

What is Rural Economic Development?

Developing Rural Scholars Guest Lecture

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AGRICULTURAL ECONOMICS

- 1 What is Economic Development?
- 2 How is *Rural* Economic Development Different?
- 3 Community Capitals Framework
- 4 Approaching Economic Development as a Rural Scholar



What is Economic Development?

- Two parts:
 - **Economic:** something to do with money and scarce resources
 - **Development:** something to do with improving things
- Two ways to think about development:
 - **Positive:** how the world *is* (or *was*)
 - **Normative:** how the world *ought* to be
- How we approach economic development depends largely on our preference for dealing with *is* versus *ought*. The latter is inherently a matter of **values**.
- Growth and development are not the same thing!
 - **Growth:** a *quantitative* increase: more jobs, more stuff, more income
 - **Development:** a *qualitative* increase: better jobs, better quality of life, etc.



Economic vs. Community Development

- Community development is about **setting the table** for success.
- A necessary—but not sufficient—condition for economic development to occur
- While distinct activities, it is best to think of them together. Thus, **community economic development** is a holistic process aimed at:
 - enhancing economic opportunities for community residents
 - fostering the economic, social, civic, and cultural well-being of the community
- One without the other → unhealthy economy
- **Goals include:** revitalize communities, build wealth, encourage entrepreneurship, create jobs, develop or rehabilitate affordable housing, promote sustainability, attract investments



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Economic Developers: What Do They Actually Do?

- **Academic:**

- **Theorist** – understanding how growth and development take place
- **Analyst** – understanding how various inputs work (or don't work) to generate desired economic outcomes
- **Educator** – helping others understand!
- **Ivory tower dweller** – the academic aspect of economic development is often conducted a great distance from practice (not the case with Extension!)

- **Professional:**

- **Salesperson** – knowing how to initiate projects and close a deal
- **Honest Broker** – making the connection between the community and other businesses/workers while being transparent about strengths and weaknesses
- **Library of Information** – store the institutional knowledge required to maximize the probability of success (really *knowing* your community)
- **Planner** – work with community to decide which opportunities to pursue, how to pursue them, and how to make the community a more attractive option for businesses and workers (community development)



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What Makes Rural Different?

- **The obvious:**
 - rural areas are small
 - they're less densely populated
 - they're closely linked with extractive economic activity (agriculture, mining, tourism)
 - they usually operate with a smaller administrative budget
- **Less obvious:**
 - starting a business involves less bureaucratic “red tape”
 - industry diversity (the number of sectors that a region specializes in) is relatively low
 - for business owners, some costs are higher; many are lower
- There are inherent trade-offs between the benefits of metropolitan vs. rural: it might be much easier to “get things done” in a smaller community with fewer administrative hurdles, but it is also much harder to *pay* for basic improvements in smaller towns.



What Makes Rural More Challenging?

- Agglomeration is more efficient!
- Density leads to:
 - Lower costs for materials (input sharing)
 - Easier search for workers (labor pooling)
 - Learning from each other's mistakes (knowledge spillover)
- Businesses must weigh the pros and cons of a given rural “market area” in terms of its size and density (**more ground to cover + fewer people to serve**)



Solving the Problem

What the Textbook Says

- **First Wave:** industrial recruitment through financial incentives (often referred to as “smokestack chasing”)
- **Second Wave:** sought to overcome the “zero sum” nature of first wave, focusing instead on retaining and expanding *existing* firms (small business and entrepreneurial development)
- **Third Wave:** focus on shaping the community into a place worth investing in (community development), specifically focusing on quality of life and quality of the workforce
- **Fourth Wave:** shift in focus toward environmental & ecological sustainability, social equity, and public participation

Rural places may not have the luxury of focusing on the newest wave(s) of economic development. McAlester, OK does not share the same set of assets as New York City or even Oklahoma City!



