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Connections Matter: Using Networks for Economic Development

Using connections that people have to their communities is a key to economic development. Developing and using the ties that bind will help to build the economy, just as a university's alumni are a main support for its endowment and just as some developing countries' expatriates are their vital source of foreign income.

Camille Cates Barnett and Oscar Rodríguez, Washington, D.C.. READ ARTICLE









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COVER STORY

Connections Matter: Using Networks for Economic Development

by Camille Cates Barnett and Oscar Rodríguez

Only hours before Hurricane Katrina hit, Lieutenant Governor Mitchell J. Landrieu of Louisiana connected the dots at a conference in New Orleans. He emphasized the connections between creative individuals and the potential for wealth and job creation in various cultural industries. Later, making the connections clear, he said, "In Louisiana, we don't refer to 'your home as where you live.' In Louisiana, 'your home is where y'at.'"

Now Wynton Marsalis and other cultural icons are raising money to help hurricane victims and to guide the long rebuilding of Louisiana's cultural economy. Thousands of families and friends have hosted evacuees, who are relying on their connections with individuals.

A few years ago, Tuscumbia, Alabama, birthplace of Helen Keller, was so broke it could not afford the match for federal development grants. The downtown was dying; tax revenue was paltry. Then a millionaire businessman named Harvey Robbins returned to Tuscumbia, his hometown, to retire. Once resettled, he led a successful movement to turn things around. He invested in economic development and spurred others to do the same. The town's finances are now back in shape and so is a sense of community.

In El Salvador, Jamaica, and Nicaragua, remittances sent by expatriates working abroad account for more than 15 percent of gross national income, an amount larger than total exports and larger than foreign investment and foreign aid combined. The extended communities of many of these countries have even come to represent significant export markets.

Pollo Campero, a popular fried-chicken restaurant chain once found only in Central America, now has outlets in Los Angeles and Washington, D.C., serving primarily a Central American clientele. Likewise, the Dominican Republic and Central America, served by airlines with a majority of passengers traveling to and from the United States, are members of a large, extended community.¹

The city of Philadelphia is serious about the advice offered by New York Times columnist Thomas Friedman on August 3, 2005: "The world is moving to an Internet-based platform for commerce, education, innovation, and entertainment. Wealth and productivity will go to those countries or companies that get more of their innovators, educators, students, workers, and suppliers connected to this platform via computers, phones, and PDA's." Philadelphia is making the entire city a "hot zone," where any resident can have cheap, high-speed access to the Internet.

A COMMON THEME

What do these stories have in common? Connections. Using connections that people have to their communities is a key to economic development. Developing and using the ties that bind will help to build the economy.

It works. Your community's connections can be a major asset for promoting economic development, just as a university's alumni are a main support for its endowment and just as some developing countries' expatriates are their vital source of foreign income.

Economic development today takes understanding your community's networks. It takes seeing the connections and making them

To take full advantage of such an asset, however, you have to see the world of public management as a world of networks. To do a good job, public managers have to design and facilitate those networks. In the past, economic development meant marketing a community's competitive advantages in natural resources, labor, or existing industry.

The goal was to attract new industry and win new business for existing industry that would employ local residents and buy locally produced goods and services. Of course, this needed to be done while keeping other communities from stealing your existing employers.

Today, economic growth and wealth accumulation depend increasingly on information technology and intellectual capital, and the critical factor is the talented workforce that runs these new economic engines. Now, regions of multiple communities compete globally. The economic development game has changed. Success means attracting your fair share of this new workforce and working with your network of residents and former residents to do it.

In his book, Cities and the Creative Class, 2 Richard Florida explains how the economic development game has changed for cities. The case he makes is that highly skilled workers have become the critical factor of economic growth and that industry now follows them-instead of the other way around. Florida argues that the presence of workers engaged in creative industries is the best predictor of future growth and wealth accumulation today.³ It is a greater predictor than housing prices and the quality of public schools.

In this new environment, the key for communities wanting to promote economic development is being able to attract highly skilled workers so industry will follow them. This is the reverse of the adage from the 1990s movie Field of Dreams: build it and they will come.

