dissertation examines whether community involvement influences city government performance, economic development efforts, or economic wealth. At the same time, it examines whether there is a relationship between city government performance and the city's economic development efforts, and / or its economic wealth. If we were concerned with finding cost efficient and equitable ways to improve the economic wealth within a city, or to improve the competitiveness of American cities in general, this analysis would provide evidence about what factors have the most impact for further development.

When independent variables are measured in different units, regression coefficients do not reflect the relative influence on independent variables on the dependent variables. This problem can be avoided by standardizing the variables into standardized partial regression coefficients. Regression analysis can be quite useful in testing specific hypotheses and assessing the relative impacts of different independent variables. Regression, however, assumes a model of causation which does not always reflect the complexities of the real world (Manheim, et. al. 2002).

Path analysis is a statistical technique by which we can evaluate the accuracy of such models by empirically testing the direct and indirect effects of one variable on another. It has been widely used in the social sciences because it is applicable to a great many research questions and has the advantage of allowing us to test large pieces of a theory at once rather than one hypothesis at a time. (Manheim, et. al. 2002).

Path analysis begins with a conceptual model specifying the causal relationships the researcher thinks are at work. The model says community involvement influences government performance, government performance influences economic development efforts, and economic development efforts influences economic wealth we are essentially building a model like:

Figure 4.10

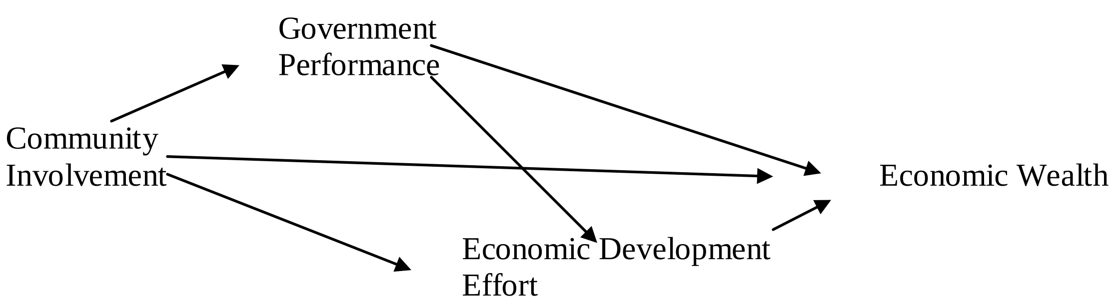


Table 4.13 below provides the standardized beta coefficients and its significance of each of the direct paths. The column headings contain the variables used as dependent variables, and the adjusted R-Square denoting the significance for each model. Each row contains variables used as independent variables. Please observe the highlighted items were significant, and used in creating the path analysis in Figure 4.10

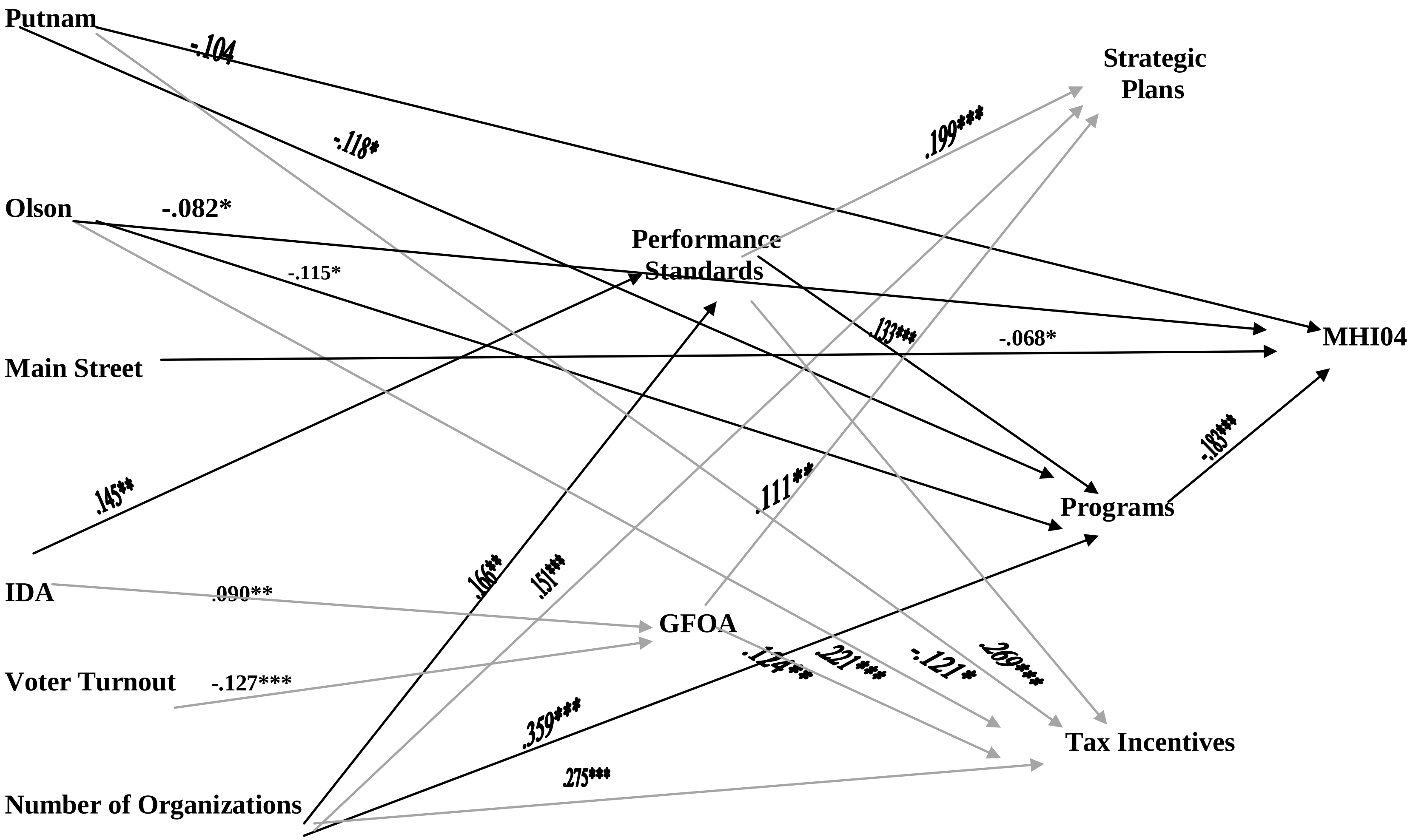
The path coefficients listed in Table 4.13 and the path diagram in Figure 4.10 provides an analysis of all independent variable measures for community involvement, government performance, economic development effort, and controls with a dependent variable of median household income 2004 representing wealth within each city.

Table 4.13 Path Coefficients and Significance

	Putnam R-sq = .054	**Olson R-sq = .069**	**Voter Turnout R-sq = .063**	**No. of Orgs R-sq =.063**	**IDA R-sq = .076**	**Main Street R-sq =.084**	**Input / Output R-sq = .095**	**GFOA R-sq = .105**	**Programs R-sq = .263**	**Strategic Plans .141**	**Tax Incentives R-sq = .202**	**MHI04 R-sq = .536**
HS Diploma	.030	**.171*** **	**.249*** **	.003	**.188*** **	**-.138*** **	**.141** **	**.296*** **	**-.234*** **	**-.165** **	**-.168*** **	**.356*** **
Transportation Access	**-.086** **	**-.088** **	.023	**.191*** **	**.084** **	-.002	**.065**	-.033	**.090*** **	**.223*** **	**.048**	**-.103*** **
Violent Crime	-.006	**.114** **	.093	.033	**.218*** **	.059	.225***	.051	**.090**	-.090	-.049	-.009
Property Crime	**.252*** **	**.185*** **	**-.105* **	**.156*** **	**.151*** **	**.161*** **	-.012	**.113* **	**-.107* **	**-.062**	**-.075**	**-.276*** **
Council / Manager	-.043	**-.144*** **	-.035	.033	-.055	-.039	-.002	**.198*** **	.002	.063	-.066	.005
Putnam							-.039	-.065	**-.118* **	-.096	**-.121* **	-.104**
Olson							.028	.003	**.115* **	.088	**.221*** **	**-.082* **
Voter Turnout							-.086	**-.127*** **	.010	.013	.017	.056
No. of Orgs							**.166*** **	-.040	**.359*** **	**.151*** **	**.275*** **	-.033
IDA							.145***	**.090** **	.061	-.024	-.072	.013
Main Street							-.014	-.008	-.004	-.004	-.006	**-.068* **
Input / Output									.133***	**.199*** **	**.269*** **	.063
GFOA									-.042	**.111** **	**.124** **	.037
Programs												**-.183*** **
Strategic Plans												-.023
Tax Incentives												.033

*** Regression is significant at the 0.01 level.
** Regression is significant at the 0.05 level.
* Regression is significant at the 0.10 level.

Figure 4.11 – Path Diagram with Beta Coefficients



This path diagram includes all significant relationships. The darker lines indicate that the path leads directly or indirectly to the dependent variable. The lighter lines indicate a significant relationship between the independent and intervening variables only.

*** Regression is significant at the 0.01 level.
** Regression is significant at the 0.05 level.
* Regression is significant at the 0.10 level.

One of the major advantages of path analysis is it makes elaborating theories possible by bringing theory and data analysis into a productive interaction in which each informs the other. A path analysis of this type will tell us not only whether or not the variables in the model are related in the way we hypothesize but also what relative influence each variable has on other variables in the model. The total effects of one variable on another are equal to the value of the standardized beta coefficient of the direct path between the two plus the standardized beta coefficients of the indirect paths by which they are linked. An indirect path is equal to the products of the direct paths of which it is composed (Manheim, et. al. 2002).

Table 4.14 – Total Effect of All Independent and Intervening Measures on Median Household Income

Independent Variable	**Total Effect on Median Household Income**
Community	
Putnam Standard	-0.082
Olson Standard	-.061
Voter Turnout	No Significant Relationship
Number of Organizations	-.070
IDA	0.004
Main Street	No Significant Relationship
Government Performance	
Performance Standards	-.021
GFOA Budget Awards	No Significant Relationship
Economic Development Effort	
Programs	**-.183**
Strategic Plans	No Significant Relationship
Tax Incentives	No Significant Relationship
Controls	
High School Diploma	**.3471**
Property Crime	**-.2947**
Violent Crime	-.0537
Council / Manager	.015
Transportation Access	-.1044

Table 4.14 provides the total effect on median household income, which is a composite of the independent variables on the dependent variable using path analysis.

Table 4.13 provided each path coefficient and its significance, and Figure 4.10 displayed the path diagram for our model. Table 4.14 displays the effects each of the independent variables had on the dependent variable, Median Household Income.

Conclusion

The findings in this chapter provided evidence to support the notion that a willingness for the people in the community to come together promotes government performance, enhances the economic development effort and promotes overall wealth within the community.

With the use of multiple regressions and the use of a path analysis this chapter explored relationships between community involvement, government performance, economic development efforts, and economic wealth. Specifically, this chapter provided evidence showing:

- Strong relationships exist between Putnam and Olson groups and economic development programs as Putnam groups has a relationship of (-.118) and was significant at .10 level, and Olson groups had a relationship of (.115) and was significant at the .10 level. Putnam groups were negatively related to tax incentives with a relationship of (-.121) and were significant at the .10 level.
- Particularly strong relationship between number of organizations involved in economic development decision making, and economic development effort with programs (.359), strategic plans (.151), and tax incentives (.275). All were significant at the .01 level.

- Cities with low voter turnout were more likely to win GFOA budget awards as there was a negative relationship of (-.127) significant at the .01 level.
- High education attainment (.347) and low rates of property crime (-.29) have a very strong direct relationship with economic wealth, and are significant at the .01 level.

The result of the preceding calculations allows for the completion of the study, and allows conclusions to be made about the overall relationship between community involvement, government performance, and economic development. Chapter 5 will analyze each hypothesis in terms of methodology set forth within this study while taking the existing literature and data results into account. This study will conclude with recommendations for setting economic development policy, and will offer suggestions for future study in this area.

