

What causes communities to prosper?

By David L. Darling

All economic development is local. There is no national or state economy. There is only a patchwork of smaller ones.

Introduction:

All communities such as Manhattan, Kansas, go through periods of prosperity and retrenchment. Some even disappear completely (Fitzgerald, 1988). Internal and external forces are always acting on the community as a system that prefers stability but rarely experiences that state. In fact, stability is a stage in the community life cycle that is better characterized as stagnation. And, even if stability seems to exist, it is only a temporary state. See Figure 1, The Community Life Cycle (Darling et al., 1994).

Therefore, community organizations such as local governments, the economic development corporation, the Chamber of Commerce, the League of Women Voters, and other civic organizations all can take an active role in identifying, prioritizing, and resolving issues that will promote prosperity regardless of the current situation.

This paper presents several concepts and examples useful when guiding community efforts that are focused on building a more prosperous place for all current and future residents.

A definition of a good community:

One definition of a good place to live is the following: *It is a place where individuals and families can easily meet their basic needs such as food, shelter, clothing, health care, and safety. And with this security, people can then focus on higher order needs such as building a career, educating children, and contributing to the success of their church, school, and local government.* See Figure 2, Maslow's Hierarchy of Needs (Maslow, 1954).

The K-State Economic Development Pyramid:

Community development always starts with people who want to improve their lives and the situation surrounding their friends and neighbors. Assuming that these activists are the superior leaders in the community and they have the ability to influence local elected and appointed officials, there are several steps these leaders should follow. Figure 3 outlines some of the steps and economic development strategies (Darling & Snyder, 2003).

In short, superior leaders working with local governments create new capacities to enrich the business environment. It is in this environment that economic development can be nurtured to grow and develop using five basic strategies. In Manhattan, the Manhattan Area Chamber of Commerce coordinates these efforts both for the City of Manhattan and Riley County governments.

The first strategy is to work with the existing employers and assist them to survive and thrive. This strategy is named *retention and expansion*. In Manhattan, the local economy is based on government jobs at Kansas State University and Ft. Riley. The private sector jobs are provided by the Kansas Farm Bureau, various manufacturers, and many retail, service, and construction firms.

The second strategy is *firm creation*. Helping new businesses start up and become viable is a major task that can take many hours of time for the business incubator staff. The Kansas Small Business Center staff work on this strategy across Kansas.

The third strategy is *improving local linkages*. By this is meant the buy – sell relationships occurring locally. Often, the local Chamber has a retail committee that puts on a business fair to promote local businesses. Also, web sites can be built to facilitate local business activity.

The fourth strategy is to *capture unearned income* and added it into the local economy. Dollars are earned by local employers from the sale of their products to customers beyond the borders of the community and region. Economists call these exports. However, dollars are captured from a variety of sources such as grants from foundations. These are new dollars that also can stimulate the local economy. The biggest source of captured dollars is transfer payments to households, for example, Social Security payments. The next biggest source is property income made up of rents, interests, dividends, and capital gains.

The fifth strategy is the *attraction of outside investors and visitors* interested in the community as a place to do business, shop, retire, recreate, or just visit for the day. The important point here is that to attract attention the community has to be attractive. Manhattan has built several industrial parks, upgraded the airport, started a program called “Retire to the Flint Hills”, widened the highways coming into town, built new recreational facilities, a shopping mall, all in the last 20 years.

A Typology of Resources:

In this paper, the resources that support development are divided into six categories that could be referred as “capitals”. These categories are human, social, political, financial, engineered, and natural capitals.

The definition of capital is *the produced means of production*. Economists use the term factors of production and usually list land, labor, and liquid financial assets as inputs in the production process. Human capital includes human time, and also human skills, talents, education, creativity, and other embodied characteristics such as health. The definitions of these six follow in Table 1.

Table 1: The definitions of six forms of capital.

Human Capital: The embodied assets humans provide to the production process.

Social Capital: The working relationships between parties of all types and the trust among those who may partner together to undertake planned efforts such as the building of a commercial development.

Political Capital: This asset is one of access, influence, and control over resources managed by higher governmental units. For example, Manhattan was successful in leveraging local with state revenues to build better highways into and through the county and city.

Financial Capital: Any form of money that is used as a means to facilitate the production process. This includes cash and credit.