According to Florida, these workers' preferences are known well enough that local governments can assess-even improve-how they stand with regard to the critical markers that creative workers seem to look for when they decide where to live. Using a series of indexes that correlate strongly with each other and with recent growth and prosperity trends, Florida points out the salient characteristics of the most competitive localities:

- Tolerant local society
- Proximity to a quality natural environment
- Abundance of entertainment and cultural opportunities
- Existing critical mass of creative workers.

Washington, D.C., New York, Boston, Austin, and Seattle are among the cities that have fared well by this rising class of workers. Richard Florida shows that creative workers are attracted to places with the three Ts: technology, talent, and tolerance.

So how does a city play the new game? Here are some strategies to help you develop a game plan.

1. Know where you are; assess your locality and region. Use Florida's research to see how your community and region look to the creative class. His books have ranked the large and small regions in the country by the percentage of creative workers and by a "creativity index" that combines data on the creative class, high technology, innovation, and diversity.

Louisiana commissioned a groundbreaking report on the economic impact of the cultural economy. It's called Louisiana: Where Culture Means Business. 4 This study also helped Louisiana learn something about how to use connections to residents to shape strategies to improve tourism. Here is what Louisiana learned:

- One-guarter of Louisiana tourists are residents of the state who are exploring other areas.
- One-third of all nonresident visitors to Louisiana stay with friends and family while visiting Louisiana.
- Two-thirds of all Louisiana visitors use information from friends and family as their primary source for planning a leisure
- Therefore, the image of Louisiana offered by Louisiana residents themselves can be extremely important to potential visitors who have ties to families and friends to Louisiana.

For more information, visit the Web site at

http://www.crt.state.la.us/CulturalEconomy/MtAuburn/culturaleconomyreport.htm.

2. Know who your community is; include everybody with connections to your area. If you count only the people who live within your jurisdiction today, you have fewer options than if you recognize everybody who considers your city their hometown. Your population of creative workers is likely to be higher if you use the more inclusive definition, allowing you greater leeway to market your community to creative workers.

NATIONALS WORKING ABROAD (MILLIONS)				
Russia	10.2	Bangladesh	3.3	
Mexico	7.9	Italy	3.0	
India	7.2	Turkey	2.8	
Ukraine	4.7	Indonesia	2.4	
Philippines	4.1	Nigeria	2.1	
Pakistan	3.8	Portugal	1.7	
United Kingdom	3.4	Thailand	1.6	
Germany	1.5			
Source: Anne Harrison et al., Working Abroad: The Benefit	s of Nationals Working in	Other Economies (Paris: Organization for Economic	Cooperation and Development,	

2004), 10, http://www.oecd.org/dataoecd/30/20/32297831.pdf.

The same goes for the effectiveness of your marketing effort because it is driven for the most part by your ability to reach a receptive audience. If your target is the creative class at large, you will end up spending more time and resources on people who will never consider moving into or investing in your community than if you focus on creative workers whose heartstrings are already pulling them there.

Today, economic growth and wealth accumulation depend increasingly on information technology and intellectual capital, and the critica factor is the talented workforce that runs these new economic engines.

Many communities in the developing world have been on this road for decades. Along the way, they have learned a lot about why and how to keep in touch with their expatriates. Their experience demonstrates that working with extended communities improves the prospects for local economic development. To cope with so many of its people living abroad, the community as a whole began to see itself less as a place fixed in time and space and more as the center of a network of its members' life paths. This new way of seeing themselves allowed both the expatriates and the hometown to stay engaged no matter how far or for how long they were apart.

To be sure, mass emigration is not restricted to the developing world. Of the top countries with sizable national populations living abroad today, one-third come from the ranks of industrialized countries (see box).

What is true for these countries may very well be true for your community. Most communities in the United States have significant expatriate populations. Residential mobility has always been an important characteristic of American life. Americans are more stationary today than in the past, but still one out of every six Americans has moved during the past five years. Chances are that a lot more people contribute to your community's sense of itself than just those who live there now. Getting to know who they are will pay off.

The purpose of knowing your broader community is not to simply identify the people who share a particular tie to your community, but to understand the networks that connect them and the strings that pull at them, and what can be done to strengthen the other strings.

Check the box ahead to find the basic questions you should ask about your extended community.