CONCLUSION

CHAPTER 5

INTRODUCTION

The focus of this study was to determine whether and to what degree social capital contributes to economic wealth of cities. Government performance and economic development efforts serve as intervening variables. This study provided information which furthers our understanding of how social capital, government performance, and economic development efforts affect economic wealth both directly and indirectly, as well as whether the effects are positive or negative.

This chapter is divided into five sections. Section I discusses each research question, the hypotheses, and the results. Section II details the drawbacks and difficulties within the research. Section III provides a comparison of the findings of this research to previous research. Section IV provides public policy implications for future strategies, and Section V provides recommendations of future research in public policy and administration.

RESEARCH QUESTIONS

This research explored the following questions and hypotheses.

Q1. Does social capital improve municipal government performance?

H1. In comparing American cities, greater social capital within a city, affected the government performance within the city.

The social capital variable contained the study of six measures. These measures were regressed against two government performance measures to determine the relationship. The IDA measure was positive and significant for both government performance measures. The number of types of organizations involved in economic development within the cities was a positive and significant measure of the number of performance standards within each city. Main Street programs proved to be insignificant to either government performance measures.

Associational density measures were not significant to either government performance measures. The civic engagement measure of voter turnout was significant but negatively related to the GFOA budget award measure only. The hypothesis can be partially supported.

These findings further the current literature in numerous ways. Firstly, the results highlight the benefit professional organizations with a strong education component such as IDA have on the performance of city governments. Secondly, these results indicate that increased participation by groups in decision making results in cities implementing standards of performance. This indicates that public participation positively influences the actions of city governments. These findings indicate that the mere occurrence of clubs and organizations within a city do not necessarily improve the accountability of the local government, at least in the short term. Grisham (1999) suggests social capital can be inefficient, and that it takes years for it to build and flourish. The key to positive government performance appears to hinge on the willingness of the government to be open to the decision making process and indicates that the study of social capital and the community's involvement in government performance should include political theories of institutionalism and communitarianism particularly regarding to who has power and who gets invited to the decision making table. These ideas should be used in conjunction with the structural and agency models in economic development.

Q2. Does social capital increase economic development efforts and wealth?

H1. In comparing American cities, social capital positively increased economic development efforts within the city.

The six social capital measures were regressed against the three economic development efforts measures, and against the dependent variable. Standard Putnam groups were significant but negatively related to both economic development programs and tax incentives, and had no significant effect on the number of strategic plans implemented. Standard Olson groups were both positive and significantly related to both the programs and tax incentives measures.

The civic engagement measure of voter turnout was not significant to any economic development effort measures.

The community involvement measure of the number of types of organizations involved in economic development was significant for all three of the economic development effort measures. However, neither Main Street Programs nor IDA membership proved to be significant to any of the economic development effort measures. The hypothesis can be partially supported.

These findings add to the current literature in numerous ways. Firstly, the results highlight that Olson style groups increase the economic development efforts taken by the city. This would indicate that unions and professional groups use their vested interest to place pressure on city governments to recruit new businesses. The governments respond by implementing development programs and offering tax incentives to businesses willing to relocate to the city. Again, the number of types of organizations particularly added a new aspect to the literature. Not only does the presence of a diverse group of organizations represented increase the number of performance standards, it also increases the efforts of the city to attract economic development. This is consistent with the literature as increased participation increases manpower, allows for a better discussion of issues, and allows for greater enthusiasm for projects by the general public as they are more likely to have an investment of time and ideas into the project. Further, the finding indicates the need for further research into how the dynamics of what groups are allowed to participate in decision making, and the degree of power given to different groups affects economic development efforts on the city level.

H2. In comparing American cities, social capital positively affects economic wealth within the city.

Of the associational density measures, Putnam (purely social or recreational) groups and Olson (rent-seeking) groups were significant, but negatively related to median household income. The IDA, number of organizations and civic engagement measure of voter turnout did not prove to be significant for median household income. The Main Street measure was positive and significant. The hypothesis can only be partially supported.

The partial and thin support of social capital on economic wealth can be best explained by stating cities in crises are more likely to come together to improve the economy than more productive cities. Key to this conclusion is the absence of the number of organizations involved in economic development. Recall many suburban cities were used in this study. In many cases, suburban cities benefit from urban sprawl and are able to see economic growth with very little effort on their part. Structural theories imply slow growth or decline may make cities more vulnerable to pressure to promote growth (Rubin and Rubin, 1987) while rapidly growing places (primarily suburbs) feel little need to stimulate development and may try to limit growth (Baldassare, 1986).

H3. In comparing American cities, economic development efforts increased local economic wealth.

The economic development programs measure was significant but negatively related to both per capita income and median household income. Neither strategic plans nor tax incentives proved to be significant to economic wealth. The hypothesis is not supported. This finding would suggest that economic development professionals should rethink the types of economic development efforts taken to improve local economies. Suburban growth influences this finding as cities more desperate to bring jobs are more willing to create programs to influence growth. This supports the structural theory of economic development (Rubin and Rubin, 1987; Baldassare, 1986).

Q3. Does municipal government performance increase economic development efforts and wealth?

H1. In comparing American cities, municipal government performance positively affects economic development efforts.

The performance standards measure was both positive and significant to all three economic development effort measures as expected. The GFOA budget awards measure was both positive and significant for both strategic plans and tax incentives. The evidence supports the hypothesis.

This finding indicates that more professional government staff assures a more proactive government. Additionally, high performing governments are more capable of developing strategic plans, creating new programs, and are well versed in understanding how to provide tax incentives.

H2. In comparing American cities, municipal government performance affects economic wealth.

The performance standards and GFOA budget awards measures was not significant to either per capita income or median household income. The hypothesis is not supported.

H3. In comparing American cities, economic development efforts increase economic wealth.

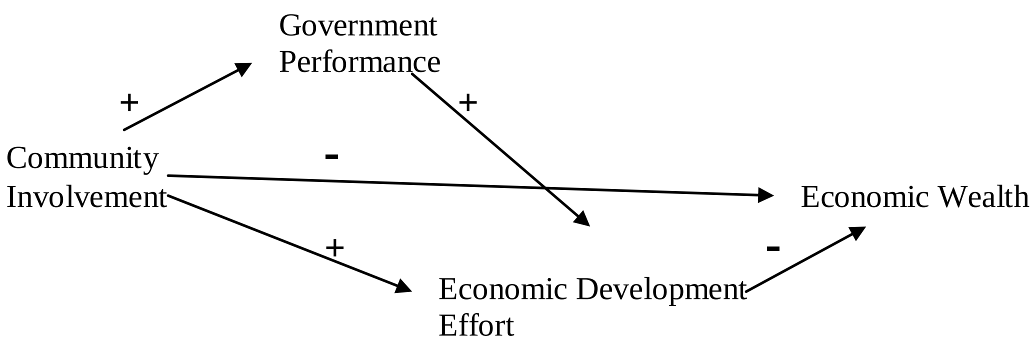
The economic development programs measure had a significant but negative influence on both economic wealth variables. Strategic plans and tax incentives were not significant. The hypothesis is not supported.

Again programs are likely implemented by struggling cities that are more desperate to attract economic development than affluent suburbs. The other possibility is that these measures may not be the most appropriate measures in studying the effect of government performance on economic wealth in the short-term. Table 5.1 shows the overall support for each question and hypothesis.

Table 5.1 Support of Questions and Hypotheses

Question	Hypothesis	Support
Q1. Does social capital improve municipal government performance?	H1. In comparing American cities, greater social capital within a city, affected the government performance within the city.	Partial
Q2. Does social capital increase economic development efforts and wealth?	H1. In comparing American cities, social capital positively increased economic development efforts within the city.	Partial
	H2. In comparing American cities, social capital positively affects economic wealth within the city.	Partial
	H3. In comparing American cities, economic development efforts increased local economic wealth.	No
Q3. Does municipal government performance increase economic development efforts and wealth?	H1. In comparing American cities, municipal government performance positively affects economic development efforts.	Yes
	H2. In comparing American cities, municipal government performance affects economic wealth.	No
	H3. In comparing American cities, economic development efforts increase economic wealth.	No

Figure 5.1 Final Path Analysis



DRAWBACKS AND DIFFICULTIES WITH RESEARCH

All research has some limitations based on the availability of resources, information, and / or project design and this research is not an exception. Steps were taken to diminish any limitations which would jeopardize the integrity of the research. Though founded in a solid research design, there are significant limitations to the study. Firstly, the expense and availability of resources limited the study to a cross-sectional study and would not allow for the examination of variables over time. This limited the research to the study of economic wealth instead of economic growth and did not allow for research to determine whether or not particular variables were contributing to or taking away from the wealth in the city over time. Studies showing the effectiveness of the community and government over time would also have included an element of the growth and decline of dominant industries within each city. The lack of a time element led to potential problems with circular reasoning between the community and control variables, particular for crime and education.

In creating the study, there was a lack of availability of highly reliable civic engagement variables on the city level. Measures for voter turnout in local elections, attendance for city council meetings, or PTA meetings, or for federally mandated public meetings, would have been helpful. The measurement for Putnam and Olson groups were admittedly blunt measures accounting for the number of organizations per city. The size and viability of the organizations were not taken into account. Organizations which did not fit particular status such as IRS non-profit filing were likely ignored in the counting. A better measure would be the amount of participation within the city.

The use of the 2004 ICMA Economic Development Survey had drawbacks. The prevalence of suburban cities had the potential for skewing the study towards cities which likely need the least assistance. Secondly, the metro measures chosen by ICMA of Urban, Suburban, and Independent made the variable ambiguous and not useful. Geographic measures provided to be unreliable as well.

COMPARISONS TO PRIOR RESEARCH

Conducting research requires both originality in thought and a willingness to follow the work of others in creating a successful research design. Prior research provides great insight into what has worked in the past, and provides the researcher with a wealth of knowledge in knowing how to best approach the problem.

This research started with a curiosity to learn whether or not the average citizen can make a difference in the well being of the community. This led to the study of the social capital concept and Putnam's 1993 study of community groups in Italy. Knack's 2003 study of Putnam and Olson groups provided the foundation of separating the types of community groups according to whether or not the group was organized with the intent of providing personal gain for the membership, or if it were organized for the pleasure of participants. This study provided a methodological clue of how to account for different types of group activity. However Knack used multi-national studies which were not applicable to studying individual cities within the United States as the data used was not available on the city level within the United States.

Rupasingha, Goetz, and Freshwater (2006) provided measures of social capital for both Putnam and Olson style groups for each county within the United States. The information provided in this study served to be enormously helpful as many of the measures used by Rupasingha, et. al. in creating a county by county account of social capital could be broken down by zip code. This allowed for the research to evaluate the social capital in areas if not exactly within city or town limits, to the city listed on each individuals mailing address. Goldfinger and Ferguson (2009) compared social capital to government performance on the city level. However, this study only analyzed 18 cities within the United States. By combining the methods of Rupasingha, Goetz, and Freshwater with the methods of Goldfinger and Ferguson, social capital and government performance were evaluated on a larger scale.

Grisham's studies of Tupelo, Mississippi and Putnam's study of groups working together influenced the research to focus on power within the community and government decision making. This led to the inclusion of variables to determine whether the community was widely involved in the economic development process.

The development of measures to study social capital on the city level will give researchers an abundance of new avenues to study social capital, rural and urban development, and local government performance. The model developed for this study provides insight into the connections between society, government, and economic wealth on the city level like never before. By studying the breadth of variety of organizations involved in economic development, new insights were gained into how society influences government performance and economic wealth, and how the variety of groups included in economic development efforts affected the overall performance of government and wealth within the city. The inclusion of IDA and Main Street organizations within the city provided insight into relationships with government, development efforts, and wealth and may be of service to development professional utilizing the Main Street or IDA concept to improve local communities.

IMPLICATIONS

This research developed a model which allowed for the study of the interaction between social capital, government performance, economic development efforts, and economic wealth in cities within the United States. Previous studies have linked parts of the model used in this study together but have not combined all of the parts at the same time. This study stepped beyond the existing literature by developing methods to study social capital on the city government level by utilizing zip codes and NAICS industrial codes available through the U.S. Census Bureau. This study was distinctive in its use of the study of the number of types of organizations involved in economic development. This essentially linked theories concerning the openness of government and the inclusion of individuals to economic development efforts and overall wealth within cities.