Engineered Capital: All things created by humans and used in the production process not accounted for elsewhere.

Natural Capital: Natural and environmental resources that have been transformed into inputs such as trees in a plantation.

Economic development is a process as well as an outcome. It takes all six types of capital to successfully implement a comprehensive economic development program. Economic development is driven by the private sector making profit driven decisions. National and state governmental decisions can cause change based on decisions to invest public money or disinvest in a region. The local elite often work together to maximize the value of their businesses and fix asset holdings such as land and buildings, newspapers and radio stations, retail and service businesses. This is the classic Growth Machine approach to area economic development (Flora et al., 2004). But, a community economic development process is a more inclusive, vision charged process with grassroots involvement.

Manhattan's program includes retention and expansion of existing business and industry using a visitation program, an annual business fair, and a small business counseling service. It includes firm creation using the intellectual property produced at Kansas State University. The community has strengthened the retail community through the attraction of big box retailers. *Retire to the Flint Hills* is a recruiting program for retirees. Also, the Chamber has a very successful Convention and Visitors Bureau.

In conclusion, communities go through a normal life cycle, but unlike humans, a community can revitalize rather than die. A good community is a place where everyone can readily acquire the means to pay for their basic needs while pursuing higher goals. The most important vital force determining the community's health is the economic life of the community, usually driven by the private sector. A comprehensive economic development process uses all five strategies and six forms of capital to support a prosperous place.