3. Pull on the heartstrings. Once you have a clear picture of who makes up your extended community, identify the strongest ties that bind your expatriates and the ones that tug at the largest numbers of them. Then pull on those ties. In the new economic development game where the aim is to attract creative workers, this means making your extended community the target of promotional and marketing efforts.

Targeting your extended community sharpens the focus of your marketing efforts. Your focus is creative workers who still harbor ties to their hometown. You tap into an audience that is already receptive to your community. It will make you a more viable tourist destination and a more attractive investment site. It may also help your local businesses gain access to external markets that would otherwise not exist or be accessible without the presence and assistance of your expatriates.

The goal is to maximize the contribution of the extended community to the economic development of your community. Not everybody will contribute in the same way or for the same reason. Some expatriates may move themselves and their companies or capital back home. This happened in Tuscumbia, Alabama, when Harvey Robbins moved back home and saw he needed to help his hometown recapitalize its downtown.⁶

New Zealand saw this too when Peter Jackson filmed his award-winning film trilogy Lord of the Rings in his home country and jump-started a national film industry that has become a magnet for creative talent from around the world. Now the government's national economic development agency, New Zealand Trade and Enterprise, is targeting music, design, digital innovation, fashion, and gaming for strategic development.⁷

To attract expatriates to enhance your local economy, you will have to show them that you are not seeking a one-way relationship, that you are not calling on them only when you are raising funds or marketing locally produced or locally owned products. A network functions because it serves everybody who supports it. If you can demonstrate to expatriates that their support of your community is also in their best interests, their commitment will be greater and more sustainable.

Your promotion and marketing strategies should include activities for helping your expatriates help each other. You may decide to promote economic development in your community by strengthening the network itself through information and contact sharing among your expatriates, so they too can prosper and become even stronger and more able supporters of your community.

4. Facilitate your community's networks; develop networks where there are none. Economic development today takes understanding your community's networks. It takes seeing the connections and making them. It also takes developing them when there are none, strengthening them when they are weak, and maintaining them so they remain effective. College alumni associations and international emigre communities offer a lot of experience from which public managers can draw lessons learned and pick up best practices. These range from simple newsletters to high-stakes public-private investment matching programs. Connections matter.

What to Know About Your Extended Community				
Basic Questions to Ask	Sample Answers			
1. Who are they?	Alumni from the local high school, summer camp, or college; retirees who moved away; second-home owners; snowbirds			
2. What ties do they have to the community?	Family, schools, churches, nostalgia, property			
3. What image do they have	Perfect place to raise a family, vacationland, refuge from the city, ideal spot to retire, the "only place I call			

of the community?	home"
4. Where are they?	In the same region, in the nearest metropolitan center, in a vacation or retirement center
5. Who among them are creative workers?	40-year-olds living in large cities, second-home owners, wealthy alumni from the local summer camp, alumni from the local college who majored in film
6. Among the creative workers, which ones want to return?	50-year-olds who own their own companies, new families whose children are still in elementary school, women who are heads of households, middle-aged couples with elderly parents still living in the community
7. When do they visit?	Holidays, long weekends, funerals, weddings, class reunions, special ceremonies at the local summer camp or college
8. Why do they return; why would they return?	Raise a family, vacation, retire, take care of elderly relatives, get away from city life, start a business
9. How do they stay in touch?	E-mail, column in the local newspaper, alumni newsletter, blogs, informal calling tree, reunions and special events in their current location
10. What networks do they use?	Local-newspaper readers, local summer camp association or college alumni association, family connections, key individuals, Internet

The most successful communities and the most successful managers are those that master the art of networks.

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¹Manuel Orozco, "Transnacionalismo y desarrollo: Tendencias y oportunidades en AmŽrica Latina," Foreign Affairs en Espanol, vol. 5, no. 3 (Julio-Septiembre 2005): 19, http://www.iadia log.org/publications/oped/july05/orozco_fa.pdf; http://www.iadialog.org/programs/policy/trade/remittances.

²Richard Florida, *Cities and the Creative Class* (New York: Routledge, 2005).

