

Community Economic Development

Economic Growth and Development Strategies

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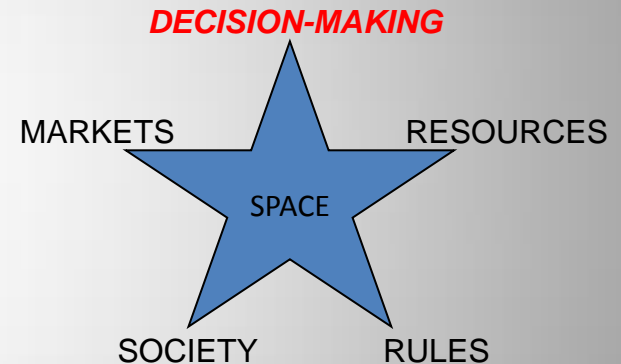
When thinking about economic growth and development strategies there are several potential problems communities face:

- **Short- vs. long-term thinking**
- **Lack of appreciation of the range of potential strategies**
- **Tunnel vision on narrow ideas**
- **Lack of understanding of the local economy**
- **Acts on perception rather than data**
- **Confusing symptoms and underlying causes**
- **Confusing notions of growth and development**

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Within the systems thinking approach outlined in the Shaffer Star we are thinking about *decision-making*.

Decision-making translates into how the community goes about setting and implementing policies that affect development. Underlying these policies or programs are community values. When it comes to economics, how are values translated into decision-making? Does the community integrate sound and objective analysis with community perspectives and desires? Does the community involve a broad spectrum of interests or just a select few? Does the community base their decisions on impressions or analytical scrutiny of the issues?



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Edward Jeep (1993) suggests there are four traps we must be alert to in local decisions about community economic development.

First is failure to develop vision that is shared with the larger community, and failure to achieve consensus on core values that are connected with that vision.

Second, a misunderstanding by community leadership of what form of leadership is required. The leadership required is not control, nor top-down, but best understood and defined as group learning process in which no single person has “the answer,” but all have something to contribute.

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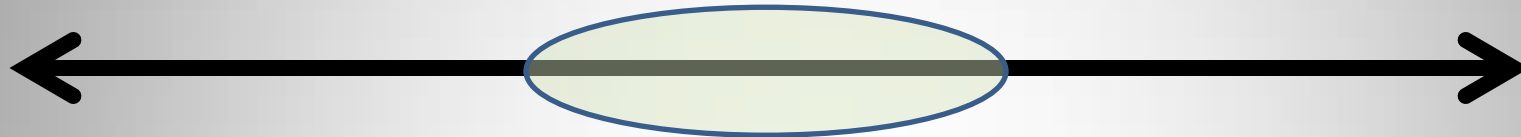
Edward Jeep's four traps:

Third is the failure to appreciate the process, not events, as an important part of the substance (the ends does not justify the means).

Fourth is the failure to go to the roots of a problem and address it (failure to do their “home-work” by studying the issues at hand and think long-term).

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If one thinks of the decision-making spectrum there are two extremes:



Shooting from the hip and claiming anything that lands.

Paralysis by analysis and inability to make decisions and act.

Ideally we want to be located “happily” in the middle.