References

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Figure: 1

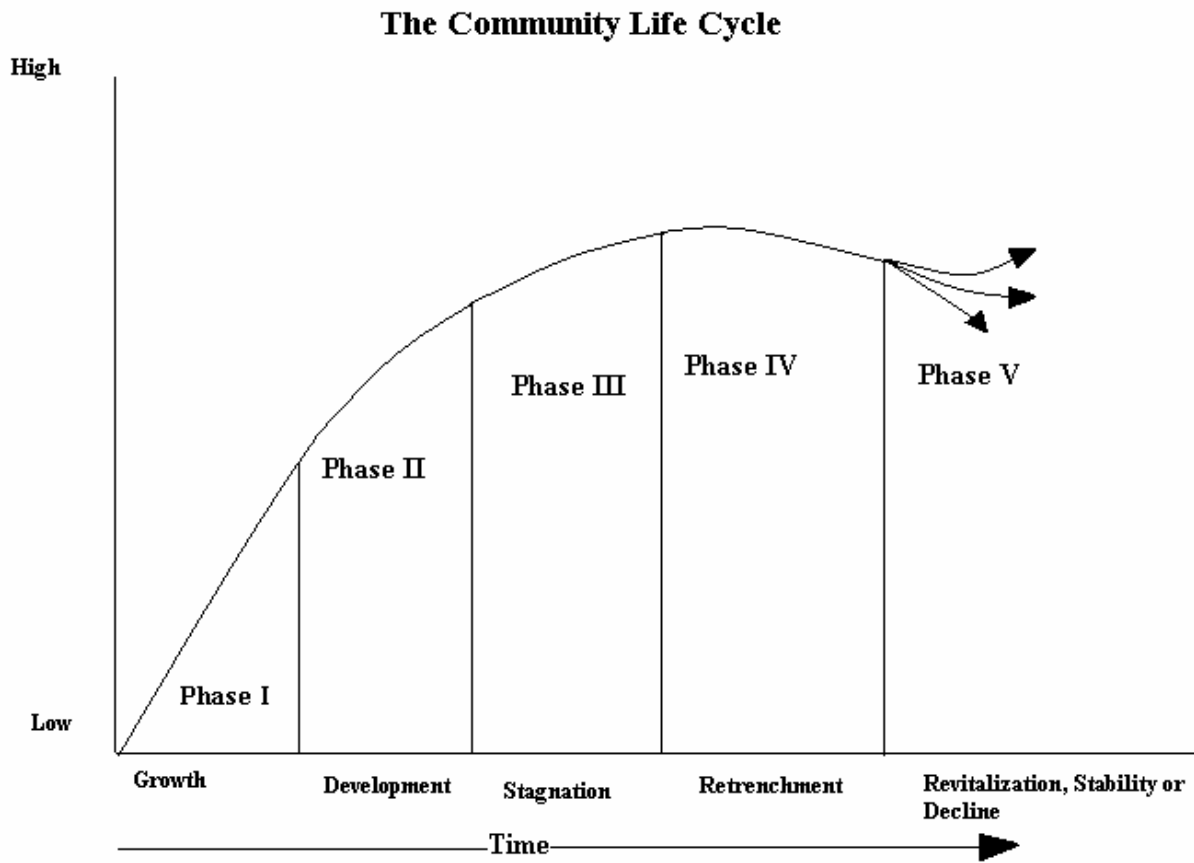
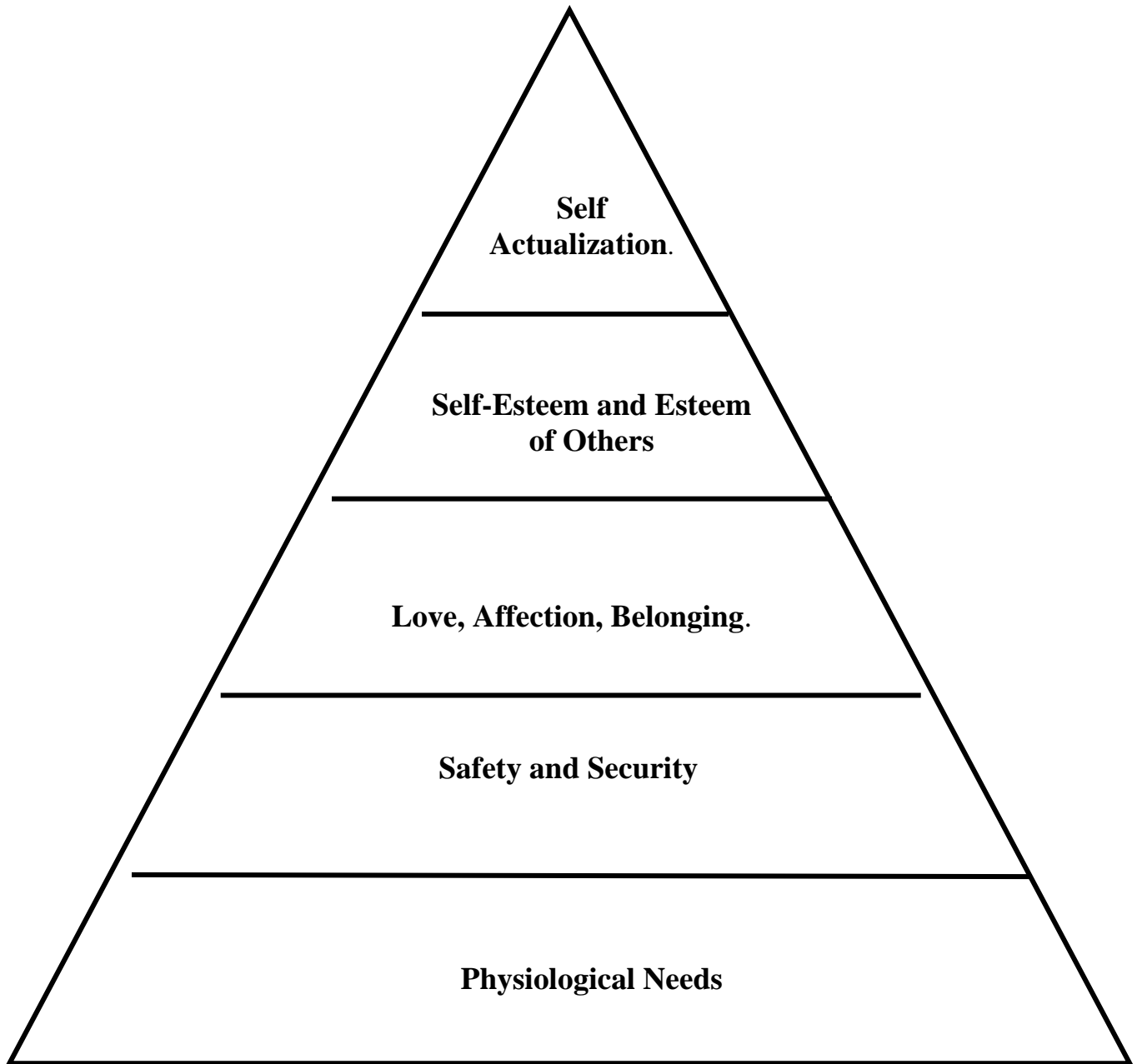