³Creative industries are those whose added values are creativity and/or invention, for example, art, research, writing, and music. The most widely used definition for the creative industries is that set forth by the United Kingdom Department of Culture Media and Sport (DCMS) in 1998: "those industries which have their origin in individual creativity, skill and talent and which have a potential for wealth and job creation through the generation and exploitation of intellectual property. This includes advertising, architecture, the art and antiques market, crafts, design, designer fashion, film and video, interactive leisure software, music, the performing arts, publishing, software and computer games, television, and radio."

⁴Mt. Auburn Associates, *Louisiana: Where Culture Means Business* (Baton Rouge: State of Louisiana, 2005), http://www.crt.state.la.us/Cultural Economy/MtAuburn/culturaleconomyreport.htm.

⁵Peter Francese, "A Nation of Homebodies: People Moving Less Often," *American Demographics* (January 1, 2002).

⁶Chris Warren, "Re-Creation Instead," *American Way* (July 15, 2005), http://americanwaymag.com/aw/business/feature.asp?archive_date=7/15/2005.

⁷Mt. Auburn Associates, *Louisiana: Where Culture Means Business*.



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At the Village of Pinehurst, NC, the Finance Department is responsible for preparing financial plans such as budgets, capital improvement plans, and financial projections. With an Enterprise Resource Planning solution provided by Microsoft Dynamics and our partner IDS Scheer, Pinehurst's Finance Department can now account for every dollar within a single, automated system. Pinehurst has dramatically enhanced its control over financial activities and its ability to report them with detail, accuracy and speed.

Microsoft® Solutions Sharing Network

Collaboration and innovative networking. These are the bases for Microsoft's Solution Sharing Network (SSN). Interacting on a web-based portal allows for secure access, provides a forum to share information, and acts as a mechanism for searching, rating, and cataloguing solutions and projects.

Building a Solution Sharing Network is like building a community. It all centers on connecting people and ideas. When applied in government organizations, the community building is endless and the information shared is beyond limitations.

The Illinois Department of Central Management Services (CMS) manages the business of state government: supporting purchasing, information technology, personnel, as well as auditing and legal services. CMS joined Microsoft's SSN and partner Kanalytics, Inc, to create an online portal that will—for the first time—centrally house all of the state's core procurement information, leading to greater savings and improved processes.

"Ultimately, our goal is to share information in the hopes of establishing a nationwide procurement site that will help officials negotiate better deals for the State."

Shelly Martin, CMS Chief Knowledge Officer

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Fthics

Ethics Inquiries

THE CHAMBER BOARD PUSHES A CANDIDATE

Q: The board of directors of the local chamber of commerce recently voted to endorse an incumbent council member in her bid for reelection. Because the city government is a member of the chamber of commerce, the city manager and staff are suddenly in an awkward position. It has been the city manager's practice to attend chamber meetings or to send senior staff in his place. In fact, the city manager is scheduled to be a featured speaker at an upcoming luncheon just one month before the council election.

The manager plans to discuss the issue at the next city council meeting. Although the city manager believes the city government should withdraw its membership, he is unsure what the city council will decide to do. What else can the city manager do to avoid any appearance of favoritism in this campaign season?

A. The city manager and senior staff can stop attending chamber meetings unless the chamber is considering a special issue that the city needs to address. In addition, the manager will want to postpone the speaking engagement because the timing could create an impression that he is lending support to the chamber's position in the council election. These steps are recommended so that the city manager can maintain his reputation for impartiality involving candidates for elected office.

THE FORMER COUNTY MANAGER COZIES UP TO A COMMISSIONER

Q: The former county manager was forced to resign three years ago and still lives in the community. She now works as a village manager and is a member of ICMA and the state association. There was considerable controversy over the board's decision to force her to leave county government. Some of the commissioners felt that she was not treated fairly and remain friendly with her.

The current county manager has heard through the grapevine that his predecessor has nothing but criticism about the way county government is run now. She has targeted her criticism at the county manager himself, saying that he is not competent. Are there potential ethics issues with the former county manager's conduct?

A. Former managers may be tempted to get involved with their former employers without realizing that their actions can run afoul of the ICMA Code of Ethics. Tenet 2 of the code has a guideline that reminds members of their obligation to inform the current administrator any time they advise or respond to inquiries from elected or appointed officials in another jurisdiction.

