RURAL INDUSTRIAL DEVELOPMENT: TO CLUSTER OR NOT TO CLUSTER

DAVID L. BARKLEY AND MARK S. HENRY

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Synopsis

Current regional industrialization strategies encourage recruitment, small business development and business retention and expansion efforts to promote industry cluster development. The paper describes the advantages and disadvantages of promoting industry clusters as an industrial development alternative for rural areas. Advantages of successful cluster promotion include stronger external economies, a more conducive environment for industrial reorganization, greater networking among firms and more efficient use of public resources. The disadvantages of an industry cluster approach are selecting industries to target, overcoming latecomer disadvantages, and providing supporting institutions. Findings indicate that an industry cluster promotion is not appropriate for many rural communities. Areas considering cluster promotion should compare costs of initiating or expanding a cluster with the potential benefits of successful cluster development.