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INTRODUCTION

Rhonda Phillips and Terry L. Besser

The role of economic development in communities is multi-faceted, having an array of antecedents, impacts, and implications. This volume explores the relationships between economic development and community development, focusing on the aspects that impact communities such as social capital, participation, and business development. It discusses the need for more closely aligning the goals of community betterment and economic improvement and finding ways to enhance leadership and other resources. Both current contributions and "classics" are used to explore the evolution of the roles and relationships between these two kinds of development.

The chapters included here present several theoretical and applied perspectives of development. Most common among them are sustainable economic development and social capital theories. Utilizing these foundations and data from various sources, specific development strategies are suggested for improving community economic and quality of life outcomes.

THE RELATIONSHIP BETWEEN COMMUNITY DEVELOPMENT AND ECONOMIC DEVELOPMENT

Community development and economic development have both evolved from a wide variety of fields and perspectives. The need for both types of development and the attention paid to them through the years has increased, especially as economies decline and social systems are stressed. And while each is distinct, there is an overlap in the areas of community improvement and economic betterment that has given rise to approaches and practices of *community economic development*. In other words, this is economic development at the community level with a healthy dose of community development included.

We begin to explore these relationships by defining the key terms involved.

Phillips and Pittman provide a working definition of community development as the following:

> A *process*: developing and increasing the ability to act collectively, and an *outcome*: (1) taking collective action and (2) the result of that action for improvement in a community in any or all realms: physical, environmental, cultural, social, political, economic, etc. (2009, p. 6)

It is implied that capacity, commonly referred to as social capital, fuels the community development process, fostering desirable outcomes. A definition of social capital is:

> the extent to which members of a community can work together effectively to develop and sustain strong relationships, solve problems and make group decisions; and collaborate effectively to plan, set goals, and get things done. (Phillips & Pittman, 2009, p. 6)

Of course, there are other forms of capital that are important in community development. These include physical, financial, natural, and built resources as well as others. Emery and Flora describe "seven different components of community capital: natural, cultural, human, social, political, financial, and built capitals" (2006, p. 20). While all of these are important and even essential, without social capital it would be hard to actualize effective community development because it represents the capacity to get things done.

Community development has a rich history originating in late nineteenth-century social movements concerned with collective action and civil society and later reenergized by the social movements of the 1960s. These movements in the 1960s coupled with the leadership provided by development professionals and disciplines concerned with urban planning, policy, and rural sociology prompted thousands of community development corporations to emerge in response to the severe challenges facing urban communities as well as rural and small towns. The needs of the newly created community development corporations and the enthusiasm of practitioners and scholars alike led to the founding of the Community Development Society (CDS) in 1970 in North America. The goals of this society are expressed in its core Principles of Good Practice:

- Promote active and representative participation toward enabling all community members to meaningfully influence the decisions that affect their lives.
- Engage community members in learning about and understanding community issues, and the economic, social, environmental, political, psychological, and other impacts associated with alternative courses of action.
- Incorporate the diverse interests and cultures of the community in the community development process; and disengage from support of any effort that is likely to adversely affect the disadvantaged members of a community.
- Work actively to enhance the leadership capacity of community members, leaders, and groups within the community.
- Be open to using the full range of action strategies to work toward the long-term sustainability and well-being of the community. (CDS, 2012)

The International Association for Community Development (IACD), with members from across the globe, put forth their current strategic priorities as the following:

- Promote community development as a key method for addressing challenges, opportunities, and priority issues in rural and urban areas locally, regionally, and internationally.

- Facilitate quality practice exchange, education, training, research, and publications in support of practitioners, educators, researchers, policy analysts, activists, and other community workers and organizers.
- Engage practitioners, educators, researchers, policy analysts, activists, and other community workers and organizers at country and regional levels and thereby promote their community-based planning and development work. (IACD, 2012)

One can quickly see that the values of social justice, equity, and participation are central to the ethos of community development.

Let us now turn our attention to economic development. Economic development, as a practice and profession, grew from a focus on industrial recruitment. Modern practices of industrial recruitment in the U.S. originated in the twentieth century when southern states attempted to recruit northern manufacturers to move south. In the more recent past, myriad programs, strenuous efforts, and huge expenditures have been devoted to attracting companies to relocate or open in a particular community, county, or region. As just one of many examples, in September 2012 various Iowa government agencies agreed to provide approximately $240 million to an Egyptian fertilizer company to build a plant in southeast Iowa (Eller, 2012). Terry Branstad, Governor of Iowa, indicated that an additional $50 million in loans and grants was necessary to top Illinois' tax, grant, and loan package. The competition between locations to attract employers illustrated by this example has fostered what Gary Green and Anna Haines (2007) call the "race to the bottom."