The findings in this study reveal higher numbers of types of organizations participating in economic development decision making improves the likelihood that a city will use a higher number of performance standards, or receive awards for their budgeting. Further, cities using a high number of performance standards are also more likely to utilize all three of the measures for economic development efforts.

Findings suggest Olson groups are positively related to both economic development programs and tax incentives as expected. Interestingly, the use of strategic plans did not appear to provide the significant relationships that would have been expected. Lastly, there were some unexpected results. Voter turnout was negatively related to whether a city received budget awards, while Putnam groups were negatively related to the number of economic development programs utilized within the city.

The findings of this study have implications for economic development policy. Greater insight was obtained into the relationships and interactions between community involvement, government performance, economic development efforts, and economic wealth on the local level. This dissertation was novel by utilizing NCAIS codes to study associational density on the city level. This method was developed by expanding on the research of Rupasingha, Goetz, and Freshwater. This method will allow future researchers to consistently measure the amount of involvement within communities, and assist researchers in studying how the quantity of interaction within the community itself affects a myriad of public policy issues.

This dissertation provided insight into the relationship between institutionalism theory, government performance, economic development efforts, and economic wealth on the local level. This dissertation found cities with a greater breadth of organizations involved in economic development had a positive relationship with government performance, and the higher the performance standards, the greater the efforts to improve economic development.

Cities with more professional and business organizations (Olson Groups) were more likely to implement programs and offer tax incentives to promote local economic development. However, the more civic organizations (Putnam Groups) were less likely to offer economic development programs and tax incentives to promote local economic development.

This dissertation indicated a negative relationship between voter turnout and whether a city won budgeting awards. This implies cities with high voter turnout either has less capacity to have highly trained professional staff (which is possible in small towns), or that cities without a highly involved electorate will overcome the lack of information in the electorate's will by assuring that the city is beyond reproach by creating meticulous budgets.

PRACTICAL ADVICE

This dissertation provided new insight into how society affects government performance, development efforts, and economic wealth. Many of the findings of this study have practical implications. This study indicated cities with a wide variety of organizations involved in economic development had improved government performance, and went to greater efforts to develop the community economically.

City officials are encouraged to examine the human assets available to them in their community, and encourage participation. These human assets may come in the form of individuals or organizations. In a small town, it could be an act as simple as asking a high school English teacher to review a grant application. Find groups with a vested interest in the outcomes of the city to work to better the community. Use their creativity and enthusiasm to make positive changes within the community. At the same time, start building frameworks for average citizens to become involved within the city. Encourage neighborhoods to come together in neighborhood associations, precincts, or other small areas to improve their part of the city.

Concerted efforts should be made to teach individuals how to come together in associations. Putnam (2000) indicated that associational groups have been on a steady decline since after World War II. The result has been that individuals no longer have the right experience to lead successful associational lives. Leaders need training in knowing how to run meetings, overcome and avoid conflicts, raise funds, and recruit volunteers.

Fledgling volunteer organizations are especially vulnerable to conflicts or mismanagement that can derail organizations from doing good work.

School activities have the potential for becoming a breeding ground for an increase in associational life in the United States. Politically neutral initiatives such as the teaching of how to use Robert's Rules of Order should be encouraged.

FUTURE RESEARCH

This dissertation established social capital and particularly associational density can be successfully studied in a multi-city study within the United States using publicly available data. Further study is needed to further define the best measures to be used in determining associational density.

This study recognized community organizations have the greatest impact when included in the decision making process. Evidence suggests the inclusion of community organizations in decision making appears to be positively related to government performance. Further study is needed to determine whether community organizations are more likely to be included in well functioning governments, or whether the inclusion of community organizations leads to the use of performance standards and the winning of budget awards. The study recognized significant and positive relationships between the number of types of organizations involved in economic development decision making and the level of economic development efforts utilized within the city. This suggests the outside knowledge, perspective, manpower, and enthusiasm would have a positive effect on the number of economic development efforts being made. It would also follow that government officials would be more likely to implement such efforts to demonstrate they are working to improve conditions within the city. Further study is needed to determine how community involvement and particularly the participation of community groups in making economic development decisions effects the efforts individual cities make in the level of and types of initiatives used in its economic development efforts, and whether or not the efforts lead to economic growth or wealth in the short or long term.

This study indicated a better understanding of the interaction between the community and city government and the economic development efforts are essential to accessing a community's abilities to work together and create strategies to promote prosperity. New measures should be explored to better understand how citizens are involved in their community, and if involvement leads to positive economic results.

It would be ideal if this study could be replicated over a long period of time to determine if social capital, government performance, and economic development efforts make a difference in the economic growth of an area. It would also be ideal to look at quality of life measures that do not quantify the well being of a community purely in dollars and cents terms.

Over time, researchers will surely find that people living in communities with an abundance of genuine concern for their fellow man live in happier, healthier places. Hopefully, society will follow suit. Until then, it will remain our responsibility as citizens to assure that we live in great places.

Bibliography

Allison, P. D. (1978). Measures of inequality. *American Sociological Review*, 43(1), 865-80.

Almond, G. A., & Verba, S. (1965). *The civic culture*. Boston, MA: Little, Brown and Company.

Astone, N. M. (1999, March). Family demography, social theory, and investment in social capital. *Population and Development Review.* 25(1), 1-31.

Axelrod, R. (1984). *Evolution of cooperation.* New York, NY: Basic Books.

Atkinson, A. B. (1970). On the measurement of inequality. *Journal of Economic Theory*. (2) 244-263.

Bachrach, P., & Baratz, M. (1962, December). Two faces of power. *The American Political Science Review. 56(4), 947-952.*

Bailey, R. (2007, September 29-30). The secrets of intangible wealth. *Wall Street Journal*, pp. A9.

Baldassare, M. (1986). *When government fails: The orange county bankruptcy.* Berkley, CA: University of California Press.

Ball, R. (2001, January). Individualism, collectivism, and economic development. [Special Edition] *Annals of the American Academy of Political and Social Science*. (573), 57-84.

Barber, B. R. (1995). *Jihad vs. McWorld.* New York, NY: Times Books.

Bardhan, P. (1993, Spring). Economics of development and the development of economics. *The Journal of Economic Perspectives*. 7(2), 129-142.

Barrett, K., & Greene, R. (2000) Grading the cities: A management report card. *Governing* 13(5), 22-91.

Baumgartner, F. R., & Walker, J. L. (1988, November). Survey research and membership in voluntary associations. *American Journal of Political Science*. 32, 908-28.

Bebbington, A., & Perreault, T. (1999). Social capital, development, and access to resources in Highland Ecuador. *Economic Geography*. 75(4), 395-418.

Bellah, R. N. (1986, May). The meaning of reputation in American society. *Symposium of the New Perspectives in the Law of Defamation. Berkeley, CA: California Law Review.* 743-751.

Berman, S. (1997). Civil society and political institutionalization. *American Behavioral Scientist*. (40), 562-74.

Berry, 1996.

Berry, J. M. (with Portney, K.E.). (2007). Neighborhoods, neighborhood associations, and social capital. In S. Ostrander, & K.E. Portney, (Eds.), *Acting civically: From local neighborhoods to higher education.* Hanover, NH: University Press of New England.

Binns, T., & Nel, E. (1999, September). Beyond the development impasse: The role of local economic development and community self-reliance in rural South Africa. *The Journal of Modern African Studies*. 37(3), 389-408.

Black, E., & Black, M. (1987). *Politics and Society in the South*. Cambridge, MA: Harvard University Press.

Blair, J. P. (1995). *Local economic development: analysis and practice.* Thousand Oaks, CA: Sage Publications.

Blakely, E. J. (1979). Toward a science of community development. In E.J. Blakely, (Ed.), *Community development research: Concepts, issues and strategies.* (pp. 15-23). New York: Human Sciences Press.

Blakely, E. (1989). *Planning and local economic development: Theory and practice*. Thousand Oaks, CA: Sage Publications.

Bluestone, B., & Harrison, B. (1982). *Deindustrialization of America*. New York, NY: Basic Books.

Boeckelman, K. (1991, Spring). Political culture and state development policy. *Publius*. 21(2), 49-62.

Boix, C., & Posner, D. N. (1998). Social capital: Explaining its origins and effects of government performance. *British Journal of Political Science.* 28 (4) 686-93.

Bourdieau, P. (1986). *Handbook of theory and research for the sociology of education.* Greenwood Press, New York, NY.

Bourdieau, P., & Wacquant, L. J. D. (1992). *An invitation to reflexive sociology*. Chicago, IL: University of Chicago Press.

Braun, D. D. (1988). Multiple measurements of U.S. income inequality. *Review of Economics and Statistics*. (70), 398-405.

Bruni, L., & Sugden, R. (2000). Moral canals: Trust and social capital and the work of Hume, Smith, and Genovesi. *Economics and Philosophy*. 16(1), 21-45.

Bruyn, S. T., & Meehan, J. (1987). *Beyond the market and the state: New direction in community development.* Philadelphia, PA: Temple University Press.

Carothers, T., & Barndt, W. (1999-2000, Winter). Civil society. *Foreign Policy*. 18-24, 26-29.

Carpini, M. D., Cook, F. L., & Jacobs, L. (2004). Public deliberation, discursive participation and citizen engagement: A review of the empirical literature. *Annual Review of Political Science*. 7

Caudill, H. M. (1962). *Night comes to the Cumberlands*. New York, NY: Little Brown.

Charles, J. A. (1993). *Service clubs in America: Rotary, Kiwanis, and Lions.* Urbana, IL: University of Illinois Press.

Clark, C. (2007). *Political science research methods: Exploring "America at a crossroad".* New York, NY: Longman.

Clarke, S. E., & Gaile, G. L. (1997, May). Local politics in a global era: Thinking locally, acting globally. [Special Edition: Globalization, and the Changing U.S. City.] *Annals of the American Academy of Political and Social Science, (*551), 28-43.

Cohen, L. (2007). Buying into downtown revival: The centrality of retail to postwar urban renewal in American cities. *The ANNALS of the American Academy of Political and Social Science.* Thousand Oaks, CA: Sage Publications. (611) 82.

Coleman, J. (1990). *Foundations of social theory*. Cambridge, MA: Harvard University Press.

Coleman, J. S. (1988). Social capital in the creation of human capital. [Supplement, Organizations and institutions: Sociological and economic approaches to the analysis of social structure.] (94), S95-S120. *The American Journal of Sociology*.

Cote, S., & Healy, T. (2001). *The well-being of nations. The role of human and social capital*. Paris, France: Organisation for Economic Cooperation and Development.

Cottrell, L. S. Jr. (1977). *The competent community: New perspectives on the American community.* In R.L. Warren (Ed.), *New perspectives on the American community: A book of readings. (pps. 546-560). Chicago, IL: Rand McNally.* Couse, R. (1937). The nature of the firm. *Economica.* 16(4), 386-405.

Cox, K. R. (2004, June). Globalization and the politics of local and regional development: The question of convergence. *[New Series, Geography: Making a difference in a Globalizing World] 29(2), Transactions of the Institute of British Geographers,* 179-194.

Crystal, D. S., & DeBell, M. (2002, March). Sources of civic orientation among American youth: Trust, religious valuation, and attributions of responsibility. *Political Psychology*. 23(1), 113-132.

Dahl, R. A. (1961) *Who governs? Democracy and power in an American city.* New Haven, CT: Yale University Press.

Dahrendorf, R. (1959) *Class and Class conflict in industrial society.* Palo Alto, CA: Stanford University Press.

Damanpour, F. & Schneider, M. (2009). Characteristics of innovation and innovation adoption in public organizations: Assessing the role of management. *Journal of Public Administration Research and Theory.* (19), 495-522.

Dasgupta, P. (1999). Economic progress and the idea of social capital. In P. Dasgupta & I. Serageldin (Eds.), Social capital: A multifaceted perspective. (pp.325-424). Washington D.C.: World Bank.

Dasgupta, P., & Serageldin, I. (Eds.), (1999). Social capital: A multifaceted perspective. Washington D.C. World Bank.

