



MU Guide

The Elements of Economic Development

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The creation of capacity

More communities have come to realize that change is inevitable and they are establishing economic development programs to help them manage that change.

At a time when the industrial revolution has given way to the information age, a good economic development program will help a community remain "tuned in" to the world. It can help business and industry to be more productive and also contribute to the community's overall viability. Accomplishing this takes a program that is broad-based and long-term.

Traditionally, economic development programs have concentrated on one activity, such as industrial recruitment, working hard to put the necessary pieces in place and then stepping back to count the jobs created.

Although many communities have experienced short-term success, many find that very little has actually improved in the long run. The quality of life in the community seems incomplete; the level of discontent grows, politically and socially, and everyone in town seems to be looking for a new answer.

Alternately, an economic development program that addresses a range of conditions and possibilities will have a lasting impact on the community.

Since we look at work differently now compared to 25 years ago, we need to redefine the focus of our economic development programs. No longer is it appropriate to define economic development only in terms of jobs. With concepts such as flex-time, job-sharing and transitional placement becoming part of the work world, obviously a new focus is needed.

Defining economic development as a process of increasing the capacity of a community allows us to expand the possibilities of our programs. Broad-based, comprehensive programs are more likely to meet the community's long-term, unique needs than are those which rely on only one strategy.

In the final analysis, economic development is not just the creation of jobs, but is the capacity created in

a community to identify and use resources for long-term growth.

Resource analysis

Economic development is a part of community development. A good economic development program begins with an analysis of local resources, both human and material.

No two communities start development programs from the same place, simply because every community's resources are different. One might have higher job skill levels. Another might be a regional trade center. A third might be located near an interstate. All of them require different strategies.

Economic development is not a precise science in the traditional sense – its focus must involve the whole community.

Five basic objectives

Good economic development programs are built around five basic objectives. Specific strategies vary from town to town, but a good program will address all five.

Make existing employers more competitive

Many professionals feel this is the most cost-effective approach to economic development because it emphasizes holding on to what a community already has. Improved profitability could also mean business expansion. Some strategies include establishing job training programs, providing business counseling and helping firms improve their marketing skills. These strategies help local business "tune in" to the changing world.

Encourage new employers

Strategies associated with this objective strive to create new enterprises which serve local markets or those outside the community. The essence of entrepreneurship is the development of new prod-

ucts for manufacturing or the creation of innovative services not presently available. New businesses that add value to local resources or products may be created.

Capture more local dollars

Many of the dollars that come into a community leave just as quickly, in lost retail sales, taxes paid to higher governments, and purchases of services and supplies elsewhere.

For example, up to 20 percent of a community's income leaves town to pay energy costs. A housing weatherization program could succeed in putting a large chunk of that back into community pockets. Programs that encourage institutions to purchase goods and services locally is another effective strategy for capturing the local dollar.

Attract new employers

Recruiting businesses and industries that are looking to move or expand into new locations is an important part of an overall economic development program. Effectively targeting industries can help a community diversify, raise income levels and fill voids. Enticing a manufacturer to locate in a community may involve the use of tax credits or infrastructure improvements.

Access outside sources of capital

Retirees bring with them resources that may spur activity throughout the community. Transfer payments are an important source of income throughout the state.

In addition, the array of programs and services available from federal and state governments and other public sector agencies increase a small community's opportunity to grow.

Quality of life

Many communities find that increasing capacity is not just a quantitative goal, but a qualitative ideal. It may be more important to increase the skills of current employees than to increase the number of low-skill jobs. A good economic development program will use all the resources within a community: economic, cultural and social.

Indeed, a community's sense of "self" and "vision" are essential resources and a broad-based economic development program will evolve from its unique values and traditions. Grassroots organizations and volunteers are extremely important to the economic developer trying to foster change.

Every community views its "capacity" differently and each should judge itself by the quality of what it has. And then judge its future the same way.