The rationale for industrial recruitment activities can be found in two theories summarized here, economic base theory and market failure theory. The central premise of economic base theory is that development requires enticing external monies into the local or regional economy. Especially attractive are employers that provide products or services to be sold outside the community. These "exporters" will bring in more external monies resulting in a larger multiplier effect compared to other kinds of economic activity. According to this reasoning, the initial investment to lure an exporting employer will provide a greater return to the location than other kinds of economic investments.

The logic of economic base theory has been used to justify recruiting non-export-oriented employers as well. Even though the expected multiplier effect is lower, communities defend providing generous start up packages to retail firms (see Halebsky in Chapter 7) and prisons (see Besser and Hanson in Chapter 6) with the belief that new jobs of any kind will generate wealth for the area. Economic base theory has generated a host of tools and techniques to gauge and assess the strength of a local economy. These include location quotients, cluster/targeted industry, and shift-share analysis.

Another theory used to support the intense and expensive marketing efforts involved in industrial recruitment is market failure theory. Proponents of this theory maintain that the allocation of goods and services in the marketplace is not always efficient. The inaccessibility of information prevents an optimum match between those seeking to invest and build productive capacity and communities that represent a good location for that investment. Thus the marketing efforts of communities and states to recruit new employers is intended to remedy this market failing.

So, why hasn't industrial recruitment been more successful in generating new economic activity especially in rural areas? And even when a new employer is recruited to a location, too often the community at large, or significant sections of the community, do not gain economically. One of the reasons is that state and local governments have not always been successful at picking and choosing "winners" in which to invest. As Haughton describes, "years of experience have shown the futility of pouring large amounts of state and private sector investments into projects which lack a long-term, community-based perspective" (1999, p. 1). Yet this does not serve as a deterrent as states and localities (at least in the U.S.) continue to pump significant funds into industrial recruitment. Over the last decade, Michigan spent between $100 million and $250 million per year; in 2011, Florida spent $11 million, Indiana $37 million, and a major effort by Ohio surpassed them all: $1.4 billion proposed to be spent in one year (Cauchon, 2011). While not all this is for industrial recruitment, a significant portion appears to be; other spending plans include for new industrial parks, loan programs, and speculative industrial sites.

Despite state agencies' continued investment in industrial recruitment, many local governments and community leaders realize the difficulty of pursuing a finite number of corporate and employment opportunities. Consequently they have shifted their economic development efforts toward the creation of location-specific opportunities instead of relying predominately on recruiting external ones. Especially common are activities such as small business development, programs to encourage and support entrepreneurship, and local business retention and expansion efforts. The idea behind expanding the kinds of economic development strategies utilized is that it will take more than industrial recruitment to create wealth in communities and regions. Economic development should be goal-oriented change, not change for change's sake, and reflective of *development* instead of just economic growth (Shaffer, Deller, & Marcouiller, 2004, p. 4). The American Economic Development Council (now the International Economic Development Council) defined economic development along these lines nearly thirty years ago as:

> the process of creating wealth through the mobilization of human, financial, capital, physical and natural resources to generate marketable goods and services. The economic developer's role is to influence the process for the benefit of the community through expanding job opportunities and the tax base. (AEDC, 1984, p. 181)

What's missing from this definition? While the focus on wealth creation continues to be front and center, newer approaches include the need to consider quality of life dimensions as well. Rangarajan et al. elaborate this perspective, "When quality of life is viewed from an economic development perspective, it refers to the economic well-being of the region, the lifestyle that people lead, and the environment that a region has to offer" (2012, p. 321). Beauregard (1993) long ago pointed out that in economic development there is a tendency to lose sight of broader political and social issues impacting community quality of life. Rangarajan et al. and others have encouraged practitioners and scholars to expand definitions and indicators (both quantitative and qualitative) of economic development to include community well-being. This is very similar to the definition of community development, and we will soon see how the paths cross more explicitly.