Solving the Problem

Rural Placemaking as a Low-Cost Strategy

- Placemaking involves efforts to rejuvenate a community's look and feel by shaping the built environment around the community's culture, heritage, and symbolic meanings.
- Downtown is the “living room” of a community. When a guest walks into your house, how do they form their first impression?
- The quality of your town's Walmart reflects back on Walmart. But like it or not, the quality of your town's central business district reflects back on... your town.
- Placemaking alone does not create jobs, but it helps “clean the living room” of your community, transforming it into a place worth investing in.
- Turns an “anywhere” into a “somewhere”
- Placemaking is an investment in community capital (especially built and cultural capital)



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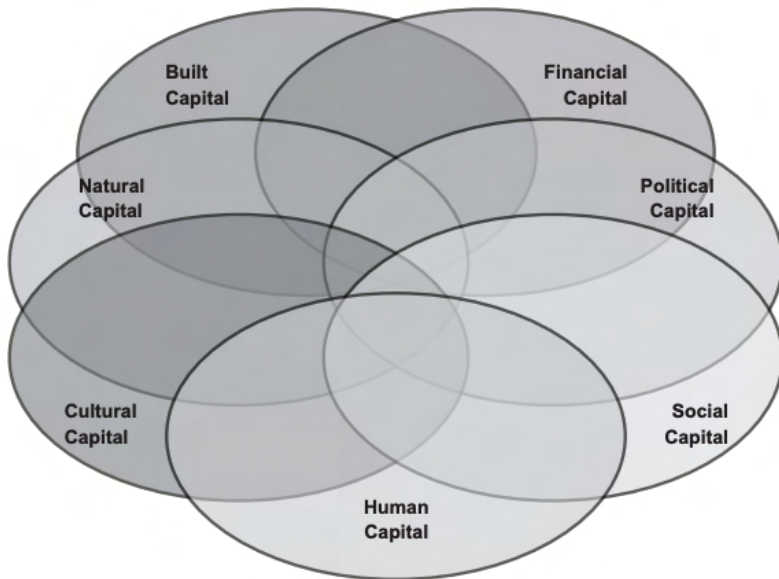


Community Capitals Framework

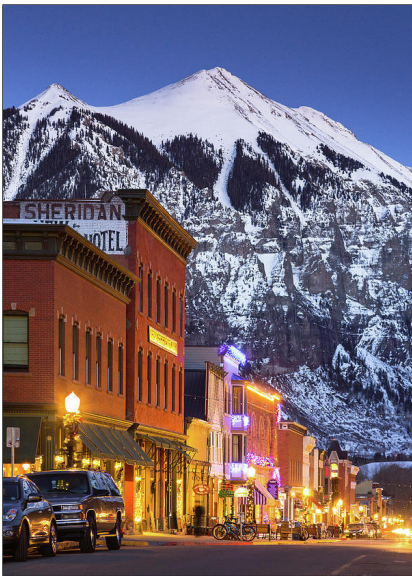
- “Offers a way to analyze community and economic development efforts from a systems perspective by identifying the assets in each capital (stock), the types of capital invested (flow), the interaction among the capitals, and the resulting impacts across capitals” (Flora et al., 2005).
 - natural capital
 - cultural capital
 - human capital
 - social capital
 - political capital
 - financial capital
 - built capital
- Each type of capital has been theorized and studied long before the “community capitals framework,” but rural sociologists Flora & Flora were the first to combine them all and study them in terms of **systems**.



Community Capitals Framework



Natural Capital



- Assets that are located in a particular geographic place, not man-made
- **Examples:** weather, geographic isolation, natural resources/amenities, and natural beauty
- Subject to residents & visitors' preferences ("beauty" is subjective)
- Natural capital is not always a positive asset: aspects of the natural environment are key enablers or constraints of how the built environment was developed



Cultural Capital



- Traditions and customs that are unique to a given place or community (often shaped by its natural capital)
- **Examples:** language, food, artistic & creative expression, heritage, celebrations
- Unique culture can be an attractive feature of a community, yet culture can also isolate or repel potential visitors



Human Capital



- The skills, experience, and knowledge of those within a community (Becker, 1964), as well as the capacity of those institutions that contribute to *increases* in local skills, experience, and knowledge.
- People can invest in their own human capital (public and higher education); firms can invest in the human capital of their workers (training, etc.)
- Public health and cultural norms (such as loyalty and punctuality) both play a significant role in the value of human capital, as sick/injured or lazy workers are not as productive.



