

Building Healthy Communities

Department of
Agricultural Economics



The Economic Development Pyramid Approach to Building Healthy Communities

Communities go through periods of prosperity and retrenchment. Some even disappear completely (Fitzgerald, 1988). Internal and external forces are always acting on places, even though local residents, prefer stability. At times, energy is flowing into the community and it is growing and developing. Rarely, however, do cities and towns experience stability because it is a temporary state. Therefore, stability is a stage in the community life cycle that is better characterized as stagnation. See Figure 1. *The Community Life Cycle* (Darling and Randel, 1996).

The challenge to community organizations — such as local governments, the economic development corporation, the Chamber of Commerce, the League of Women Voters, and other civic organizations — is to pursue a progressive agenda. Community organizations must successfully identify, address, and resolve key issues. Place prosperity, progress, and even survival depend on a consistent pattern of success.

The purpose of this publication is to present several useful concepts and examples for those who guide community efforts that are focused on building a more prosperous place for current and future residents.

A definition of a good community

The authors define a good place to live as: *A place where individuals and families can easily meet their basic needs, such as acquiring food, shelter, clothing, and health care within a safe environment. With these basic necessities met, people can then focus on more fulfilling aspirations. For example, loving parents will raise well-adjusted children, and responsible citizens will contribute to the success of their church, school, and local governments.* See Figure 2, Maslow's Hierarchy of Needs (Maslow, 1954).

The K-State Economic Development Pyramid

Community development starts with people who want to improve their lives and the situation surrounding their friends and neighbors. Assuming these activists are 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 and Snyder, 2003).

Working with local governments, superior leaders create new partnerships that build local capacities to resolve issues and enrich the business environment. Then economic development can be nurtured in a healthy business environment. Manhattan, Kansas will be used as an example of a city using all five strategies. The local Chamber of Commerce coordinates the economic development program for the city and county governments.

The first of five economic development strategies is to work with the existing employers and to help 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 Fort Riley. The private sector jobs are provided by the Kansas Farm Bureau, various manufacturers, and many retail, service, and construction firms. A goal is to help the area's private sector expand while not overlooking the importance of the public sector employers.

The second strategy is *firm creation*. Helping new businesses get started and become viable is a major task that can take many hours of time for business incubator staff. The National Institute for Strategic Technology and Commercialization in Manhattan has a mission of helping