Figure: 2

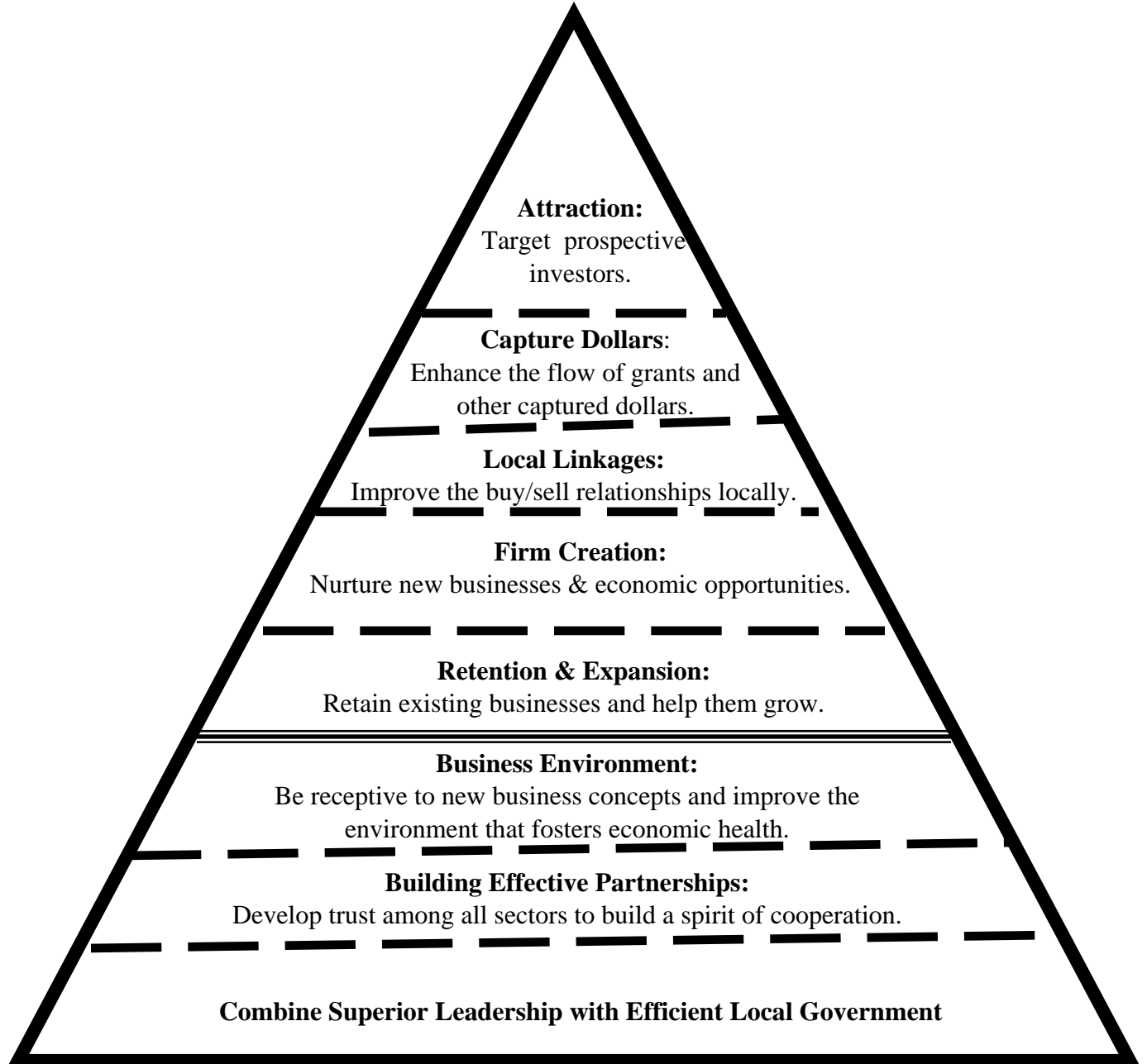
Abraham Maslow



Hierarchy of Needs

Figure: 3

Economic Development Pyramid



Start at the bottom. Build a firm foundation that will support a successful economy.