Davidson, A. (Writer) (2007, November 27). World sock capital suffers from duty-free imports. [Radio Broadcast]. Retrieved transcript from www.NPR.org.

Deavers, K. (1992). What is rural? *Policy Studies Journal*. 20(2), 184-189.

Dewey, John. (1920). *Reconstruction in philosophy.* New York, NY: Holt Press.

Dillman, D. A., & Beck, D. M. (1988). Information technologies and rural development. *The Journal of State Government,* 61 (1), 29-38.

Doeringer, P. B., & Terkla, D. G. (1990). Turning around local economies: Managerial strategies and community assets. *Journal of Policy Analysis and Management.* 9 (4), 487-506.

Doeringer, P.B., & D.G. Terkla. (1995) Business strategy and cross-industry clusters. *Economic Development Quarterly*. 9: 225-237.

Dran, E. M., Albritton, R. B., & Wyckoff, M. (1991, Spring). Surrogate versus direct measures of political culture: Explaining participation and policy attitudes in Illinois. *Publius*. 21(2), 15-30.

Durkheim, E. ([1893], 1964) *The Division of Labour in Society* .New York, NY: Free Press.

Eastis, C. M. (1998, September). Organizational diversity and the production of social capital: One of these groups is not like the other. *American Behavioral Scientist*. (42), 66-67.

Edwards, B., & Foley, M.W. (1998). Civil society and social capital beyond Putnam. *American Behavioural Scientist.* 42(1), 124-139.

Eisinger, P. K. (1988). *The rise of the entrepreneurial state: State and local economic development policy in the United States.* Madison, WI: The University of Wisconsin Press.

Eschbach, K. (1997, July). [Review of the book *Community, culture and economic development: The social roots of community action* by M. Ramsey]. *Contemporary Sociology*. 26(4). 476-477.

Etzioni, A. (1994). *The spirit of community: The reinvention of American society*. New York, NY: Touchstone.

Etzioni, A. (1996). *The new golden rule: Community and morality in a democratic society*. New York, NY: Basic Books.

Evans, P., (Ed.). (1997) *State-society synergy: Government and social capital in development*. Berkeley, CA: University of California.

Farr, James A. (2004). Social capital: A conceptual history. *Political Theory*. (32), 6-33.

Fedderke, J., De Kadt, R., & Luiz, J. (1999). Economic growth and social capital: A critical reflection. *Theory and Society*. 28: 709-745.

Feiock, R., & Clingermayer, J. (1986). Municipal representation, executive power, and economic development policy administration. *Policy Studies Journal.* (15), 211-29.

Ferguson, M.R., Goldfinger, J. & Vargus, B. (2005). Social capital and governmental performance in large American cities.

Fine, B. (2001). *Social capital theory vs. Social theory: Political economy and social science at the turn of the millennium*. London, UK: Routledge.

Fine, B. (2010). *Theories of social capital: Researchers behaving badly.* New York, NY: Palgrave MacMillan.

Fine, G. A., & Harrington, B. (2004, September). Tiny publics: Small groups and civil society. *Sociological Theory*. 22(3), 341-356.

Fisher, I. ([1906] 1965) *The nature of capital and income*. Reprinted by A. M. Kelly. New York, NY: McMillan.

Fleischmann, A., & Green, G. P. (1991). Organizing local agencies to promote economic development. *American Review of Public Administration*, 21(1), 1-15.

Fleischmann, A., Green, G. P., & Kwong, T.M. (1992, September). What's a city to do? Explaining differences in local economic development policies. *Political Research Quarterly.* 45(3), 677-699.

Flora, J. L., Sharp, J., Flora, C., & Newlon, B. (1997, Autumn). Entrepreneurial social infrastructure and locally initiated economic development in the nonmetropolitan United States. *The Sociological Quarterly*. 38(4).

Foley, M. W., & Edwards, B. (1997). Escape from politics? Social theory and the social capital debate. *American Behavioral Scientist*. 40:550-61.

Formisano, R. P. (2001, Winter). The concept of political culture. *Journal of Interdisciplinary History*. 31(3). 393-426.

Fosler, R. S. (1986, November) Civic renewal: The city on a hill revisited. *Annals of the American Academy of Political and Social Science.* (488: Revitalizing the industrial city.) 85-99.

Fosler, R. S. (Ed.), (1988). *The new economic role of American states: Strategies in a competitive world economy.* New York, NY: Oxford University Press.

Fosler, R. S. (1989). Revitalizing state-local economies. In E. B. Liner (Ed.), *A decade of devolution: Perspectives on state-local relations. (pp.81-110).* Washington D.C.: The Urban Institute Press.

Friedman, T. L. (2000). *The Lexus and the olive tree.* New York, NY: Farrar, Straus, and Giroux.

Friedman, T. L. (2005). *The world is flat: A brief history of the 21st century.* New York, NY: Farrar, Straus, and Giroux.

Fukuyama, F. (1995). *Trust: The social virtues and the creation of prosperity.* New York, NY: Free Press.

Fung, A. (2003). Associations and democracy: Between theories, hopes, and realities. *Annual Review of Sociology*. (29), 515-539.

Gargan, J. J. (1981). Consideration of local government capacity. *Public Administration Review*, 41(6), 3-13.

Gerring, J. (1999, Summer). Culture versus economics: An American dilemma. *Social Science History*. 23(2), 129-172.

Gittell, M. (1980). *Limits to citizen participation: The decline of community organizations.* Beverly Hills CA: Sage Publications.

Gittell, M., & Rogowsky, E. (1989, May/June) Local organizations and community development: Energizing the system. *National Civic Review.* 78: 165-167.

Gittell, R. (1990) Managing the development process: Community strategies in economic revitalization. *Journal of Policy Analysis and Management.* 9(4), 507-531.

Gittell, R., & Vidal, A., (1998) *Community organising: Building social capital as a development strategy.* Thousand Oaks, CA: Sage Publications.

Goetz, E. G. (1994, March). Expanding possibilities in local development policy: An examination of U.S. cities. *Political Research Quarterly*. 47(1). 85-109.

Goggin, M. L., Bowman, A. O., Lester, J. P., & O'Toole, L. J, Jr. (1990) *Implementation theory and practice: Toward a third generation.* Glenview, IL: Scott, Foresman/ Little Brown.

Golberman, S. & Shapiro, D. (2003). Governance infrastructure and U.S. foreign direct investment. *Journal of International Business Studies* 3: 19–39.

Goldfinger, J. & Ferguson, M. (2009). Social capital and governmental performance in large American cities. *State and Local Government Review.* 41(1), 25-36.

Grafton, C., & Permaloff, A. (Eds.). (2005) *The behavioral study of political ideology and public policy formation*. Dallas, TX: University Press of America.

Granovetter, M. S. (1973, May). The strength of weak ties. *The American Journal of Sociology*. 78(6), 1360-1380.

Grant, D., Jones, A. W., & Trautner, M. N. (2004, September). Do facilities with distant headquarters pollute more? How civic engagement conditions the environmental performance of absentee managed plants. *Social Forces*. 83(1), 189-214.

Greeley, A. (1997). Coleman revisited: Religious structures as sources of social capital. *American Behavioral Scientist. (*40), 550-61.

Grisham, V., & Gurwitt, B. (1999). *Hand in hand: Community and economic development in Tupelo*. Washington D.C.: The Aspen Institute.

Gugerty, M. K., & Kremer, M. (2002). The impact of development assistance on social capital: Evidence from Kenya. In C. Grootaert, & T. van Bastelaer (Eds.), T*he role of social capital in development: An empirical assessment*. New York, NY: Cambridge University Press.

Guiso, L., Sapienza, P., & Zingales, L. (2004, June). The role of social capital in financial development. *American Economic Review.* 94(3), 526-556.

Gunn, C. E., & Gunn, H. D., (1991). *Reclaiming capital*. Ithaca, NY: Cornell University Press. .

Halpern, D. (2005) *Social capital.* Malden, MA: Polity Press.

Hanifan, L.J. (1916). The rural school community center. *Annals of the American Academy of political and social science.* (67), 130-138.

Harrison, B. (1992). Industrial districts: Old wine in new bottles? *Regional Studies*. 26: 469-83.

Harriss, J. (2001, November-December). Public action and the dialectics of decentralisation: Against the myth of social capital as „the missing link" in development. *Social Scientist*. 29(11/12) 25-40.

Held, J.R. (1996). Clusters as an economic development tool: Beyond the pitfalls. *Economic Development Quarterly*. 10: 249:61.

Herzik, E. B. (1985, September) The legal-formal structuring of state politics: A cultural explanation. *The Western Political Quarterly.* 38(3) 413-423.

Hirst, P., & Zeitlin, J. (1989) Flexible specialization and the competitive failure of UK manufacturing. *Political Quarterly*. 60:164-78.

Holt, R. T., & Turner, J. E. (1966) *The political basis of economic development: An explanation in comparative political analysis*. Princeton, NJ: Van Nostrand Publishers.

Honadle, B. W. (1981). A capacity-building framework: A search for concept and purpose. *Public Administration Review*, 41 (5), 575-580.

Hustedde, R. J. (1991). Developing leadership to address rural problems. In Norman Walzer (Ed.), *Rural community economic development.* (pp.111-123). New York: Praeger.

Ibarra, H., Kilduff, M., & Tsai, W. (2005, July/August). Zooming in and out: Connecting individuals and collectivities at the frontier... *Organization Science.* 16(4), ABI/INFORM Global. 359.

Irwin, M., Blanchard, T., Tolbert, C., Nucci, A., & Lyson, T. (2004, September/October). Why people stay: The impact of community context on nonmigration in the U.S.A. *Population, English Edition 2002.* 59(5), 567-591.

Irwin, M. D., Tolbert, C. M., & Lyson, T. A. (1997). How to build strong home towns. *American Demographics*. 19: 42-48.

Irwin, M. D., Tolbert, C. M., & Lyson, T. A. (1999). There's no place like home: Nonmigration and civic engagement. *Environment and Planning A*. 31(12). 2223-2238.

Jackman, R. W., & Miller, R. A. (1996, August). A renaissance of political culture. *American Journal of Political Science*. 40(3), 632-659.

Jackman, R.W., & Miller, R.A. (1998). Social capital and politics. *Annual Review of Political Science.* (1), 73.

Jefferson, Thomas (1825, January, 8). Letter to William Short. University of Virginia E-Text, Jefferson Digital Archive.

Johnson, C. A., (1976, August), Political culture in American states: Elazar's formulation examined. *American Journal of Political Science*. 20(3), 491-509.

Jones, M. (1998). Partnerships as models of economic governance: A regulationist perspective. In N. Walzer & B.D. Jacobs (Eds.), *Public private partnerships for local economic development.* Westport, CT: Praeger.

Keele, L. J. (2007). Social capital and the dynamics of trust in government. *American Journal of Political Science*. 51(2), 241-254.

Kilpatrick, S., Field, J., & Falk, I. (2003, June) Social capital: an analytical tool for exploring lifelong learning and community development. *British Educational Research Journal*. 29(3), 417-433.

Kincaid, J. (1980, Spring). Political cultures of the American compound republic. *Publius*. 10(2), The Study of Political Cultures and Its Subcultures. 1-15.

King, L. A. (2004, February). Democratic hopes in the polycentric city. *The Journal of Politics.* 66(1), 203-223.

Knack, S. (2002, October) Social capital and the quality of government: Evidence from the states. *American Journal of Political Science*. 46(4), 772-785.

Knack, S. (2003). Groups, growth and trust: Cross-country evidence on the Olson and Putnam hypotheses. *Public Choice.* (117) 341-355.

Knack, S., & Keefer, P. (1995, November). Institutions and economic performance: Cross-country tests using alternative institutional measures. *Economics and Politics.* 7(3), 207-225.

Knack, S., & Keefer, P. (1997). Does social capital have an economic payoff? A cross-country investigation. *Quarterly Journal of Economics*. 112 (4) 1251-88.

Krane, D., & Shaffer, S. D. (1993). *Mississippi government and politics: Modernizers versus traditionalists*. Lincoln, NE: University of Nebraska Press.

