



# ***Community Economics***

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## **Community Attitudes and Community Development**

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**"Social capital is created all the time by people going about their daily lives. In this sense, social capital or culture promotes co-ordination. Social networks, when they work, contribute to economic development by lowering transactions and transformation costs... "**

Communities consist of more than roads, businesses, and geography. Communities also consist of people. As obvious as this may seem, regional scientists have misplaced people in their analysis leading one to ask "What about people in regional science?" Economists are notoriously uninterested in how people actually think and feel. This has led me to ask whether attitudes and beliefs matter in economic development. There has been a renewed interest in looking at the role of culture in economic development. Culture includes a lot of what may be called "soft variables," such as beliefs and values. Values contain information about what is right and wrong – beliefs contain information about what is true and false. One of the most important changes in the history of economic development is the change in view that development is "zero sum." For much of history, the only way for me to increase my wealth was to decrease yours; i.e., take it. This view has led some societies to become what may be called kleptocracies. It has only been recently (in terms of the long history of mankind) that development has been viewed as a positive sum; i.e., the entire pie can get bigger and all of us can become better off. And it is fairly clear that the two views produce different societies. Once we understand the role of values and

beliefs, we can see why people in the same situation and with the same information may act differently because their view of the world leads them to interpret the available evidence differently. In addition to beliefs and values, social interaction, which is determined by those beliefs and values, play a role in development. This interaction is referred to as social capital, which consists of the informal linkages that lubricate social interaction (or what in the South used to be called the "good ole boy network.") Fukuyama defines it as "a set of informal values or norms shared among members of a group that permits them to cooperate with one another." Social capital is not something that is engineered. Social capital is created all the time by people going about their daily lives. In this sense, social capital or culture promotes co-ordination. Social networks, when they work, contribute to economic development by lowering transactions and transformation costs – in other words, I already know what my local real estate agent means since I have known and interacted with him for many years. I do not

have to spend time trying to 'figure him out.' Thus there is a spatial dimension to culture which is especially true in smaller communities. People who live in the same small town are likely to meet each other regularly and have plenty of opportunity to influence one another's views. These views become part of the community's culture. Zoning debates about land use provide an interesting example. Land use issues are not only related to economic considerations but to the community's sense of identity. This sense of identity is part of its culture. Fundamentally, economic development is a cultural process. This process creates what has been called a 'spontaneous order' in the society. The process is dynamic and changing. An understanding of the community's culture will explain the path the community has taken in its development. As people interact with each other and modify their views, the culture can change and new paths may be formed. However, it has become clear to me that in any discussion or analysis of economic development we must understand the cultural process involved in that development.

This article is a brief summary of some of the ideas in an address, "The Role of Beliefs and Cultural Attitudes in Economic Development," presented at the 2002 Meetings of the Southern Regional Science Association.

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