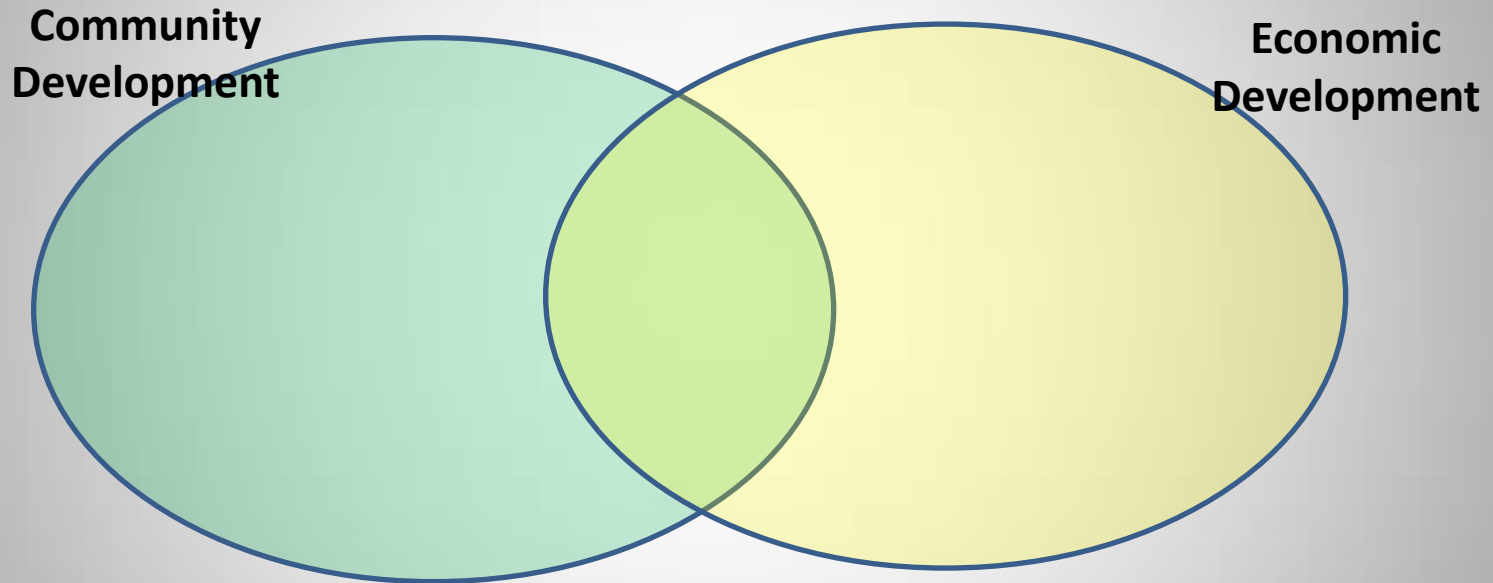
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A complicating factor is that no two communities are exactly alike.

- Some communities are well organized with effective leadership and citizen involvement. These communities, it could be said are “ready” for economic development.**
- Some communities are disorganized, ineffective leadership and low citizen involvement. These community, it could be said are “not ready” for economic development and need to focus on community development strategies.**

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Are all communities ready for economic development efforts?



Community development is a necessary but not sufficient condition for economic development.....

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The role of the Extension Educator will vary significantly across this range of communities:

- In more well organized and “effective” communities the Educator can have the largest impact by providing technical assistance within an educational structure.
- In disorganized and “ineffective” communities the Educator’s role would be better suited to “community organizer” building local leadership, citizen involvement and local institutions, again within an educational structure.

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In the end, the role of the Extension Educator is to:

Help communities make more informed decisions.

Helping communities make decisions is the “process” side of the equation...

More informed decisions is the “content” side of the equation...

The challenge is finding the proper balance between “process” and “content” and the proper balance will vary across communities.



Goals vs Objectives

Any community economic development strategy begins with a discussion of community economic development **goals (outcomes)** and **objectives (output)**.

Goals are general qualitative statements that suggest some attempted achievement that is largely immeasurable. Community economic development goals are often intangible, abstract, and definitely are value laden. **Example: making the downtown the heart of the community.**

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Objectives are more specific statements that typically can be quantified and measured, such as downtown business profitability.

Goals and objectives are intimately related. Objectives are derived from goals and are indicators of goal achievement. Goals and objectives represent the juncture of facts, values, and hierarchy of importance.

Example: engage in a downtown beautification effort and implement design standards.

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Goals and objectives should possess the following qualities:

- 1. Goals and objectives should be consistent with respect to expectations.** (Is the community moving in a consistent direction?)
- 2. Goals and objectives should be comprehensive and include all major dimensions of the problem(s).** (Is the community moving beyond tunnel vision on a narrow issue?)
- 3. Goals and objectives should be precise to assure effective action and response.** (Are they so vague and broad they become meaningless?)