The county manager may want to contact the former manager privately to discuss his concerns. Alternatively, an ICMA Range Rider or other respected colleague may be willing to offer counsel to the individual.

In rare cases, the conduct of a former manager can reach the point that it may be necessary to file an ethics complaint. ICMA censured a former city manager who sought to influence public policy by taking a high-profile role in advising a faction on the city council he once served. Not only did he fail to inform the incumbent administrators of his activities, he also publicly criticized the competence of appointed administrators and exacerbated factionalism on the city council. His actions diminished public confidence in the local government and in professional local government management, a violation of Tenets 2 and 3 of the ICMA Code of Ethics.

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On Retirement

GROWING NUMBER OF PLAN SPONSORS ARE OFFERING INVESTMENT ADVICE

After years of debate, a growing number of plan sponsors are deciding to begin making investment advice available to their defined contribution plan employees. For public plan sponsors, this means some important changes may be ahead for local retirement plans.

Recent surveys show that the trend toward offering advice is clearly gaining momentum. One survey found that in 2004, 49 percent of the nearly 4,000 employers participating in a defined contribution survey reported offering advice to their employees, up from 43.5 percent in 2003 and 37 percent in 2002. This survey also noted that it seems inevitable the figure will cross the 50 percent mark in 2005.

The debate about offering investment advice to defined contribution plan participants reflects two concerns. On one hand, plan sponsors argue that participants could come back one day and say that the plan sponsor, as part of its fiduciary responsibility, should have educated them on how to invest for retirement.

On the other hand, some plan sponsors argue that participants could in the future claim that bad advice had robbed them of comfortable retirements and that the employer was at least partly responsible because it had selected the vendor that offered the advice.

Surveys are indicating that plan sponsors view the practice of offering investment advice as a manageable risk in light of their evaluations of legislation and other regulatory measures.

As a result, public sector plan sponsors through their plan providers are beginning to offer investment advice in a variety of ways. Not long ago providers offered advice only online. Providers now have expanded their offerings to include one-on-one consultations, personalized print communications, and call centers.

The challenge for plan sponsors will be to ensure that the advice providers they hire are capable of meeting the expectations for each plan participant. Public managers that are contemplating offering investment advice should consider three important factors:

- Fees. Providers charge asset-based fees for their advice services. Compare fees and look for a tiered fee structure that either lowers fees for participants as assets grow or places a cap on fees.
- Service. Advice providers offer varying levels of service. Look for providers that offer a variety of service channels that include in-person consultations, Internet consultations, and printed material.
- Investment methodology. The provider should be able to clarify the investment methodology behind its service. Inquire about that methodology to ensure that the investment decisions that affect employees' accounts are in their best long-term interests and will help them reach their retirement savings goals.

Offering personalized investment advice services to your public employees is a decision not to be taken lightly. For a growing number of plan sponsors, however, offering investment advice appears to be the right service for employees who need the most help in building retirement security.

—Joan McCallen President and CEO ICMA-RC Washington, D.C. www.icmarc.org

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Profile

Recovery, Growth Mark Ed Driggers' Five Years at City Helm



Edward Driggers is city administrator of Greer, South Carolina.

Administrator Ed Driggers has completed his fifth year at the helm of Greer [South Carolina] City Hall. "It really has been a quick five years," Driggers said. "An awful lot has happened, and it has gone quickly." Driggers came to Greer from Chester, where he served as city administrator. He was one of 69 applicants to fill the Greer post.

Driggers took the job here despite the fact that the city budget faced a \$1.2 million shortfall. "It was dumped in his lap," Mayor Rick Danner said of the deficit. "He was willing to come in and tackle some issues that were not his and take some stands that were not easy, being the new administrator. He faced those challenges head-on."

Within two years, Driggers and department heads steered city finances back into the black. Since then, the city council has enjoyed balanced budgets and a restored fund balance. Driggers is quick to say he did not pull the city out of the ditch on his own. "That took an enormous sacrifice from our employees and from the community and from our elected officials, but everyone rose to the occasion," he stressed.

"I think his financial leadership has been his greatest accomplishment. We've come 180 degrees in the past five years, and that is always an ongoing process," Danner said. "Certainly, his ability to understand growth issues is right there, close-in second. With the growth of this area like it is, we have some real issues, and he has been able to bring balance to a lot of those things."