Land, K. C., Blau, J., & Deane, G. (1991). "Religious pluralism and church membership: A spatial diffusion model." *American Sociological Review*. 56: 237-49.

Lieske, J. (1993, November). Regional subcultures of the United States. *The Journal of Politics*. 55(4), 888-913.

Lieske, J. (1990, Winter). The correlates of life quality in U.S. metropolitan areas. *Publius.* 20(1), 43-54.

Lobao, L. (1990). *Locality and inequality*. Albany, NY: SUNY Press.

Logan, J., & Molotch, H. (1987). *Urban fortunes: The political economy of place*. Los Angeles, CA: University of California Press.

Loury, G.C. (1977). A dynamic theory of racial income differences. In P.A. Wallace, & A.M. La Mond (Eds.), *Women, minorities, and employment discrimination.* ***(***pp. 153-86). Lexington, MA: Heath.

Luzzati, T. (2000). Norme sociali e sanzione: il ruolo del singolo individuo. (Social norms and individual sanctioning.) *Economica Politica, 17(1): 53-67.*

Lyons, W. E., & Lowery, D. (1986, May). The organization of political space and citizen responses to dissatisfaction in urban communities: An integrated model. *Journal of Politics.* (48), 321-334.

Lyson, T. A. (1989). *Two sides to the Sunbelt.* Westport, CT: Praeger.

Lyson, T. A., & Tobert, C. M. (1996). Small manufacturing and nonmetropolitan socioeconomic well being. *Environment and Planning* (A28), 1779-94.

Malizia, E.E. (1994, Spring). A redefinition of economic development. *Economic Development Review.* 83-84.

Manheim, J.B., & Rich, R.C. & Willnat, L. (2002). *Empirical political analysis. Research methods in political science.* Contributions by Bahry, Donna L., Schrodt, Philip. 5th Edition. New York, NY: Longman.

Maskell, P. (2000). Social capital and competitiveness. In S. Baron, J. Field, and T. Schuller (Eds.), *Social capital: Critical perspectives.* (pp. 111-123) Oxford, UK: Oxford University Press.

McClenaghan, P. (2000). Social capital: exploring the theoretical foundations of community development education. *British Educational Research Journal*. 565-582.

McDonough, P., Shin, D. C., & Moisés, J. A. (1998, November). Democratization and participation: Comparing Spain, Brazil, and Korea. *The Journal of Politics*. 60(4), 919-953.

McMichael, P. (1996). Globalization: Myths and realities. *Rural Sociology*. 61: 25-55.

Mead, T. D., (1981, Winter). Identifying management capacity among local governments. *Urban Affairs Papers*. 3: 1-12.

Mead, T. D. (1986) Issues in defining local management capacity. In B. W. Honadle & A. M. Howitt (Eds.), *Perspectives on management capacity building.* (pp. 24-46). Albany, NY: State University of New York Press.

Mehra, R. (1997, November). Women, empowerment, and economic development. *Annals of the American Academy of Political and Social Science.* (554).The Role of NGOs: Charity and Empowerment. 136-149.

Meyer, D. S. (2003, December). [Review of the book *Democratic Phoenix: Reinventing political activism* by P. Norris]. *Perspectives on Politics*. 1(4). 818-819.

Mills, C. W. (1956). *The Power Elite.* New York, NY: Oxford University Press.

Mills, C.W. & Ulmer, M.J. (1946). Small business and social welfare. Report of the small war plants corporation to the special senate committee to study problems of American small business. 79th Congress, 2nd session. Document 135.

Minkoff, D. C. (1997). Producing social capital: National social movements and civil society. *American Behavioral Scientist* 40: 606-19.

Minow, M. (2003). Public and private partnerships: Accounting for the new religion. *Harvard Law Review.* 116(5), 1229-1270.

Mollenkopf, J. H. (1983). *The contested city*. Princeton, NJ: Princeton University Press.

Narayan, D. & Pritchett, L. (1997, July). Cents and sociability: Household income and social capital in rural Tanzania. World Bank Working Paper.

Narayan, D., & Pritchett, L. (1999, July). Cents and sociability: household income and social capital in rural Tanzania. *Economic Development and Cultural Change*. 47(4). 871-897.

Norberg-Hodge, H. (1996). Shifting direction: From global dependence to local Interdependence. In J. Mander, & E. Goldsmith (Eds.), *The case against the global economy* (pp. 393-406). San Francisco, CA: Sierra Club Books.

North, D.C. (1990). *Institutions, institutional change and economic performance*. Cambridge, MA: Cambridge University Press.

North, D.C. & Weingast, B.R. (1989). Constitutions and commitment: The evolution of institutions governing public choice in seventeenth century England. *The Journal of Economic History*. 49(4), 809-832.

Oh, J. K-C. (1999). *The quest for democratization and economic development*. Ithaca, NY: Cornell University Press.

Oldenburg, R. (1991). *The great good place*. St. Paul, MN: Paragon House.

Olson, M. (1996). Big bills left on the sidewalk: Why some nations are rich, and others, poor. *Journal of Economic Perspectives*. 2: 3-24.

Olson, M. (1965). *The logic of collective action: Public goods and theory of groups*. Cambridge, MA: Harvard University Press.

Olson, M. (1982). *The rise and decline of nations: Economic growth, stagflation and social rigidities*. New Haven, CT: Yale University Press.

Osborne, D. (1988). *Laboratories of democracy*. Boston, MA: Harvard University Press.

Ostrom, V. (1977, December). Some problems in doing political theory: A response to Golembiewski's critique of democratic administration and its supporting ideation." *The American Political Science Review.* 71(4), 1508-1525.

Ottensmeyer, E.J., Craig, R.H., & Erickson, R.A. (1987, February). Local industrial development groups:Perspectives and profiles. *Policy Studies Review.* (6), 569-83.

Papp, D. S. (2003). Review: Digital divide: Civic engagement, information poverty, and the internet worldwide by Pippa Norris. *Perspectives on Politics*. 1(2), 461-462.

Parsons, Wayne. (2001). Public Policy. An Introduction to the theory and practice of policy Analysis. Northampton, MA: Elgar Publishing.

Patterson, S. C. (1968, February). The political cultures of The American states. *The Journal of Politics*, 30(1), 187-209.

Paxton, P. (1999, July). Is social capital declining in the United States? A multiple indicator assessment. *American Journal of Sociology.* 105 (1), 88-127.

Paxton, P. (2002, April). Social capital and democracy: An interdependent relationship. *American Sociological Review.* 67(2), 254-277.

Peterson, P. (1981). *City Limits.* Chicago, IL: University of Chicago Press.

Piazza-Piorgio, B. (2002). The role of human and social capital and growth: extending our understanding. *Cambridge Journal of Economics*. 26(4), 461-479.

Pierce, J. C., Lovrich, N. P. Jr., & Moon, C. D., (2002, June). An analysis of 20 American cities. *Public Performance & Management Review*. 25(4), 381-397.

Piore, M. J., & Sabel, C. F. (1984) *The second industrial divide*. New York, NY: Basic Books.

Porter, M.E. (1998, November/December). Clusters and the new economics of competition. *Harvard Business Review,* 77-90.

Portes, A. (1998). Social capital: Its origins and applications in modern sociology. *Annual Review of Sociology*. (24), 1-24.

Portes, A. (2000, March). The two meanings of social capital. *Sociological Forum*. 15(1), 1-12.

Portes, A., & Sensenbrenner, J. (1993, May). Embeddedness and immigration: Notes on the social determinants of economic action. *The American Journal of Sociology*. 98(6), 1320-1350.

Pulver, G. C. (1988). The changing economic scene in rural America. *The Journal of State Government.* 61(1), 3-8.

Putnam, R. D. (1992). Studied trust: Building new forms of cooperation in a volatile economy. In R. Swedberg (Ed.), *Explorations in Economic Sociology* (pp. 104-144). New York, NY: Russell Sage Foundation.

Putnam, R. D. (1993). Tuning in, tuning out: The Strange Disappearance of Social Capital in America. *Political Science and Politics*. (4), 664-83.

Putnam, R. D. (1994, May). Social capital and public affairs. *Bulletin of the American Academy of Arts and Sciences*. 47(8), 5-19.

Putnam, R.D. (2000) *Bowling alone: The collapse and revival of American community*. New York, NY: Simon and Schuster.

Putnam, R. (with Leonardi, R. and Nanetti, R. Y.). (1993). *Making democracy work: Civic traditions in modern Italy*. Princeton, NJ: Princeton University Press.

Putnam, R.D.& Feldstein, L. (2003). *Better Together: Restoring the American Community*. New York, NY: Simon and Schuster.

Ramsey, M. (1996). *Community culture and economic development: The social roots of community action*. Albany, NY: State University of New York Press.

Rawls, J. (1971). *A Theory of Justice*. Cambridge, MA: Belknap Press.

Redwood, A. (1988). Job creation in nonmetropolitan communities. *The Journal of State Governments*, 61 (1), 9-15.

Reed, B.J. & Paulsen, D.F. (1991, February). Small towns lack capacity for small successful development efforts. [Occasional Paper 91-1.] Omaha, NE: University of Nebraska at Omaha, Center for Public Affairs Research.

Reeder, R. J. (1989, Spring). "Targeting state aid to distressed rural communities." *Publius: the Journal of Federalism.* (19), 143-160. Thousand Oaks, CA.

Reese, L.A. & Fasenfest, D. (1996). Local economic development policies over time. *Economic Development Quarterly*. 10 (3): 280-89.

Reese, L. A., & Rosenfeld, R. A. (2002). *The civic culture of local economic development*. Thousand Oaks, CA: Sage Publications.

Reich, R. B. (1988). The rural crisis and what to do about it." *Economic Development Quarterly*, 2(1), 3-8.

Rice, T. W. (2001) Social capital and government performance in Iowa communities. *Journal of Urban Affairs*. 23 (4) 375-389.

Rice, T W., & Sumberg, A. F. (1997) Civic culture and government performance in the American states. *Publius*. 27(1), 99-114.

Rich, P. (1999, September). American voluntarism, social capital, and political culture. *Annals of the American Academy of Political and Social Science*. (565). Civil Society and Democratization. 15-34.

Ritt, L. G. (1974, Winter). Political cultures and political reform: A research note. *Publius*. 4(1), 127-133.

Rodale, R., & Lehman, K. (1991). Regenerating rural America. In K. E. Pigg (Eds.), *The Future of Rural America.* (pp. 233-250). Boulder, CO: Westview Press.

Rodrik, D. (1997). Sense and nonsense in the globalization debate. *Foreign Policy*. 107: 19-34.

Romer, P. M. (1994, Winter). The origins of endogenous growth. *The Journal of Economic Perspectives*. 8(1), 3–22.

Rubin, B., & Zorn, C. K. (1985). Sensible state and local economic development. *Public Administration Review.* 45 (2), 333-339.

Rupasingha A., Goetz, S.J., & Freshwater, D. (2006). The production of social capital in U.S. counties. *Journal of Socio-Economics* 35: 83-101.

Saegert, S., Thompson, J. P., & Warren, M. R. (Eds). (2001) *Social capital and poor communities*. New York, NY: Russell Sage Foundation.

Saunders, H. H. (2002, March). Two challenges for the new century: Transforming relationships in whole bodies politic. *Political Psychology*. 23(1), 151-164.

Schofer, E., & Fourcade-Gournichas, M. (2001). The structural contexts of civic engagement: Voluntary association membership in comparative perspective. *American Sociological Review.* 66(6), 806-828.

Schultz, T. W. (1961, March). Investment in human capital. *The American Economic Review.* 51(1).

Scott, A. J. (1988). *Metropolis: From the division of labor to urban form*. Berkeley, CA: University of California Press.

Sears, D. W., & Reid, J. N. (1992). Rural strategies and rural development research: An assessment. *Policy Studies Journal*. 20 (2), 301-209.

Selznick, P. (1949). *TVA and the grassroots: A study in the sociology of formal organization*. Berkeley, CA: University of California Press.

Skocpol, T. (1994). *Social revolutions in the modern world.* Cambridge, UK: Cambridge University Press.