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

Figure 1. *The Community Life Cycle.*

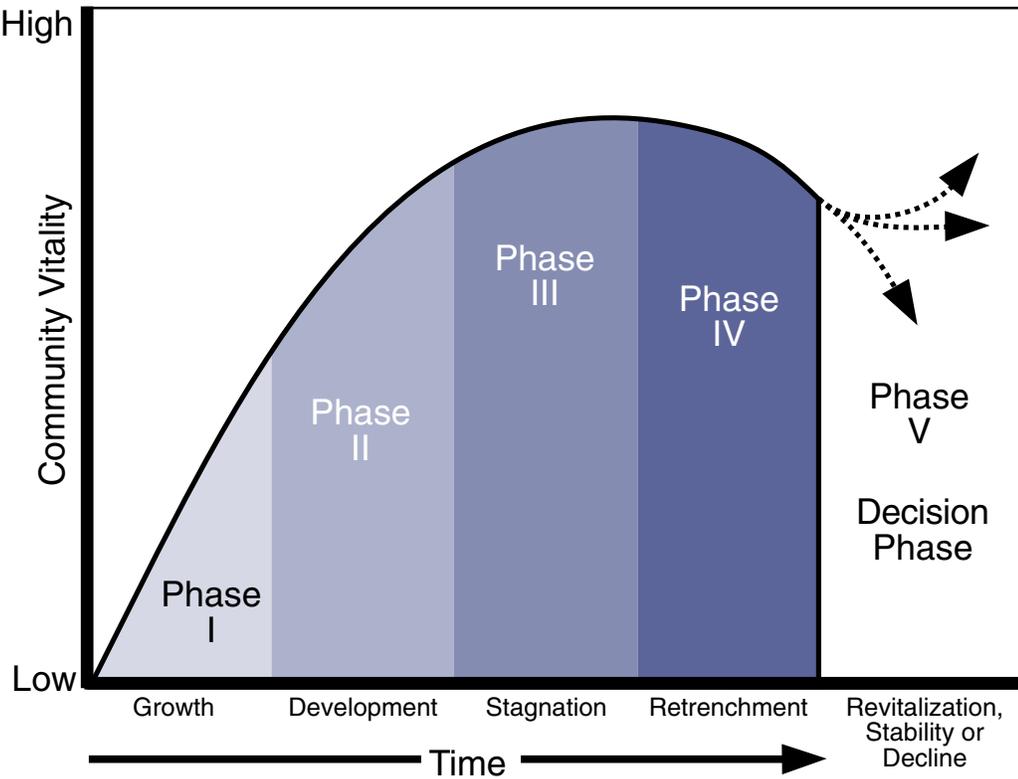
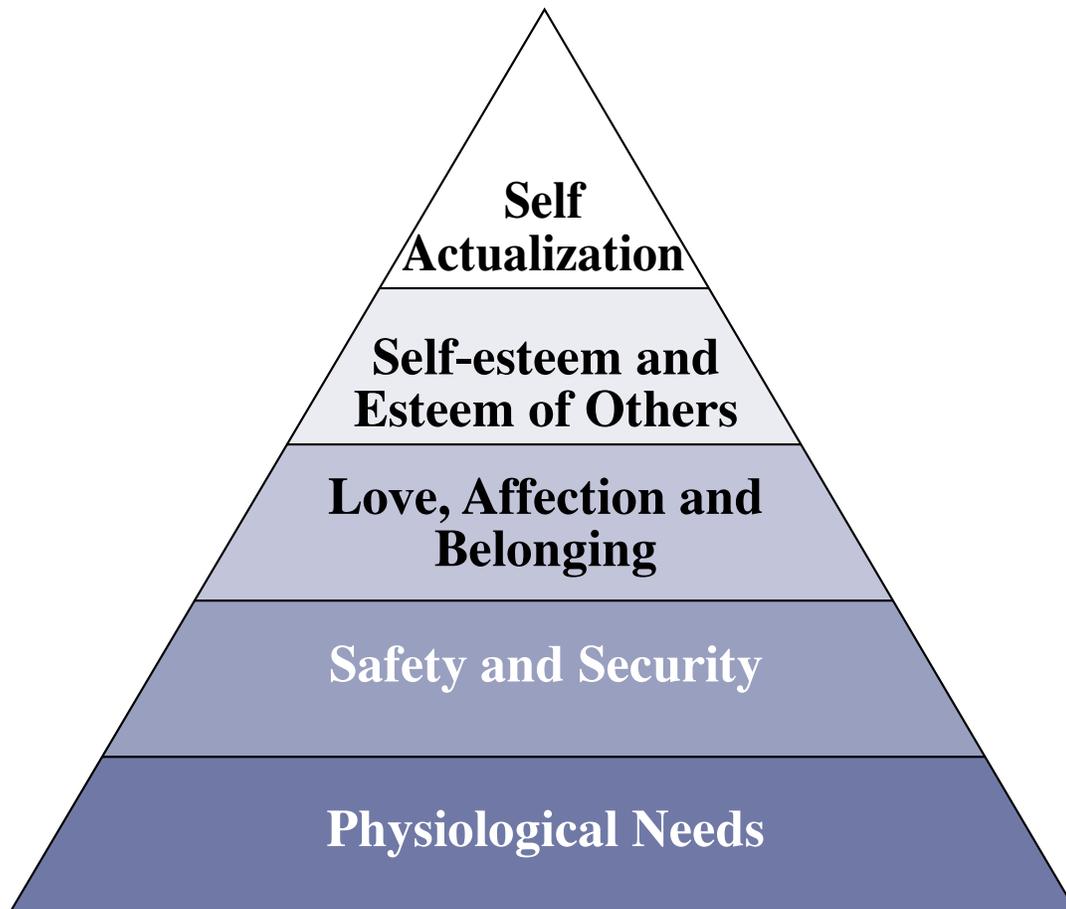


Figure 2. *Maslow's Hierarchy of Needs.*



new businesses form using existing intellectual property that has potential commercial value. The Kansas Small Business Center staff also assists start-up companies as well as advising existing ones.

The third strategy is *improving local linkages*. These linkages are between local buyers and sellers. The Manhattan Chamber of Commerce sponsors a business fair to promote local businesses. Web sites have been built to facilitate local business activity. This activity includes purchases made by area households in area businesses and purchases made between local businesses.

The fourth strategy is to *capture unearned income*. Unearned income originates from many places. Dollars are captured when senior citizens receive Social Security checks. These dollars are transfer payments. Dollars come in from interest, rents, and dividends on investments. These new dollars stimulate the local economy just as do export earnings. One difference is that captured dollars usually flow directly to households, while earned dollars flow through businesses. *Retire to the Flint Hills* is an example of a Manhattan Chamber of Commerce program to bring wealthy retired people to the area.