The merging of economic and community development is evident among the new generation of economic development professionals who are as concerned about the quality of economic activity generated (i.e., the quality of jobs created) as the old generation was concerned about the quantity of jobs resulting from development efforts. The newer emphasis on quality as much as quantity is another reason for the focus on nurturing local and regional economic opportunities in addition to industrial recruitment strategies. Developing local economic opportunities requires programs to build local human and social capacities. The International Economic Development Council (IEDC), in its 2010 report *Creating Quality Jobs, Transforming the Economic Development Landscape*, urges inclusion of quality into the economic development equation, insisting that high quality jobs equate to higher quality workforce and community welfare. They provide the following advice: "The goal for economic developers is to provide opportunities across a spectrum of skill levels and industries to build advancement into a community's economic structure (IEDC, 2010, p. 6). Further, they state that an economic development approach encouraging support for both creating quality jobs and improving jobs already in the community "is more likely to provide broadly distributed benefits to individuals, society and the economy" (p. 9).

"Broadly distributed benefits?" The overlap between economic and community development is becoming even more apparent. It is this wider interpretation and inclusion of additional factors and considerations that holds the promise of moving economic development toward a more beneficial practice aimed at fostering improved quality of life. Blair explained several decades ago that economic development, while focusing on production, consumption, and other resource allocation issues "should not lose sight of the fact that local economic development is part of a larger process of community development" (1995, p. 15). Some definitions have gone so far as to include environmental and social dimensions, bringing them close to what is considered to be "sustainable development." Others describe community economic development as a holistic approach connecting capacity-building processes and outcomes of community development with those of economic development to achieve desired economic, social, and environmental goals (Haughton, 1999; Phillips & Pittman, 2009). Conceptions of community economic development continue to evolve. For example, an explanation of community economic development from the recent past provides a more typical or expected emphasis on approaches to the practice and shows how conceptions are shifting:

> We maintain that community economic development occurs when people in a community analyze the economic conditions of that community, determine its economic needs and unfulfilled opportunities, decide what can be done to improve economic conditions in that community, and then move to achieve agreed upon economic goals and objectives. (Shaffer, Deller, & Marcouiller, 2006, p. 61)

A newer definition incorporates both concepts of sustainable development and social equity, reflecting a broader or more holistic approach:

> Community economic development, and its values and practices, are indeed important strategies to help forge a stronger base for addressing key challenges going forward such as (1) development that protects the environment while opening opportunities for the poor to build wealth and opportunity, and (2) assisting in the larger project of strengthening the economic competiveness of cities and regions. (Anglin, 2011, p. xx)

This leads us to a definition of community economic development, which we agree is a merging of aspects of the fields of community development and economic development, implying practice aimed at community betterment and economic improvement at the local level, preferably encompassing sustainable development approaches.

THEORY AND PRACTICE OVERVIEWS: COMMUNITY ECONOMIC DEVELOPMENT

We will now utilize the contributions of the authors of the chapters in this volume to summarize the salient theories of community economic development practice. A particularly appropriate place to begin the summary is with Shaffer's classic overview of sustainable development. Ron Shaffer was the founding director of the University of Wisconsin's Center for Community Economic Development and a director of the National Rural Economic Development Institute—his continuing influence on the theory and practice of community economic development is profound. Shaffer's focus on sustainability was innovative and slightly controversial in 1995 when this article was published. As he described, *sustainable community economic development is about changing perceptions and choices regarding community resources, markets, rules, and decision-making capacity.* He was among the first to focus on the importance of capacity, and building that capacity for community improvement. He proposed four main elements in designing sustainable economic development programs—decision making, resources, markets, and rules. Dykeman (1990) provides a definition of sustainable community economic development included in this chapter—it has much relevance for practice twenty years later. Shaffer has provided an excellent discussion on the theory behind sustainable development and community economic development, including pointing out the role of Schumpeter's creative destruction. The chart of paradigm shifts illustrates how the practice and precepts of community economic development have moved from traditional viewpoints to a more inclusive one incorporating sustainability.