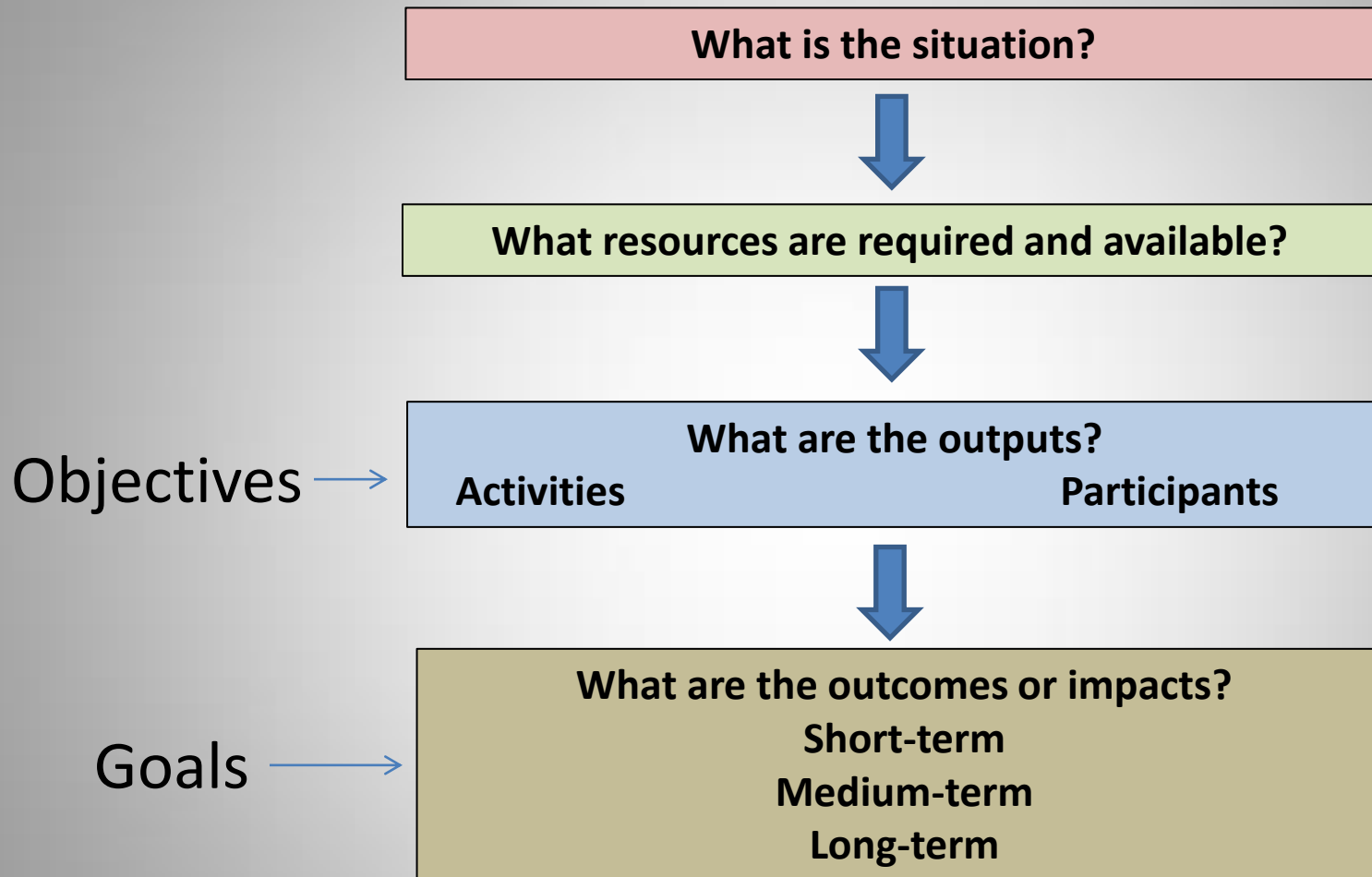
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Goals and objectives should possess the following qualities:

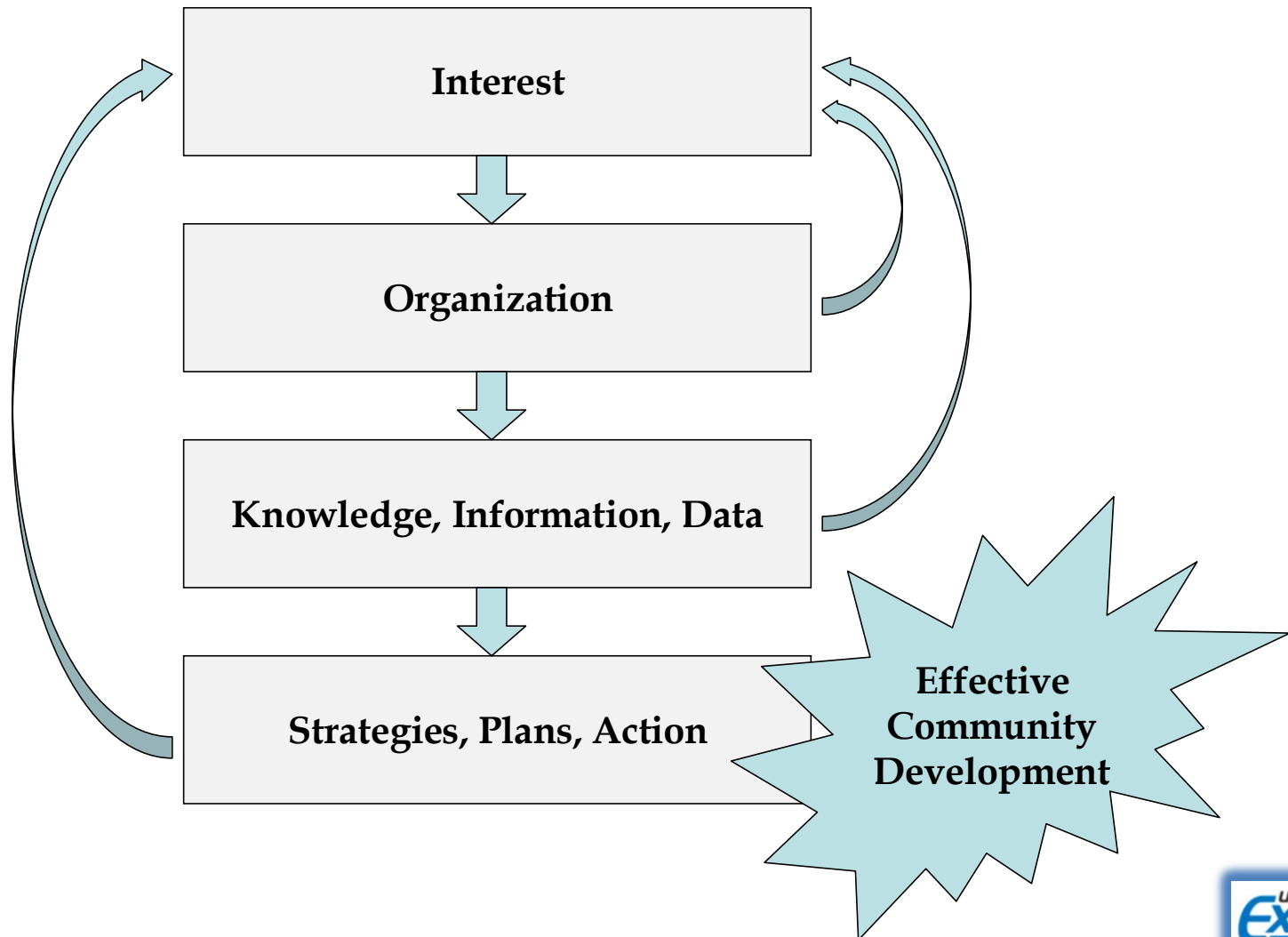
4. **Goals and objectives should be internally consistent and not redundant.** (Are different community groups running cross current or replicating each others efforts?)

5. **Goals and objectives should recognize resource constraints relative to any action program to be initiated.** (Has the community had a realistic discussion about what is reasonable given their resources?)

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Economic Growth and Development Strategies



Economic Growth and Development Strategies

When people think about economic growth and development strategies they tend to fall into four traps:

- **Confusing growth and development.**
- **Economic growth and development IS manufacturing recruitment.**
- **Economic growth and development IS “jobs, jobs, jobs”.**
- **Short-term thinking or expecting immediate results.**

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The “Old Logic” around economic growth and development

Focus on the cost of doing business: this relates back to the old way of thinking about business climate (low wages, low taxes, low regulations).

Manufacturing & agriculture are the engines of growth: this is based on old fashion export-base theory and that the “goods producing” sectors are still the backbone of the economy.

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The “Old Logic” around economic growth and development

Attraction of branch plants: recruitment of manufacturing plants through low taxes and limited regulation can be traced back to the Mississippi Balance Agriculture with Industry Act of the Great Depression era.

Bigger businesses get attention: most job growth is believed to come from large businesses and large businesses can attract greater media attention which in turn can have short-term political pay-offs.

Economic Growth and Development Strategies

The “Old Logic” around economic growth and development

Any job creation is acceptable: this flows from the mistaken belief that economic growth is “jobs, jobs, jobs” and the quality of those jobs is secondary.

Financial capital is cheap and available: firms have ready access to credit, debt financing and equity financing.

Economic Growth and Development Strategies

The “New Logic” around economic growth and development

Emphasis on retention & expansion: the newest research suggests most job growth comes from existing businesses that grow in place.