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Social Capital



- Social capital is the glue—the relationships among people who live and work in a particular society—that holds civic life together (Putnam, 2001)
- **The strength of weak ties:**
 - *Strong ties:* close friends typically move in the same circles as us...thus, their information “overlaps considerably with what we already know.”
 - *Weak ties:* our mere acquaintances receive more novel information because they interact with different circles (Granovetter, 1973).
- Entrepreneurs require social capital in order to fulfill their vision or business ventures; economic developers can help them tap into relevant networks.

Political Capital



- Access to and reputation with larger political “players” such as higher level (county, state, or federal) elected officials or bureaucrats
- Political capital also refers to the ability of people to “find their own voice and to engage” in the civic sphere
- Government is geographically defined: spending needs to happen *somewhere*. Places with political capital usually happen to find themselves as beneficiaries of federal expenditures.



Financial Capital



- Financial resources available to invest in business creation, support civic & social entrepreneurship, and
- Interacts with social capital to help match entrepreneurs with willing investors (the “character loan” of old)
- Also consists of a communities capacity to raise funds for necessary local expenditures, such as infrastructure improvements and other economic development strategies



Built Capital

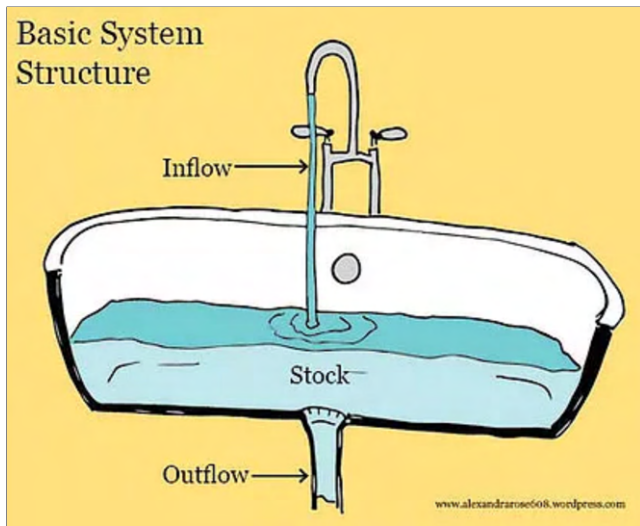


- Simply refers to the built environment of the community
- **Examples:** housing stock, infrastructure, telecommunications and utilities, buildings
- Three key dimensions
 - **Functionality:** how well does it work? will it need replacing soon?
 - **Distinctiveness:** does it look identical to other nearby communities?
 - **Sense of Place:** are the buildings, landmarks, and infrastructure integrated neatly into the urban fabric? do streetscapes they provide pedestrians with a sense of “completeness” or enclosure?



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Stock & Flow of Community Capitals



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Takeaways

Approaching Economic Development as a Rural Scholar

- **Growth** is not the same as **development**. Growth involves “is,” while development involves “ought.”
- Think: does this work in **theory**, but not in **practice**? Be aware between the academic-practitioner gap.
- **Community development** is part of economic development, but not all economic development is community development.
- Be comfortable with **trade-offs**. You can't have it all, so you must decide what is best.
- Start from **where you are**—i.e, what assets do you have to work with?—and then move toward **where you want to be**—i.e, what assets would you like to cultivate?



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Discussion Questions

- How and when should we decide between “is” and “ought” as rural scholars?
- Why should farmers care about the vitality of the off-farm economy?
- Should we actually treat rural and urban economies differently? How might the distinction be useful? How might it be irrelevant?
- How should we think about the trade-off between broad economic development strategies (tax incentives, industrial recruitment, etc.) and simpler approaches like rural placemaking?
- Why is the bathtub a useful metaphor for thinking about rural community capitals?



Thank You!

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