In Chapter 3, Bradshaw and Winn expand Shaffer's view of sustainable development by adding ecological factors into the sustainability equation. Ted Bradshaw was the former editor of *Community Development*; his legacy of community development work continues to inspire developers and community leaders. Bradshaw and Winn introduce the concept of the third wave economic development. By this they mean those economic development strategies aimed at reducing incentives and shifting emphasis from firm-based programs to broader regional programs, especially leadership, information, and brokering—[as] the essential tools by which states can establish their industrial policies … These policies are based on extensive strategic planning, public-private partnerships, foundations of technology, human resources and capital, and the development of strategic industrial clusters. (Bradshaw & Blakely, 1999, p. 229)

The authors advance the recommendation that sustainable development must meet the needs of businesses, helping them grow into viable long-term generators of wealth and economic vitality while minimizing or reversing long-term damage to the environment from economic activity. They point out that economic development and ecological sustainability are not incompatible and illustrate this position with examples of gleaners, do-gooders, and balers. A do-gooder is defined as someone who serves as a "watchdog of public welfare who evokes collective guilt over the extent of consumption that goes with affluence," while "balers, people making housing out of stacked and plastered bales of straw, are examples of the viability of sustainable technology in industries in which ecological alternatives are viewed with both suspicion and hostility." Gleaners are those who gather recyclable materials throughout both the urban and the rural environments. Their agenda for realizing sustainable development concludes this chapter.

Chapter 4 presents another framework for envisioning the interrelationship between community development and economic development. Building on work by Phillips and Pittman (2009), Pittman et al. point out the need to bring in social capital theory. The framework centers on the idea that community development increases the capacity of a community to act, which in turn builds social capital, defined as the extent to which members of a community can work together effectively to develop and sustain strong relationships, solve problems and make group decisions, and collaborate effectively to plan, set goals, and achieve accomplishments (Phillips & Pittman, 2009). Social capital is positively associated with community educational levels, better access to high quality medical care, and cultural amenities, often referred to as quality of life features. It is also noted for its ability to mobilize resources for economic development. Both of these relate to community economic development outcomes—quality and quantity of jobs and wealth creation. The economic development outcomes are positively associated with community capacity-building, completing the reciprocal cycle of community and economic development. Pittman et al. provide empirical evidence supporting this logic by analyzing data from surveys of community and economic development professionals in Louisiana.

Crowe, in Chapter 5, compares how different kinds of community capitals, natural, built, social, and human, contribute to implementing economic development strategies. Using key informant interviews in seven rural towns in Washington and Oregon, Crowe concluded that human capital was not important to either industrial recruitment or self-development outcomes. She utilized the Flora et al., 1992 definition of self-development as "activities fostering local businesses and other entrepreneurial activities along with relying on local resources to aid in development from within the community," with examples including "revitalizing downtown businesses, promoting local tourism, and retaining or expanding locally owned businesses." Towns that had implemented the most industrial recruitment strategies were high on at least two of the three capitals—social capital, natural capital, or built capital. Communities with high or moderate levels of both natural capital and social capital implemented a moderate number of self-development projects. This further supports the theory of social capital as applied to community economic development practice.

In contrast to traditional style industrial recruitment, Chapter 6 by Besser and Hanson and Chapter 7 by Halebsky examine how new kinds of industrial recruitment strategies affect community economic outcomes. Besser and Hanson provide a different slant on industrial recruitment by considering the outcomes of rural towns' successful efforts to attract new prisons. Rural towns with new state prisons built between 1990 and 2000 were worse off in 2000 compared to their situation in 1990 than matched small towns without new state prisons. New prison towns had higher poverty rates, higher unemployment rates, fewer total jobs, lower household wages, fewer housing units, and lower median value of housing in 2000 when 1990 population and economic indicators are controlled. Clearly the economic development strategy of attracting a new prison did not provide economic benefits for small towns, at least in the short term.

Halebsky addresses the impact of chain retail stores on community economies with a case study. Rural communities may not actively recruit chain stores and in many cases they actively discourage them. But past studies provide little evidence about the economic impact on the community of chain stores (non-local owners) vs. locally owned stores. The author contends that although the retail sector often receives little respect from economic developers and scholars due to its suspected low multiplier effect, it is valuable to local economies because it provides jobs, wealth, and income for owners, goods and services for locals, and tax revenue, and is a purchaser of local services and goods. To ascertain the "multiplier effect" of locally owned retail firms, Halebsky develops an indicator which he calls retails' "unique contribution." This indicator measures the extent to which profit is retained in the community and goods and services (especially financial and producer services) are purchased locally. In this case, the unique contribution of local ownership amounts to 14 percent of retail revenue or $42 million annually. Both chapters demonstrate the weakness of industrial recruitment strategies and further illustrate the need to move toward a more inclusive and broader conceptualization of economic development.