Attentive to smaller businesses and entrepreneurship: businesses that start in a community are more likely to grow in that community in addition “home grown” businesses are more likely to retain employment levels during recessions and support community efforts.

Economic Growth and Development Strategies

The “New Logic” around economic growth and development

More attention to wages, benefits, skill requirements (quality of jobs): the widening income gap and shrinking middle class has forced us to rethink the “jobs, jobs, jobs” mentality.

Service producing industries broadly are viewed as the new engines of economic growth: as we become wealthier as a society we spend an increasing share of our income on services, hence most job growth is in the service sectors.

Economic Growth and Development Strategies

The “New Logic” around economic growth and development

Focus on innovation, productivity, flexibility, quality:
as our understanding of economic growth matures it is becoming clearer that these four factors are vital.

Resources for training, market development and research and development: for communities to foster innovation, productivity, flexibility and quality they shift how limited resources are used.

Economic Growth and Development Strategies

Five Basic Strategies: Glen Pulver (The Gospel According to Glen)

- Attract new basic employers (Old Logic)
- Improve efficiency of existing firms
- Improve ability to capture dollars
- Encourage new business formation
- Increase aids/transfers received.

Economic Growth and Development Strategies

The Shaffer Approach (The Gospel According to Ron)

1. Increasing the flow of dollars into the community
2. Increasing the re-circulation of dollars in the community
3. Increasing the amount of resources available
4. Using existing resources differently
5. Changing the rules
6. Acting smarter

Economic Growth and Development Strategies

One may notice that the specific strategies that are outlined below range from the complex to the simplistic and one strategy could address several objectives. In other words, there could be significant overlap across and between strategies.

In the end, the idea is that there is a wide range of potential strategies that communities can undertake to improve the local economy.

Increasing the flow of dollars into the community.....

means that the community is essentially injecting new money into the local economy:

- by attracting new basic employers;
- by existing basic employers increasing their sales outside the community;
- by the community increasing its visitors; or
- by the community increasing its inter-governmental aids.

Increasing the flow of dollars into the community.....

- 1. Develop local industrial sites, public services, and potential employee information.**
- 2. Develop community and regional facilities necessary to attract new employers.**
 - a. Transportation (e.g., airports, railways, highways)**
 - b. Recreational facilities (e.g., parks, hunting grounds, restaurants, hotels, convention centers)**
 - c. Communications (e.g., internet, wireless)**
 - d. Business Services (e.g., banking, computers, legal assistance, accounting)**

Increasing the flow of dollars into the community.....

3. Expand purchases by nonlocal people (e.g., tourists, neighboring citizens) through appropriate advertising and promotions.
4. Ensure that key public services (e.g., fire and police, water and sewer, general administration) are more than satisfactory.
5. Recognizing the important role of transfers such as retirement benefits, and unemployment compensation as a flow of funds into the community.

Increasing the re-circulation of dollars in the community.....

means that the community is plugging leakages of money out of the local community's economy.

- The community is actively seeking ways to get people and businesses to spend more locally.
- It could be 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 re-circulate at least one more time locally.

Increasing the re-circulation of dollars in the community.....

1. Identify market potential of retail outlets through surveys of consumer needs and buying habits.
2. Improve share of retail market captured through downtown analysis and renewal through:
 - a. Use of consumer and merchant surveys
 - b. Providing convenient parking or public transit
 - c. Reviewing store hours and merchandising
3. Aid businesses in developing employee-training programs to improve quality of service.

Increasing the re-circulation of dollars in the community.....

4. Through information programs, encourage local citizens and businesses to buy locally.
5. Encourage collective action through the formation of organizations such as Chamber of Commerce or Merchants Association.
6. Downtown beautification efforts through streetscaping.
7. Recognize that most consumer spend their money on services and not traditional retail.

Increasing the re-circulation of dollars in the community.....

8. Network existing businesses to build stronger local purchasing patterns. Explore the notion of “import substitution”. Focus on clusters to retain business expenditures.

- a) Identify “gaps” in the local supply chain.**
- b) Identify “disconnects” in the local supply chain.**

Increasing the amount of resources available.....

simply means that the community has increased the amount of labor and capital, including both public and social capital, available for producing output.

- **This could be local financial institutions making more loans available locally, or an outside business making a local investment, forming a credit union, or establishing a local branch of a community college.**
- **It could be people moving or commuting into the community, or working more hours.**
- **It could be networking with local technical schools, junior colleges or universities to ensure continuing educational opportunities are available.**

Increasing the amount of resources available.....