The fifth strategy is the *attraction of outsiders* interested in the community as a place to establish a new business. Cities also can attract

Figure 3. The Economic Development Pyramid



shoppers, retirees, tourists and other travelers. To attract attention the community has to be *attractive*. In the last 20 years Manhattan has built several industrial parks and upgraded the airport. It has widened the highways coming into town and built new recreational facilities and shopping districts.

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 usually driven by the private sector making profit-driven decisions. However, national and state governmental decisions can cause change

A Typology of Resources

In this publication, the resources that are used as inputs in the development process are divided into six categories that will 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 include land, buildings, machinery, labor, management and financial assets as inputs in the production process. But, this publication offers a more comprehensive and useful set of resources. For example human capital includes human time, and human skills, talents, education, creativity, and other embodied characteristics such as health. The definitions of these forms of capital are given 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 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. This is capital when invested.
- **Engineered Capital:** All things created by humans and used in the production process not accounted for elsewhere. This includes roads, bridges, buildings, organizations, and culture.
- **Natural Capital:** Natural and environmental resources that have been transformed into inputs, such as trees in a plantation and fish in a fish farm.

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 fixed asset holdings such as land and buildings, newspapers and radio stations, and retail and service businesses. This is the classic *Growth Machine* approach to area economic development (Flora et al., 2004). The last alternative approach is a *vision-charged civic 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 by Fortune 500 corporations and 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.

To summarize, communities go through a normal life cycle, but unlike humans, a community can be revitalized. A good community is a place where everyone can readily acquire the means to pay for their basic needs, while pursuing higher goals. The economic life is a crucial part of the community’s health. The private sector usually drives the economy. A comprehensive economic development process uses five strategies using six forms of capital to support a prosperous place for current and future residents (See Figure 4).

References

Darling, David L. and Gayla Randel. 1996. *Characteristics of Healthy Communities* in the series **Leadership for Healthy Communities** (MF-2064). Manhattan, KS: K-State Research and Extension.

Darling, David L., and Snyder, Gerry. 2003. *Community Economic Development: an Interactive Guide to Understanding your Community’s Economy* – Version 4 of a multimedia compact disk. Manhattan, KS: K-State Research and Extension.

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Maslow, Abraham. 1954. *Motivation and Personality*, 2nd ed. New York: Harper.

Appendix

Definition: Economic development is a process of accumulating all six forms of capital. These are used to support and enhance the production of products that improve the standard of living for the area’s residents.

Strategies: These five basic strategies are rank ordered from bottom to top. The first strategy is to assist existing businesses and industries and other employers.

Capitals: The six forms of capital are used by the private, public, and not-for-profit sectors as inputs in their production processes.

- Challenges:**
1. Do an environmental scan of current economic development programs.
 - Are all five strategies being used to maximize growth and development?
 2. Inventory all local assets using the six forms of capital.
 - Which capitals are being effectively used?
 - Which ones are underused?
 - Which ones are in short supply and need to be accumulated? (See Worksheet on Page 5.)

“The future belongs to those who can see and realize the beauty of their dreams,” stated Eleanor Roosevelt. Therefore, self actualization is living one’s dreams

Figure 4. Development Strategies using Six Forms of Capital.

Worksheet

Resources Strategies	Human Capital	Social Capital	Political Capital	Financial Capital	Engineered Capital	Natural Capital
Retention and Expansion						
Firm Creation						
Local Linkages						
Capture Dollars						
Attraction						

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Worksheet

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Publications

These publications are available on the World Wide Web at www.agecon.ksu.edu/ddarling/d2002/dhome.html or www.oznet.ksu.edu

- *Alternative Planning Procedures: Leadership for Healthy Communities*, MF-2122
- *Building Healthy Communities: Sustaining Progress*, MF-2563
- *Leadership for Healthy Communities: Building a Healthy Retail Community — Lessons from Little Giants in Kansas*, MF-2325
- *Leadership for Healthy Communities: Characteristics of Healthy Communities*, MF-2064
- *Leadership for Healthy Communities: Working with the Power Constituents in Communities*, MF-2225
- *Strategic Planning for Community Development*, L-830
- *Understanding Your Community's Economy*, L-775

Interactive CD

Community Economic Development: an Interactive Guide to Understanding your Community's Economy

To purchase this CD, contact Mary Winnie, Office Professional, Department of Agricultural Economics, Waters Hall, K-State, Manhattan, KS 66506: mwinnie@agecon.ksu.edu or 785-532-1505.

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