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Community Economics

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Community Economic Development and Smart Growth

by
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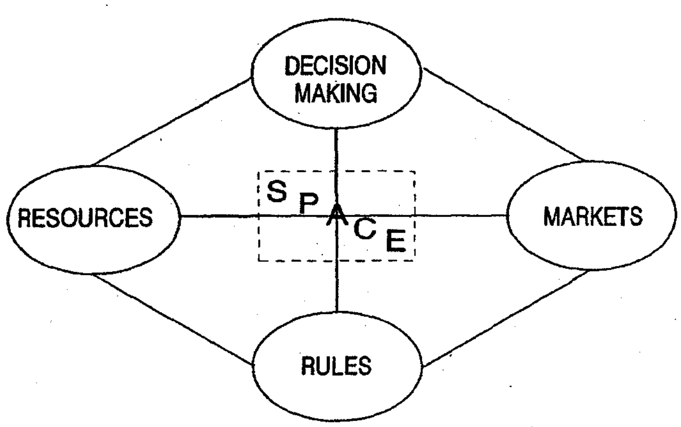
This Community Economics and the previous five address what communities might think about as they go about developing comprehensive plans for smart growth. There are several ways a community can promote changes in the local economy. These are obvious if we look at Figure 1.

FIGURE 1
Community Economic Development Model



From Figure 1, an economist sees six ways for a community to promote change and one that's not obvious. What follows is a discussion of those ways.

Increasing the flow of dollars into the community means that the community is essentially pouring water into the barrel by attracting new basic employers, or by existing basic employers increasing their sales outside the community, or by the community increasing its visitors, or by the community increasing its inter-governmental aids. In each case the community is bringing more income into the community. But that is only part of the answer. People and businesses must have some place to spend the money. Either they spend it here or elsewhere. Too often communities think all they have to do is attract a basic employer.

Increasing the re-circulation of dollars in the community means that the community is plugging leakages out of the local community's economy. In other words, the community is actively seeking ways to get people and businesses to spend more locally. It could be doing customer surveys, altering store hours, encouraging new or different store types, physically renovating down towns or even talking to businesses about buying inputs locally rather than from non-local sources. The end result is that dollars turn over at least one more time locally.

Increasing the amount of resources available simply means that the community has increased the amount of labor and capital available for producing output. This could be local financial institutions making more loans available locally, or an outside business making a local investment, or forming a credit union. It could be people moving or commuting into the community, or working more hours.

Using existing resources differently generally means that you've applied new technology. You have found new ways to combine existing capital and labor to produce greater output per worker. It could also mean that you've used existing capital and labor to produce a new good or service that previously hadn't been produced locally. It could also mean that you've now have local jobs for workers who previously commuted out for work. Or it could mean that workers have received training and are now able to do different tasks than before.

Changing the rules means that the community seeks a change in rules that would benefit the community or seeks a change in interpretation of rules. For example, a land use plan might encourage further development on some land by ensuring that incompatible uses do not occur next door. On the other hand changes into some land use regulation can impose major costs on some firms. Or maybe the community gets the state to re-interpret eligibility rules on some type of manpower training fund. Thus making some community residents eligible. Remember that rules are societal constraints that govern how we either use resources or exploit markets.

Acting smarter translates into how the community goes about making decisions and sets up and implements strategies. Does it involve a broad spectrum of interests or just a select few? Does the community really get at the problem(s) or treat just symptoms? Does the community integrate sound analysis with community perspectives and desires? This is what it means when a community is acting smarter.

Getting lucky may seem like an unusual item, but think about it for a second. A small rural community could be located within the commuting shed of a growing metro area or fifty years ago could have been the birth place of a budding entrepreneur. While we like to think more than luck is involved, and it is, it also explains a lot of current economic activity.

The above seven ways are how an economist might think about how community can go about changing its job and income basis. But there is another way of looking at this. Glen Pulver created five strategies that essentially form the basis for a comprehensive community economic development approach. What is unique about Glen's approach is that he puts it into lay language that most people will understand rather than just economists.

What I want to do now is to simply match up Pulver's approach with the one I just outlined and demonstrate that they are essentially the same.

Shaffer's Approach	Pulver's Approach
Increase flow of dollars into the community	Attract new basic employers Change size of existing firms Re-acquire dollars taxed away by broader units of government
Increase he re-circulation of dollars in the community	
Increase the amount of resources available	Change the location of private expenditures Encourage entrepreneurship
Use current resources differently (includign new uses)	Changes in size of existing firms Encourage entrepreneurship
Change the rules	Changes in size of existing firms Encourage entrepreneurship
Act smarter	
Get lucky	Re-acquire dollars taxed away by broader units of government
	Use these five strategies

Clearly, the enlargement of a community's job and income base is more than industrial attraction. It involves examining all the nodes of the diamond diagram. But most importantly it involves using community economic analysis tools to help distinguish between problems and symptoms.

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