- 1. Organizing community capital resources to assist new business formation or to assist in attracting new business**
 - a. Encourage investment of private funds locally through formation of capital groups.**
 - b. Encourage the use of public financing programs.**
 - c. Encourage the use of industrial revenue bonding, bank loans.**
- 2. Organize training programs for youth, in-migrants, and resident population.**

Increasing the amount of resources available.....

- 3. Encourage population in-migration.**
 - a) quality schools**
 - b) quality recreational opportunities**
 - c) seek out “boomerang” migrants**

- 4. Provide the same services to start-up businesses as provided to businesses being sought from outside the community.**

- 5. Create an encouraging community attitude towards entrepreneurship.**
 - a) ensure existing programs (e.g., SBA, etc) are utilized through networking and advertising
(local bankers are key)**
 - b) use local media to “celebrate” local business start-ups**

Using existing resources differently....

means that you have applied new technologies.

- You have found new ways to combine existing capital and labor to produce greater output per worker.
- It could also mean that you have used existing capital and labor to produce a new good or service that previously had not been produced locally.
- It could also mean that you 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.

Using existing resources differently....

1. Strengthen management capacities of existing firms through educational programs (e.g., personnel, finance, organization).

- a) does the local chamber of commerce or other business group offer breakfast training seminars?**
- b) does the local technical school or junior college offer evening or weekend courses and/or intensive training programs?**

2. Encourage business growth through identification of equity and loan capital sources.

3. Develop training programs for workers using new and different technology. Does the local tech school or junior college regularly meeting with business groups?

Using existing resources differently....

4. Aid employers in improving work force quality through employment counseling, and social services (e.g., day care, health services). Programs aimed at helping people reenter the labor force.
5. Develop community and regional facilities that improve local business efficiency and access to nonlocal markets (e.g., transportation, services, communications).

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.

Changing the rules.....

1. Ensuring correct use of public assistance programs for the elderly, handicapped, and others who cannot work.
2. Supporting political activities to ensure fair treatment of community concerns by broader governmental units.
3. Review how retirees and handicapped people might find services, access, housing, volunteer organizations, and community attitudes.
4. Minimize contradictory regulations and regulatory barriers, including uncertainty.

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 problems 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, almost in an entrepreneurial manner.

Acting smarter....

1. Identify market potential for new retail, wholesale, and input-providing businesses.
2. Organize to provide individual counsel and intensive education for those interested in forming a new business.
3. Utilizing aids from broader government whenever possible (e.g., streets, parks, lake improvements, emergency employment) through active monitoring and support of the activities of local officials.
4. Identify specific public programs, projects, offices, and/or services that could be located in the community and organize politically to secure them.

Acting smarter....

5. Encourage collective action through formation of organizations such as economic/industrial development corporations.
6. Ensure that quality and access and appropriateness of local school systems, including vocational-technical.
7. Identify through research the most desired type of basic employer with greatest potential.
8. Organize business-networking forums.
9. Sponsor business appreciation events.
10. Create organizations (including high school programs) to stimulate entrepreneurial thinking and action.

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 birthplace 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 point, is BE PREPARED when opportunities present themselves.....

Economic Growth and Development Strategies

It is bottoms up

It is integrative

It is strategically driven

It is collaborative

It is interactive

It is multi-dimensional

It is reflective

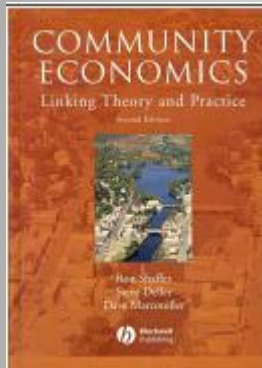
It is asset based

It is based on theory

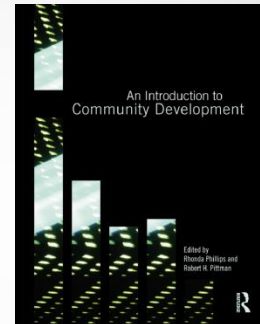
It is based on analytics

Recommended Readings

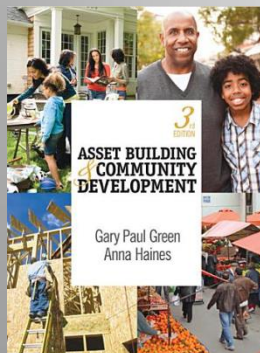
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