SUGGESTIONS FOR IMPROVING COMMUNITY ECONOMIC DEVELOPMENT

Several chapters suggest ways in which community economic development can be improved. In Chapter 8, Muske and Woods focus specifically on techniques for improving self-development strategies. Their research examined the microbusiness sector (for profit enterprises with fewer than 10 employees) to determine the elements important for business success. The authors argued that this sector is important for community economic vitality because these businesses provide jobs, income for owners, and sales tax revenue. The business owners in this study reported that their main needs are for help with financing, marketing, financial reporting, general record-keeping, and government regulations.

Sullivan's Chapter 9 and Bessant's Chapter 10 present a more comprehensive approach suggesting that broader resident participation and additional resources are imperative for generating effective community economic development. Sullivan argues that broad resident involvement is essential to effective community economic development efforts. He uses prior research to document the value of having citizen participation. Because economic development agencies handle public money and often have direct access to city powers such as condemnation power, it is imperative that their activities be transparent and reflect citizens' interests and welfare. Sullivan then concludes that city officials and business leaders are heavily involved in economic development agency functions, but private citizens are not. One of the reasons is that many economic development organizations do not have any private citizens on their boards and do not publically advertise their meetings or have open meetings.

In the final chapter, Bessant examines how Manitoba communities balance the goals of community development and economic development as manifested in the structure and goals of the local agency charged with these functions. Theoretically, community development corporations are local self-help entities organized to promote location-specific economic and social betterment. They are intended to be broadly inclusive and reflect local objectives and needs. Bessant found that most of the local organizations focus their efforts largely on business and economic development even though they have a broader community development mandate. In effect, they have become community economic development organizations instead of community development organizations. Although Bessant concludes that the development organizations include representatives from a broad array of community sectors, they admit that city officials, chamber officers, and business leaders constitute the majority of board members. This supports Sullivan's findings about low private citizen participation in community economic development. Shortages of leadership, finances, knowledge, and expertise were identified as limiting the capacity of small town community development organizations. He recommends more closely aligning the goals of community betterment and economic improvement in these organizations and finding ways to enhance leadership and other resources.

DIRECTIONS FOR FUTURE RESEARCH

The contributions in this book suggest several substantive areas that would benefit from future research, and as a group, the chapters reveal places where methodological triangulation would strengthen and advance our understanding of this subject. We list these suggestions below. We believe that pursuing these suggestions will assist the field of community economic development to continue to be a valuable resource for communities as they face ever-changing challenges to their economic vitality and quality of life.

1. Theoretical and empirical explorations specifically on the role of amenity development in rural community economic and quality of life outcomes.
2. Updated research comparing economic and quality of life outcomes of sustainable development approaches, industrial recruitment, and self-development.
3. Comparisons of communities with high resident participation in community economic development to those with less involvement. What are the consequences for economic and quality of life outcomes?
4. More case studies and large sample examinations to provide best practices examples.
5. Continued exploration of quality of life dimensions for addressing these aspects of community economic development processes and outcomes, using both quantitative and qualitative study approaches.

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ACHIEVING SUSTAINABLE ECONOMIC DEVELOPMENT IN COMMUNITIES

By Ron Shaffer

ABSTRACT

The options available for communities to work toward sustainable community economic development are explored through four fundamental elements of community economic development theory. Sustainable community economic development is about changing perceptions and choices regarding community resources, markets, rules, and decision-making capacity. The idea of new knowledge and reframing issues is offered as a method to create new options. The dimensions of time, space, marginalized social-economic groups, and dynamic economies broaden the concept of sustainable development beyond the more traditional physical-biological definition.

INTRODUCTION

Community developers are increasingly struggling with fundamental questions about whether their efforts will have continuing impact and not unintentionally foreclose future options for community residents. The idea of sustainability is advanced to capture this struggle. While the concept of sustainability is influenced substantially by one's values, this paper uses four fundamental elements of community economic development theory to explore the options available for communities to work toward sustainable community economic development.

Sustainable community economic development is about changing perceptions and choices regarding community resources, markets, rules, and decision-making capacity. The idea of integrating new knowledge and reframing issues is a method to create new options. By understanding these forces, the community improves its capacity to manipulate them to the community's advantage. The dimensions of time, space, marginalized social-economic groups, and dynamic economies broaden the concept of sustainable development beyond the more traditional physical-biological definition. The balance of the paper explores the substantial shift in our conceptualization of development, and the necessary

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Ron Shaffer is Professor of Agricultural Economics and Community Development Economist, University of Wisconsin–Madison/Extension. An earlier version of this paper was shared at the International Conference on Issues Affecting Rural Communities, Townsville, QLD Australia, July 14, 1994.