Skocpol, T. (1996). *States, social knowledge, and the origins of modern social policies.* Princeton, NJ: Princeton University Press.

Skocpol, T. (1997). *The new majority: Toward a popular progressive politics.* New Haven, CT: Yale University Press.

Skocpol, T. (1999). *Civic Engagement in American Democracy* .Washington, D.C.: Brookings Institute Press.

Smith, Adam. ([1776], 1979) *The wealth of nations*. Oxford, UK: Clarendon Press.

Sobel, J. (2002). Can we trust social capital? *Journal of Economic Literature*. 40(1), 139-154.

Sokolow, A. D. (1987, Fall). Introduction: Small governments as newcomers to American federalism. *Publius: The Journal of Federalism.* 17, 1-13.

Sokolow, A. D. (1989, September/October). Small local governments as community builders. *National Civic Review,* 78, 362-370.

Somers, M. R. (1995, July). What's political or cultural about political culture and the public sphere? Toward an historical sociology of concept formation. *Sociological Theory*. 13(2), 113-144.

Stagner, M. W., & Duran, M. A. (1997, Summer/Autumn). Comprehensive community initiatives: Principles, practice, and lessons learned. *The Future of Children*. 7(2), 132-140.

Stone, C. (1989). *Regime Politics, Governing Atlanta, 1946-1948*. Lawrence, KS: University Press of Kansas.

Sumners, J. A., & Lee, L. (2004) *Crossroads and connections: Strategies for rural Alabama*. Auburn, AL: Auburn University Economic Development Institute.

Svendsen, G. L. H., & Svendsen, G. T. (2003, December). On the wealth of nations: Bourdieuconomics and social capital. *Theory and Society.* 32(5/6), [Special Issue on the Sociology of Symbolic Power: A Special Issue in Memory of Pierre Bourdieu.] 607-631.

Swank, D. (1996, August). Culture, institutions, and economic growth: Theory, recent evidence, and the role of communitarian politics. *American Journal of Political Science*. 40(3), 660-679.

Swedberg, R. (1991). Major traditions of economic sociology. *Annual Review of Sociology*. (17), 251-276.

Szreter, S. (2002). The state of social capital: Bringing back in power, politics, and history. *Theory and Society*. 31(5), 573-621.

Tarrow, S. (1996, June). Making social science work across space and time: A critical reflection on Robert Putnam's "Making democracy work". *The American Political Science Review*. 90(2), 389-397.

Teacherman, J.D., Paasch, K., & Carver, K. (1997, June). Social capital and the generation of human capital. *Social Forces*. 75(4), 1343-1359.

Tocqueville, A. ([1840, 1969)] *Democracy in America*. Doubleday. New York, NY.

Tolbert,C.M., Lyson, T.A. & Irwin, M.D. (1998(Local capitalism, civic engagement, and socioeconomic well-being. *Social Forces* 77:401-427.

Verba, S., Schlozman, K.S., & Brady, H.E. (1995). *Voice and equality: Civic voluntarism in American politics.* Cambridge, MA: Harvard University Press.

Walzer, N., & Jacobs, B.D. (Eds.), (1998). *Public private partnerships for local economic development.* Westport, CT: Praeger.

Woolcock, M. (1998). Social capital and economic development: Towards a theoretical synthesis and policy framework. *Theory and Society*. (27), 151-208.

Woolcock, M. (2001). The place of social capital in understanding social and economic outcomes', *Isuma: Canadian Journal of Policy Research* 2:1, pp 1-17.

World Value Study or World Value Survey

www.aflcio.org/corporatewatch/walmart/

http://walmartwatch.org/get-the-facts/

www.createfoundation.com

APPENDICES

Appendix A

International City/County ICMA Management Association

777 North Capitol Street, NE
Suite 500
Washington, DC 20002-4201
http://icma.org

CODE BOOK

Economic Development 2004

September 2004

Dear Chief Administrative Officer:

ICMA is conducting a survey on economic development practices in local governments. The survey results will provide information on practices, experiences, and policies that will be reported in several ICMA publications. Please assure the success of this project by completing the questionnaire by **October 29, 2004.**

Thank you for your participation.

Sincerely,

Robert J. O'Neill, Jr.
Executive Director

General

1. Which of the following statements best describes who has responsibility for economic development in your local government? *(Check only one.)*
   - (1) ☐ a. The local government has *primary* responsibility for economic development.
   - (2) ☐ b. A nonprofit development corporation has *primary* responsibility for economic development.
   - (3) ☐ c. Other (Please describe: (____)
   - (4) Chamber of Commerce
   - (5) Mixture
2. Which of the following best describes your local government's primary economic base and focus of your economic development efforts? *(Check only one in each column.)*

	What is your current economic base? (q2base)	Value	What is the focus of your economic development efforts? (q2focus)
a. Agricultural (farming and supporting industries)	☐	1	☐
b. Manufacturing	☐	2	☐
c. Retail/service	☐	3	☐
d. Institutional (military, government, nonprofit, universities, colleges, etc.)	☐	4	☐
e. Residential community (commuters)	☐	5	☐
f. Tourism/hospitality (including travel for pleasure, business, and to visit family and friends)	☐	6	☐
g. Warehousing/distribution	☐	7	☐
h. Technology/telecommunications	☐	8	☐
i. Other *(Please specify.)*		9	
j. Mixture		10	

3. What percent of your land area is zoned for *(percentages should total 100%)*:
   - 3a. Commercial/industrial/manufacturing use ______ %
   - 3b. Residential use ______%
   - 3c. Open space ______ %
   - 3d. Other ______% 3dDescription (Other__________)
4. What percent of your land is tax exempt? _____ %

5. Which of the following describes the condition of your local government's economic base (1) during the *last* five years and (2) which do you think it will be over the *next* five years? *(Check only one in each column.)*

	Last five years (q5lastfive)		Next five years (q5nextfive)
a. Rapid expansion (more than 25%)		1	
b. Moderate growth (10-25%)		2	
c. Slow growth (less than 10%)		3	
d. Economic base is stable - no real growth or decline		4	
e. Slow decline (less than 10%)		5	
f. Moderate decline (10-25%)		6	
g. Rapid decline (more than 25%)		7	

6. Does your local government have a written economic development plan? a. Yes (1) b. No (2)

7. Which of the following participate in developing your local government's economic development strategies? (*Check all applicable.*)

a. City		j. Private business/industry	☐
b. County	☐	k. Private or community economic development foundation	☐
c. State government	☐	l. Utility	☐
d. Federal government	☐	m. College/university	☐
e. Chamber of Commerce	☐	n. Citizen advisory board/commission	☐
f. Economic development corporation	☐	o. Ad hoc citizen group	☐
g. Regional organizations	☐	p. Other *(Please specify.)*	☐
h. Planning consortia	☐	q. Other *(Please specify.)*	☐
i. Public/private partnership	☐		

FUNDING ECONOMIC DEVELOPMENT

8. How much did your local government *budget* for economic development activities for FY 2004? $ A. What percent of the budget was funded by *(percentages should total 100%)* ____________

1. Local government _____% 2. Private sector _____% 3. Other _____% *Please specify*: ______________

9. Please indicate which of the following sources of government revenue are used to fund your economic development programs. *(Check all applicable.)*

a. Local revenues/general fund	☐	e. Revenue bonds	☐	h. Hotel/motel taxes	☐
b. Federal grants-in-aid	☐	f. Special assessment districts	☐	i. Sales tax	☐
c. State grants-in-aid	☐	g. Tax increment financing districts	☐	j. Other *(Please specify.)*	☐
d. General obligation bonds	☐				

10. What roles do private companies play in underwriting the marketing efforts of your local government? *(Check all applicable.)*

a. Charitable in-kind contributions c. Joint marketing partnerships

b. Charitable cash donations d. Other (Please describe:___________________________)

11. What is the expected dollar value of private underwriting that you expect to receive in FY2005? $___________

TECHNOLOGY

12. Which of the following technology applications has your local government implemented *as part of its economic development efforts*? *(Check all applicable.)*

a. Kiosks with touch-screen computers	☐	e. Web site	☐	i. Other *(Please specify.)*	☐
b. Hand-held computer terminals used in the permit and inspection process	☐	f. Smart buildings (e.g., with technology that controls lights, reads security cards, etc.)	☐	j. Other *(Please specify.)* ______________	☐
c. On-line services (e.g., permit applications submitted online)	☐	g. Intelligent vehicle highway systems (e.g., electronic toll collectors)	☐		
d. Interactive faxing (faxing permits, forms, and applications for a fee)	☐	h. Fiber optic networking/cable	☐		

BARRIERS TO ECONOMIC DEVELOPMENT

13. Which of the following barriers to economic development has your local government encountered? (*Check all applicable.*)

a. Availability of land	☐	k. Lengthy permit process	☐
b. Cost of land	☐	l. Environmental regulations	☐
c. Lack of building availability (due to space or costs)	☐	m. Citizen opposition	☐
d. Inadequate infrastructure (e.g., no fiber optic cable)	☐	n. Lack of political support	☐
e. Lack of skilled labor (Applicants do not have the necessary skills)	☐	o. Declining market due to loss of population	☐
f. High cost of labor	☐	p. High cost of housing	☐
g. Limited number of major employers	☐	q. Poor quality of life (inadequate education, recreation, and arts/cultural programs)	☐
h. Lack of capital/funding	☐	r. Traffic congestion	☐
i. Taxes	☐	s. Other *(Please specify.)*	☐
j. Distance from major markets	☐	t. Other *(Please specify.)*	☐

A. Please indicate the top two barriers to economic development by putting the corresponding letter in the space provided.
1. _____ 2. _____

A. What strategies are you using to address the top two barriers?

____
____
____
____

ECONOMIC DEVELOPMENT ACTIVITIES

14. Does your local government support any of the following programs to promote or support economic development?

a. Community development corporation	Yes ☐ No ☐	d. Job training	Yes ☐ No ☐
b. Community development loan fund	Yes ☐ No ☐	e. Child care programs (including after school and parks/rec programs)	Yes ☐ No ☐
c. Microenterprise program	Yes ☐ No ☐	f. Other (Please describe)	Yes ☐ No ☐

15. What percent of your overall economic development activities are focused on *(percentages should total 100%)*
a. Business retention ______% b. Business attraction/recruitment ______% c. Small business development _____%

Business Retention

16. Does your local government have a written business retention plan? a. Yes (1) b. No (2)

17. Please indicate which of the following business retention activities your local government conducts.

a. Local government representative calls on *local* company	☐	i. Replacing imports with locally supplied goods	☐
b. Local government representative calls on *national* company headquarters	☐	j. Export development assistance	☐
c. Surveys of local business	☐	k. Partnering with other non-governmental organizations (e.g., chamber of commerce, private firms)	☐
d. Business roundtable	☐	l. Partnering with other local governments	☐
e. Revolving loan fund program	☐	m. Business clusters/industrial districts	☐
f. Ombudsman program	☐	n. Other *(Please specify.)*	☐
g. Achievement awards	☐	o. Other *(Please specify.)*	☐
h. Local business publicity program (community-wide)	☐		

Business Attraction/Recruitment

18. Does your local government want to attract new business? a. Yes (1) b. No (2) *(If "no," please go to question 24.)*
19. Does your local government have a written business attraction plan? a. Yes (1) b. No (2)

20. Which of the following methods does your local government use to attract business?

a. Promotional and advertising activities (e.g., direct mail, CD-ROM, video, other media advertising)	☐	f. Local government representative calls on prospective companies	☐
b. Ambassador program	☐	g. Works with the Chamber of Commerce	☐
c. Participation in industry specific trade shows/conferences	☐	h. Offer high quality of life (good education, recreation, and arts/cultural programs)	☐
d. Participation in state-sponsored trade missions	☐	i. Other *(Please specify.)*____________________	☐
e. Website	☐	j. Other *(Please specify.)*	☐

21. Does your jurisdiction have special *technology zones* that are designed to encourage technology-related industries and businesses to move to your jurisdiction? a. Yes (1) b. No (2)
If "*yes*," please indicate the *incentives used in the technology zones* to encourage technology-related industry and business.