Greer's growth is evident, with Greenville and Spartanburg hospital systems' developing dueling medical campuses, BMW's expansions, Mitsubishi's growth, the new Wade Hampton Boulevard shopping opportunities, and record housing starts. Driggers predicts that growth of the city limits will now slow, with few if any major steps toward expanding the boundaries. Future annexations will focus on filling in the many gaps left by past growth.

MAJOR ACHIEVEMENTS

Driggers ranks his top accomplishment as implementing the Team Greer concept. This concept made great strides toward strengthening relationships between city departments, boosting employee morale, and improving city services. "Each and every department plays a very important part in the city and providing services," Driggers said. "Fire is no more important than police, and police is no more important than sanitation. We are all on this team. We all

contribute in different ways, and each and every accomplishment has worth."

While employees bore some burden of the city's financial strain five years ago, they have since been rewarded with annual pay increases. Programs have been initiated, including the family picnic, employee appreciation breakfast, and a safety bonus. "On average, our employees have fared as well as, if not better than, most municipalities and state employees over the past five years," Driggers stressed.

A major stride for Driggers and the city has been restoring a worn relationship with the Commission of Public Works. "The relationship is as strong as it has ever been. We support each other and recognize that, when we work together, we all succeed," Driggers said. Other relationships that Driggers has worked to improve include those with Greenville and Spartanburg counties, GPS Airport, and state officials.

Five years ago, when Driggers came to Greer, the city had an annual budget of \$9.1 million and 139 city employees. Today, the city's budget is \$13.7 million, with some 180 employees.

Since coming to Greer, Driggers has hired five of the seven city department heads. He has hired Recreation Director Brent Taylor, Building and Codes Administrator Phil Rhoads, Public Services Director and City Engineer Wes Wagner, Police Chief Dan Reynolds, and City Finance Director David Seifert.

Although much of Driggers' tenure in Greer has been a positive experience, he's quick to admit there has been disappointment. "I really thought we would be in construction by now," Driggers said of the goal to build a new city hall and municipal complex. "That has been really frustrating, but the reasons we have not started are mostly economic."

Other seemingly insurmountable challenges include such capital projects as developing an ongoing road maintenance program, building a new fire substation, and tackling Greer's many stormwater control needs. "There are some high-dollar projects that need to be done, but we simply have not had the resources available," he related.

Driggers' touch in Greer will be evident here for years to come. Some of his more visible efforts are downtown's new Christmas dŽcor, building-trim lights, and median beautification on Wade Hampton Boulevard. The city also has a new Web site and a community-access cable channel where residents can learn about upcoming events or Greer's most wanted criminals.

CONSTRUCTION AHEAD

As for the future, Driggers has his sights set on moving the seemingly impossible projects to the city's front burner. "I would really like to see us start on the city complex," he said. "There is a tremendous public need to centralize local government for better efficiency and improved convenience. We have grown out of space in every facility.

"We need a comprehensive road maintenance program," he continued. "We have only been able to put limited funding toward our streets. We need to figure out how to fund this at a level so we can see improvement each year."

Driggers says he and his family are content in Greer, and the challenges of city hall will keep him here. "Opportunities have been presented to look at other things, but they have not been as attractive as what it is here," he said. "This is a growing, vibrant community. There is every challenge imaginable for somebody in this profession. One could work in a city with 100,000 population and not have any more challenges than I face here."

He continued, "There is no reason that we would want to leave. The only reason at this point that I would leave is if an opportunity presents itself for my family and me that we need to take a look at. I don't have control over when those things come along. I have always felt that the time to leave is when you have accomplished all you can do, and there are so many challenges here that I don't see that in the near future."

Mayor Danner concluded, "I interact with a lot of people statewide in terms of things going on here and in other towns, and I can say without reservation that we have one of the best, if not the best, city administrator in the state right now. He's a first-class guy, and I am proud to have been serving while he has been here, and hopefully he will be here a lot longer."

—Eddie Burch News Editor The Greer Citizen Greer, South Carolina

Reprinted with permission from the August 3, 2005, edition of the The Greer Citizen, Greer, South Carolina.

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