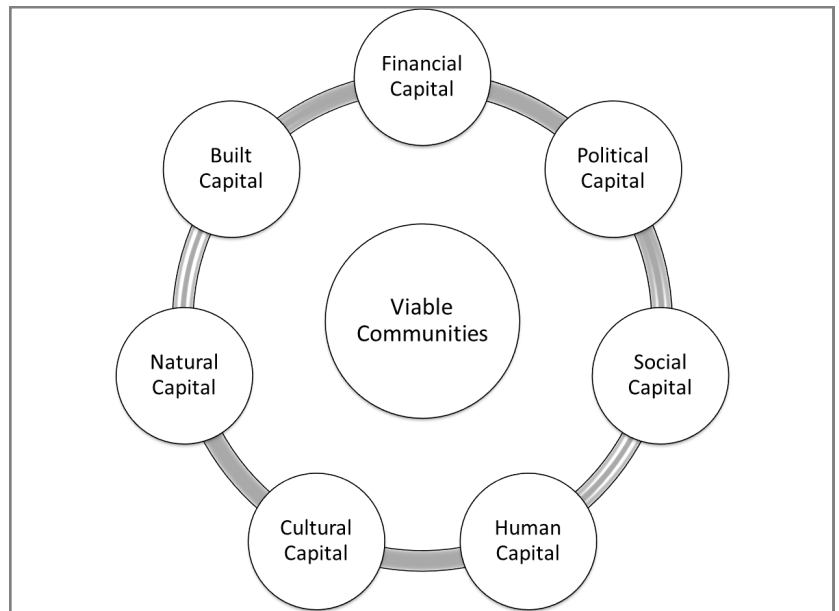


The Floras' Community Capitals: Natural Capital

One of the fundamental problems with a systems thinking approach to community economic development is the difficulty in being able to “get one’s head around the whole thing”. Thinking holistically by viewing the community as a system may result in one too many balls in the air increasing the odds of one being dropped. To help community scholars and practitioners better understand the puzzle comprising the community system Jan and Nel Flora and their colleagues offered the “Community Capitals” framework. There are seven capitals, or pieces to the puzzle: human, social, political, financial, built, **natural** and cultural capitals.

Natural capital is commonly associated with land as an input into the production process. “Land” or natural capital includes not only land for agricultural production, but also forest, mineral and water resources. In this view these resources are used for the production of “goods” such as food, wood, or coal. The land is planted on, forests are cut down, minerals are dug up and water is used for fisheries, transportation and power. Today much of the discussion around sustainability is focused on how to maintain these goods producing activities without destroying the “land” resource.

During the farm (a traditional use of land resources or capital) crisis of the 1980s it was found that some rural communities experienced economic growth. These communities were not necessarily adjacent to growing metropolitan areas but rather were blessed with high levels of natural amenities. Work by analysts at the USDA Economic Research Service uncovered that “high amenity” and “retirement destination” counties experienced robust economic growth. At the same time the economic literature seeking to model human migration patterns made major strides forward. Historically, empirical models of migration did a very poor job of predicting actual migration patterns. But then Phil Graves introduced climate, a very specific type of natural amenity, into the migration models and overnight the predictive power of these models increased significantly. The result of these parallel lines of work was that natural amenities, including climate, is an important predictor of migration and economic growth and development. Natural amenities are an important part of natural capital.



As the economy becomes wealthier two things are happening that is altering how we think about “land” as a factor of production or natural capital. First, we are shifting from a “goods” to a “service” producing economy. This means that natural capital is shifting from a consumptive to non-consumptive use pattern. For example, rather than looking to a forest for harvesting trees for lumber or paper the forest is looked to for not only its recreational uses but also its contributions to the ecosystem. The argument is that we become wealthier as a society we are placing, and able to afford, greater value on natural amenities. People are willing to travel greater distances to live (commute) and partake in recreational activities.

The one way we have seen this transition occur is in the growth in the market for recreational housing. One does not think of northern Wisconsin and the North Woods of the upper Great Lake States as retirement destination regions, but there has been a natural progression of the North Woods. Once viewed as a source of wood, then recreational activity composed of summer cottages and camping, many of those camps were converted and sold as recreational properties which are now being converted into year-round homes with the intent of the owners retiring to them. What has allowed this transition is the natural amenities associated with the abundance of lakes and forests.

But this transition from extractive to non-extractive uses does not come without some conflict. Concerns over the quality of the jobs associated with non-extractive industries are widely held, the potential social conflicts that arise from the influx of “non-local” residents (“us versus them” conflicts with tourists and residential property owners), and conflicts over the extractive and non-extractive uses of these resources itself (e.g., mining versus recreational development).

There is also a theoretical argument with some supporting empirical evidence that suggests that people will elect to accept lower wages, pay higher rents (housing costs) and accept longer periods of unemployment to live in high amenity areas. Economists refer to some of these latter effects compensating differentials: living in a high amenity area “makes up” for lower wages. For example, why would “boomer-rang” return migrants be willing to forego higher wages to return home to employment opportunities that may be viewed as a “step down”? People are compensated in more than simply wages and income.

Research has also suggested that communities that can be characterized as having high levels of natural amenities are not necessarily “guaranteed” economic success. There must be economic infrastructure (e.g., certain types of businesses) in place to build upon those amenities. For example, a public access forest with hiking trails, camp sites, x-country and all terrain vehicle trails with lake amenities could draw many users, but if there is no businesses for these users to spend money in, the economic benefits of that resource will be minimal. Natural amenities are not a magic bullet but one unique piece of a larger puzzle or system.

The idea behind natural capital is that the community needs to think broadly about the natural resources at its disposal. Communities blessed with high levels of natural amenities may have unique opportunities that should be explored as such. At the same time, communities not so blessed have other opportunities. The question is that as the economy shifts from goods to predominately service producing, what role those natural capitals can play in the future of the community.