(*Check all applicable*.)

a. Reduction in permit fees	☐	e. Flexibility in special zoning	☐
b. Reduction in user fees	☐	f. Other incentives *(Please specify.)*	☐
c. Reduction in gross receipts tax	☐	g. Other incentives *(Please specify.)*	☐
d. Ordinance exemptions	☐		

22. Please identify your competition in attracting investment in your jurisdiction. (*Check all applicable.*)
☐ a. Nearby local governments
☐ b. Other local governments within the state
☐ c. Local governments in surrounding states
d. Other states
Foreign countries
Other *(Please specify.)* ____________________________

23. Please estimate the number of jobs and new businesses in your community over the last five years as a result of your business attraction/recruitment efforts. a. Number of jobs ______ b. Number of new businesses _____

Small Business Development

24. Does your local government have a written small business development plan? a. Yes (1) b. No (2)

25. Which of the following does your local government offer for small business development? (*Check all applicable.*)

a. Revolving loan fund	☐	g. Marketing assistance	☐
b. Small business development center	☐	h. Management training	☐
c. Business incubator	☐	i. Executive on loan/mentor	☐
d. Microenterprise program	☐	j. Other incentives *(Please specify.)*__________	☐
e. Matching improvement grants (physical upgrades to business properties)	☐	k. Other incentives *(Please specify.)*__________	☐
f. Vendor/supplier matching	☐		

Business Incentives

26. Does your local government offer business incentives? a. Yes (1) b. No (2)

Answer questions 27 - 32 only if you checked "*yes*" in question 26.

27. Please indicate which of the following incentives your local government offers. (*Check all applicable.*)

a. Tax abatements	☐	k. Grants	☐
b. Tax credits	☐	l. Zoning/permit assistance	☐
c. Tax increment financing	☐	m. One-stop permit issuance	☐
d. Locally designated enterprise zones	☐	n. Utility rate reduction	☐
e. Federal/state designated enterprise zones	☐	o. Regulatory flexibility	☐
f. Special assessment districts	☐	p. Relocation assistance	☐
g. Free land or land write downs	☐	q. Employee screening	☐
h. Infrastructure improvements	☐	r. Training support	☐
i. Subsidized buildings	☐	s. Other *(Please specify.)*	☐
j. Low-cost loans	☐	t. Other *(Please specify.)*	☐

A. Please indicate the top two most frequently used incentives by putting the corresponding letter in the space provided.
1. ____ 2.____

28. Do you require a performance agreement as a condition for providing business incentives?
☐ a. Always (1) ☐ b. Sometimes (2) ☐ c. Never (3)

29. Do you perform a cost/benefit analysis prior to offering business incentives? a. Yes (1) b. No (2)

30. Does your local government measure the effectiveness of business incentives? a. Yes (1) b. No (2)

A. If "yes," please identify which of the following measures are used. (*Check all applicable.*)

☐ a. Amount of jobs created by the new business
☐ b. Amount of money invested in construction materials and labor
☐ c. New dollars invested in land
☐ d. Number of new businesses relocating or expanding in jurisdiction
☐ e. Company revenue/sales
☐ f. Cost/benefit analysis
☐ g. Other *(Please specify.)* _________________

31. Please indicate any change in the dollar value of the average business incentive package over the last five years? *(Circle one number.)*

Much larger		**About the same**		**Much less**
1	2	3	4	5

32. Does your local government ever require a percentage of new employees to be hired from within the community?
a. Yes (1) b. No (2)
If "yes," please describe the requirement: ____

Local Government Profile

33. Does your local government use performance measures to assess the effectiveness of its economic development efforts?
    a. Yes (1) b. No (2)

A. If "*yes*," which of the following performance measures are used *(Check all applicable.)*
- ☐ 1. Input measures (e.g., number of staff hours expended by program)
- ☐ 2. Output measures (e.g., number of organizations that receive assistance by program)
- ☐ 3. Efficiency measures (e.g., program expenditures per estimated tax dollars generated)
- ☐ 4. Other *(Please specify.)* ____________________

34. Which of the following taxes does your local government levy and what is the rate?

Type of tax	Jurisdiction has tax	Tax rate
a. Real property tax	Yes (1) No (2)	rate per $1,000 of assessed value ___%
b. Personal property tax	Yes (1) No (2)	Rate %
c. Local income tax	Yes (1) No (2)	Rate %
d. Local sales tax	Yes (1) No (2)	Rate %
e. Other local tax (*(Please specify.)*	Yes (1) No (2)	Rate ____%
f. Other local tax (*(Please specify.)*	Yes (1) No (2)	Rate ____%

35. How many schools are in your jurisdiction (both public/private)?

	No. of schools	Please indicate if you expect an increase or decrease in the number of schools over the next five (5) years. Increase (1)	Decrease (2)
a. K-12		☐	☐
b. Junior college (2-year)		☐	☐
c. Vocational/technical	____	☐	☐
d. University/college	____	☐	☐

36. Please provide the following descriptive information:

a. Median cost of a single-family dwelling	$
b. Median rental cost of two-bedroom apartment *(monthly)*	$
c. How many hotel/motel rooms	# rooms
d. Approximately what percent of your local government's annual revenue is from tourism	%
e. Per capita personal income	$
f. Per capita property tax revenue	$
g. What percent of the residents in your jurisdiction are retirees	%
h. Unemployment rate	%

37. Which of the following are in your jurisdiction?

☐ a. Railroad | c. Port | e. Major waterway
☐ b. Airport | Truck route | Major highway

Name: ____________________ Telephone number: ____________________
Title: ____________________ E-mail address: ____________________

Please send copies of your small business development plans, attraction plans, and retention plans to ICMA.
Thank you for your participating in the survey.

Please fax the survey to (202) 962-3500 or mail to: Evelina Moulder, Director of Survey Research, ICMA, 777 North Capitol St., NE, Suite 500, Washington, DC 20002-4201.

DATASETS SURVEY CODES

ID (iMISID): iMIS ID, 8 spaces numeric. Used to identify records by code.

CASEID: Sequence number, 8 spaces numeric. Used to identify records by code prior to 1996.

UTYPE: Record type, 3 spaces numeric. Code used to identify and/or differentiate between files.

1 = All U.S. municipalities/incorporated places and independent cities; also city-county consolidations that function as city governments

2 = All U.S. counties defined by Census Bureau plus city-county consolidations that function as county governments

UPOP: Population code, 3 spaces numeric. Code used to identify record population group without continuous sorting on population figure.

0 = Over 1,000,000	5 = 25,000 - 49,999
1 = 500,000 - 1,000,000	6 = 10,000 - 24,999
2 = 250,000 - 499,999	7 = 5,000 - 9,999
3 = 100,000 - 249,999	8 = 2,500 - 4,999
4 = 50,000 - 99,999	9 = Under 2,500

U90POP: 1990 population, 11 spaces numeric. Actual population according to 1990 Census.

U00POP: 2000 population, 11 spaces numeric. Actual population according to 2000 Census.

EST_CENSUS_POP: Population estimates, 11 spaces numeric. Actual population estimates from US Census.

EST_POP_YEAR: Population estimates year. 5 spaces numeric.

UJURIS: Jurisdiction, 24 spaces alpha. Supplies name of municipality or county identified by Sequence Number.

UJURIS1: Jurisdiction, 24 spaces alpha. Supplies name of municipality or county identified by Sequence Number.

USTATE: State code, 4 spaces alpha. Supplies standard alphabetic post office state abbreviations for mailing purposes.

USTATE#: State number assigned by the US Census Bureau. Refer to attachment.

UCNTY#: County number within each state assigned by the US Census Bureau.

UPHONE: Municipal Phone Number, 12 spaces numeric. Shows phone number, preceded by the area code for either the municipal building/office/courthouse or some official such as the manager, clerk, mayor/chairperson of the board.

UREGN: Geographic Region, 3 spaces numeric. Places municipality in its proper geographic region (groupings of above geographic divisions) as defined by the U.S. Census Bureau.

1 = Northeast (New England and Mid-Atlantic)
2 = North Central (East North-Central and West North-Central)
3 = South (South Atlantic, East South-Central, and West South-Central)
4 = West (Mountain and Pacific Coast)

UGRAPH: Geographic division, 3 spaces numeric. Places municipality in its proper geographic region (groupings of above geographic divisions) as defined by the U.S. Census Bureau.

1 = New England (Connecticut, Maine, Massachusetts, New Hampshire, Rhode Island, Vermont) East of the Mississippi River.
2 = Mid-Atlantic (New Jersey, New York, Pennsylvania) East of the Mississippi River.
3 = East North-Central (Illinois, Indiana, Michigan, Ohio, Wisconsin) East of the Mississippi River.
4 = West North-Central (Iowa, Kansas, Minnesota, Missouri, Nebraska, North Dakota, South Dakota) West of Mississippi River.
5 = South Atlantic (Delaware, Florida, Georgia, Maryland, North Carolina, South Carolina, Virginia, West Virginia, District of Columbia) East of Mississippi River.
6 = East South-Central (Alabama, Kentucky, Mississippi, Tennessee) East of the Mississippi River.
7 = West South-Central (Arkansas, Louisiana, Oklahoma, Texas) West of the Mississippi River.
8 = Mountain (Arizona, Colorado, Idaho, Montana, Nevada, New Mexico, Utah, Wyoming) West of the Mississippi River.
9 = Pacific Coast (Alaska, California, Hawaii, Oregon, Washington) West of the Mississippi River.

UFOG: Form of Government, 3 spaces numeric. Identifies municipality's/county's current form of government.

Cities

1 = Mayor-council (MC)
2 = Council-manager (CM)
3 = Commission (CO)
4 = Town meeting (TM)
5 = Representative town meeting (RT)

County

6= Commission (C)
7= Council-administrator (council-manager) (CM)
8= Council-elected executive (CE)

UID: ID Type, 3 spaces numeric. Indicates whether it is a city, town, village, township district, plantation, borough, county or parish.

1 =	City (c)	**6 =**	District (d)
2 =	Town (t)	**7 =**	County (cn)
3 =	Village (v)	**8 =**	Parish (p)
4 =	Township (tp)	**9 =**	Plantation (pl)
5 =	Borough (b)		

UMETRO: Metro Status, 3 spaces numeric. Indicates whether municipality (record) is located within an MSA (Metropolitan Statistical Area) as defined/designated by the U.S. Office of Management & Budget (OMB)).

1 = Central (city = core city in an MSA; central counties are these in which a central city is located)
2 = Suburban (city/county located in MSA)
3 = Independent (city/county not located in MSA)

FIPS_PLACE_CODE: Unique identifier assigned by US Census Bureau.

ICMA_REGION CODE: Membership codes. There are five membership regions. The states in the membership regions are different than the Census region states.

1= Northeast region **(NE**): Connecticut, Maine, Massachusetts, New Hampshire, Rhode Island, Vermont, Delaware, District of Columbia, Maryland, New Jersey, New York, Pennsylvania.

2= Southeast region **(SE**): Florida, North Carolina, Kentucky, South Carolina, Tennessee, West Virginia, Alabama, Georgia, Mississippi, Louisiana, and Virginia.

3= Midwest region (**MW**): Iowa, Minnesota, Ohio, Wisconsin, Illinois, Indiana, Michigan, Missouri.

4= Mountain Plains region (**MP**): Arizona, New Mexico, Arkansas, Colorado, Idaho, Kansas, Montana, Nebraska, North Dakota, Oklahoma, South Dakota, Texas, Wyoming, Utah.

5= West Coast region (**WC**): Alaska, California, Hawaii, Nevada, Oregon, Washington.

STATE CODES

01	ALABAMA
02	ALASKA
03	------
04	ARIZONA
05	ARKANSAS
06	CALIFORNIA
07	------
08	COLORADO
09	CONNECTICUT
10	DELAWARE
11	DISTRICT OF COLUMBIA
12	FLORIDA
13	GEORGIA
14	------
15	HAWAII
16	IDAHO
17	ILLINOIS
18	INDIANA
19	IOWA
20	KANSAS
21	KENTUCKY
22	LOUISIANA
23	MAINE
24	MARYLAND
25	MASSACHUSETTS
26	MICHIGAN
27	MINNESOTA
28	MISSISSIPPI
29	MISSOURI
30	MONTANA
31	NEBRASKA
32	NEVADA
33	NEW HAMPSHIRE
34	NEW JERSEY
35	NEW MEXICO
36	NEW YORK
37	NORTH CAROLINA
38	NORTH DAKOTA
39	OHIO
40	OKLAHOMA
41	OREGON
42	PENNSYLVANIA
43	------
44	RHODE ISLAND
45	SOUTH CAROLINA
46	SOUTH DAKOTA
47	TENNESSEE
48	TEXAS
49	UTAH
50	VERMONT
51	VIRGINIA
52	------
53	WASHINGTON
54	WEST VIRGINIA
55	WISCONSIN
56	WYOMING

Appendix C

Measures Considered for the Study

Independent Variables
Putnam Raw
Olson Raw
Control Variables
Population
Population Density
Homogeneity
Geographic Region
Dependent Variables
Change in Per Capita Income
Change in Median Household Income
Total Income by City
Future Growth Opinion
Past Growth Opinion
Median Home Value

APPENDIX D

MEASURES CONSOLIDATED FOR THE STUDY

Appendix D shows different combinations of independent and dependent variables used in regressions along with the measure for R^2 and its significance. Putnam Raw and Putnam Standard measures were used as the dependent variables in these regressions.

Regressions	**Dependent Variable**	**Independent Variables**	**R^2 and Significance**
Regression 1	Putnam Raw	All Independent variables	.837***
Regression 2	Putnam Standard	All Independent variables	.831***
Regression 3	Putnam Standard	Standardized Olson, and Standardized Number of Organizations in Economic Development, no use of population 2000, No Raw Putnam or Olson.	.578***
Regression 4	Putnam Raw	Raw Olson and non-standardized Number of Organizations in Economic Development, and population 2000.	.605***
Regression 5	Putnam Standard	Use of Olson Standard, but non-standardized Number	.550***

		of Organizations in Economic Development.	

Control Variables.

Appendix E provides correlations between all of the possible control variables being considered for this study. Note high correlations between homogeneity, the prevalence of high school diplomas and crime. The Form of Government variables were also very highly correlated with each other.

Correlations

		HS_DIPLOMA	V_CRIME	P_CRIME	ACCESS	COUNCIL_MGR
HS_DIPLOMA	Pearson Correlation	1	-.518(**)	-.511(**)	-.037	.019
	Sig. (2-tailed)		.000	.000	.362	.639
	N	615	508	508	615	615
V_CRIME	Pearson Correlation	-.518(**)	1	.619(**)	.006	.021
	Sig. (2-tailed)	.000		.000	.897	.634
	N	508	517	517	517	517
P_CRIME	Pearson Correlation	-.511(**)	.619(**)	1	.037	-.042
	Sig. (2-tailed)	.000	.000		.402	.340
	N	508	517	517	517	517
ACCESS	Pearson Correlation	-.037	.006	.037	1	.045
	Sig. (2-tailed)	.362	.897	.402		.255
	N	615	517	517	630	630
COUNCIL_MGR	Pearson Correlation	.019	.021	-.042	.045	1
	Sig. (2-tailed)	.639	.634	.340	.255	
	N	615	517	517	630	630

** Correlation is significant at the 0.01 level (2-tailed).

Appendix F below provides the un-standardized beta coefficient and standard error for multiple regression analyses similar to regressions in table 4.9. The differences in figures are Putnam standard and Olson standard (organizations per 10,000 people) data has been replaced with Putnam raw and Olson raw data (number of organizations per city), and the population data for 2000 has been added.

Regression Results for GFOA Awards and Performance Standards (Controlling for Population)

Variable	GFOA Awards Adj. R-Square = .143	Performance Standards Adj. R-Square = .106
	Un-standardized Beta coefficient	Un-standardized Beta coefficient
	Standard Error	Standard Error
Putnam Raw	.000	-.6.45E-005
	.001	.001
Olson Raw	-.002	-.003
	.002	.004
Population 2000	1.47E-006 ***/ .000	**1.81E-006** / .000**
Main Street	-.011	.032
	.051	.026
IDA	-.022	.329
	.096	.217
Voter Turnout	-.581**	-.766
	.232	.518
Number of Organizations involved in ED	-.008	**.044***
	.006	.015
Council/Manager	.213***	-.042
	.050	.112
Transportation Access	-.010	.032
	.012	.026
High School Diploma	1.417***	**1.394**
	.272	.636
Violent Crime	2.83E-005	**.001***
	.000	.000
Property Crime	2.45E-005*	-1.5E-006
	.000	.000

*** Regression is significant at the 0.01 level.
** Regression is significant at the 0.05 level.
* Regression is significant at the 0.10 level.

Appendix G below provides the un-standardized beta coefficient and standard error for multiple regression analyses similar to regressions in Table . The differences in figures are Putnam standard and Olson standard (organizations per 10,000 people) data has been replaced with Putnam raw and Olson raw data (number of organizations per city), and the population data for 2000 has been added. **(((CHANGE #s**

Variable	Programs Adj. R-Square =.271	Strategic Plans Adj. R-Square =.142	Tax Incentives Adj. R-Square = .188
	Un-standardized Beta coefficient	Un-standardized Beta coefficient	Un-standardized Beta coefficient
	Standard Error	Standard Error	Standard Error
Putnam Raw	-.001	**-.003***	**.001**
	.002	.002	.004
Olson Raw	**.017*****	.005	**.023***
	.006	.006	.012
Population 2000	-5.1E-007/.000	2.16E-006/.000	-1.1E-007 / .000
Main Street	-.103	-.024	-.115
	.167	.162	.333
IDA	.013	-.068	-.1.461**
	.334	.313	.643
Voter Turnout	.078	.203	.753
	.776	.750	1.540
Number of Organizations involved in ED	**.162*****	**.063*****	.232***
	.023	.022	.046
Council /Manager	.036	.185	-..497
	.169	.164	.337
Transportation Access	.053	**.173*****	**.051**
	.039	.038	.078
H.S. Diploma	**-3.784*****	**-2.010****	**-4.725*****
	.972	.939	1.928
Violent Crime	**.000**	.000	.000
	.000	.000	.001
Property Crime	**-8.3E-005***	**-2.7E-005**	**-9.9E-005**
	.000	.000	.000
Performance Standards	**.231*****	**.288*****	**.849*****
	.081	.079	.162
GFOA Awards	-.180	**.282***	**.549***
	.150	.147	.301

*** Regression is significant at the 0.01 level.
** Regression is significant at the 0.05 level.
* Regression is significant at the 0.10 level.

Appendix H

Variable	Per Capita Income Growth Adj. R-Square = .021	Median Household Income Growth Adj. R-Square = .076	Change in Total Income 99-04 Adj. R-Sq = .010	Economic Development Opinion Last 5 Years Adj. R-Square = .034	Economic Development Opinion Next 5 Years Adj. R-Square = .043
	Un-standardized Beta coefficient	Un-standardized Beta coefficient	Un-standardized Beta coefficient	Un-standardized Beta coefficient	Un-standardized Beta coefficient
	Standard Error	Standard Error	Standard Error	Standard Error	Standard Error
Putnam Standard	.000	.000	.002	-.001	**.007**
	.003	.001	.003	.009	.007
Olson Standard	-.017	**-.005**	**-.023***	**.072***	.062**
	.013	.004	.014	.041	.031
Main Street	-.101	**-.018**	-.089	-.092	-.215*
	.054	.015	.056	.165	.127
IDA	-.074	.000	-.036	.338	.343*
	.088	.025	.091	.271	.205
Voter Turnout	.339	**.243*****	**.511****	-.732	-.407
	.246	.073	.259	.763	.582
Number of Organizations involved in ED	-.002	-.002	-.004	-.022	-.005
	.008	.002	.008	.025	.019
Council /Manager	.003	.010	-.013	.011	-.057
	.053	.016	.056	.165	.125
Transportation Access	.004	-.002	-.006	.005	.056*
	.014	.004	.014	.040	.030
H.S. Diploma	-.097	**-.259*****	-.356	-.630	-.362
	.297	.092	.332	.968	.734
Violent Crime	8.66E-005	**1.91E-005**	-1.31E-005	.000	**.000**
	.000	.000	.000	.000	.000
Property Crime	-2.11E-005	**-1.58E-005*****	-1.40E-005	7.10E-005*	-6.05E-006
	.000	.000	.000	.000	.000
Performance Standards	-.012	.005	.013	-..106	-.114*
	.020	.008	.028	.083	.066
GFOA Awards	**.134*****	-.002	**.096***	**-.340****	**-.134**
	.049	.014	.050	.148	.114
ED Programs	.005	.001	.005	.073	-.030
	.019	.005	.018	.053	.041
Strategic Plans	.015	-.001	.013	.066	-.015
	.019	.005	.018	.054	.041
Tax Incentives	-.006	-.002	.000	.015	.012
	.009	.003	.009	.028	.021

Appendix I show regressions for all dependent variables using raw data for Putnam and Olson groups.

Variable	Per Capita Income 99 Adj. R-Square = .415	Per Capita Income Growth Adj. R-Square =.	Median Household Income 99 Adj. R-Square =.538	Median Household Income Growth Adj. R-Square = .076	Change in Total Income 99-04 Adj R-Sq = .005	Economic Development Opinion Last 5 Years Adj. R-Square = .032	Economic Development Opinion Next 5 Years Adj. R-Square = .017
	Un-standardized Beta coefficient	Un-standardized Beta coefficient	Un-standardized Beta coefficient	Un-standardized Beta coefficient	Un-standardized Beta coefficient	Un-standardized Beta coefficient	Un-standardized Beta coefficient
	Standard Error	Standard Error	Standard Error	Standard Error	Standard Error	Standard Error	Standard Error
Putnam Raw	12.584		**-36.896***	-5.88E-005	.000	-.001	**.003***
	12.068		21.774	.000	.001	.002	.002
Olson Raw	-11.338		51.203	**-.001**	-.002	.014**	.002
	37.026		66.804	.000	.002	.006	.005
Population 2000	-.004		**.036****	**6.072E-008**	1.31E-007	-9.43E-007	-1.49E-006
	.008		.014	**.000**	.000	.000	.000
Main Street	-538.378		**-3589.981****	**-.016**	-.085	-.106	-.171
	976.440		1761.734	.015	.056	.164	.128
IDA	**2536.236**		369.630	.020	.031	.286	.109
	1961.462		3538.953	.030	.112	.334	.255
Voter Turnout	1050.163		1167.221	**.237*****	**.487***	-.710	-.222
	4533.600		8179.714	.072	.260	.762	.589
Number of Organizations involved in ED	-165.375		-185.619	-.002	-.003	-.020	-.007
	146.115		263.628	.002	.008	.025	.019
Council /Manager	1164.375		397.911	.009	-.011	.035	-.079
	992.784		1791.223	.016	.057	.167	.128
Transportation Access	-378.078		**-1084.615****	-.001	-.003	-.004	.039
	236.637		426.950	.004	.014	.040	.031
H.S. Diploma	**50928.619*****		**83820.652*****	**-.250*****	-.364	-.606	-.426
	5845.484		10546.672	.092	.335	.974	.748
Violent Crime	.788		-2.068	**2.22E-005**	-7.13E-006	.000	.000*
	1.613		2.910	.000	.000	.000	.000
Property Crime	**-.710*****		**-2.439*****	**-1.54E-005*****	-1.40E-005	7.88E-005*	-2.56E-006
	.255		.461	.000	.000	.000	.000
Performance Standards	204.932		1396.072	.004	.012	-.096	-.109
	500.952		903.839	.008	.029	.084	.067
GFOA Awards	189.746		877.408	.001	**.111****	**-.363****	**-.182**
	894.760		1614.365	.014	.051	.151	.117
ED Programs	**-1082.875*****		**-2409.818****	.002	.007	.058	-.039
	322.141		581.221	.005	.018	.054	.042
Strategic Plans	20.135		-776.550	-.002	.012	.068	-.007
	322.895		582.580	.005	.018	.054	.042
Tax Incentives	94.418		205.213	-.002	-.001	.019	.018
	162.290		292.811	.003	.009	.027	.021