What Makes for a Resilient Community?

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**DID REGIONAL ECONOMIC DIVERSITY INFLUENCE THE EFFECTS OF THE GREAT RECESSION?**

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Using data for U.S. counties from 2003 to 2012, we test whether higher levels of economic diversification moderated the effects of the Great Recession via four measures of stability. Spatial spillover effects are modeled by the use of the spatial Durbin estimator with heterogeneous errors. The data generally support the central hypothesis that higher levels of diversity within a county are associated with enhanced employment stability across all counties as well as subunits of metro and nonmetro counties. Results for wage stability, however, appear to contradict our other findings. We suggest that underlying labor instability can bridge these apparent contradictory results. (JEL R11, R12, R47)

1. **INTRODUCTION**

The last extended economic recession, which officially started in the United States in December (1985) and others (e.g., Chiang 2009, Haust and Shoven 1994; Siegel, Johnson, and Ahning 1997, Yellen 2008), hypothesized that a more spatially diversified economy will experience less economic instability...
How “hard” is the economic impact of the shock?

How “fast” does the economy recover from the shock?

Does the economy rebound to pre-shock levels?

Does the economy rebound stronger?
A Systems Thinking Approach to Community Economic Development

What are the assets available to the community?

What assets are strength that the community can build upon?

What assets are deficient that need investments?
Vibrant Communities:

- Resilient
- Entrepreneurial
- Innovative
- Forward not backward looking
**Human capital**: The skills and abilities of people, education, problem solving abilities, critical thinking.

Human capital also addresses leadership’s ability to “lead across differences,” to focus on assets, to be inclusive and participatory, and to be proactive in shaping the future of the community or group.
**Financial capital**: The financial resources available to invest in community capacity building, to underwrite businesses development, to support civic and social entrepreneurship, and to accumulate wealth for future community development.
**Built capital**: The infrastructure that supports the community, such as telecommunications (e.g., broadband), industrial parks, main streets, water and sewer systems, roads, etc.

Built capital is often a focus of community development efforts. Why? Tangible, easy to “see” the investments.
Natural capital:

Those assets that abide in a location, including resources (land), amenities and natural beauty.

Extractive vs Non-Extractive uses of natural capital.
Social capital: Reflects the connections among people and organizations, networks that enable the flow of information.

Bonding social capital refers to those close ties that build community cohesion.

Bridging social capital involves weak ties that create and maintain bridges among organizations and communities.
**Cultural Capital**: Reflects the way people “know the world” and how to act within it.

Cultural capital includes the dynamics of who we know and feel comfortable with, what heritages are valued.

Cultural capital influences what voices are heard and listened to.

Cultural capital speaks to norms of acceptable behavior.
Political capital: The ability to influence standards, rules, regulations and their enforcement. It reflects access to power and power brokers, such as access to a local office of a member of Congress, access to local, county, state, or tribal government officials, or leverage with a regional company.
Based on the research on economic growth, stability and resilience suggests that all these Community Capitals matter.

But two elements stand out:

- Economic Diversity
- Social Capital
Human capital:

- Invest in local K12
- Early childhood education
- Ensure access to secondary education opportunities (broadband?)
- Professional development opportunities for local businesses
- Foster “boomerang” migration
Financial capital:

- Ensure bankers actively involved in community economic development efforts
- Creation of a local credit union
- Community supported revolving loan fund for local businesses
- Network of local “angel investors” to help local businesses.
- Networked into state/federal financing programs
- Housing assistant programs
Social capital:

- Create networking opportunities for small business owners and those interested in starting a business
- Encourage community engagement of social organizations, including religious congregations
- Be open and receptive to new comers to the community
- Encourage volunteerism
- Encourage active participation in local government activities
Cultural capital:

- Celebrate the history of the community
- Strive toward embracing diversity and consider ethnic celebrations
- Organize cultural events such as arts fairs, farmers markets and “music in the park”
- Sponsor local performing arts groups
- Celebrate entrepreneurial activity
- Support after school clubs and activities
- Have a fully funded capital improvement plan to maintain public infrastructure
- Invest in community beautification activities (e.g., streetscaping)
- Invest in broadband (wireless)
- Invest in recreational activities such as parks, bike-walking paths, public tennis courts and/or ice rinks
- Encourage historic preservation
- Low cost housing improvement loans
**Political capital**:

- Encourage younger residents to run for public office
- Enhance levels of volunteerism and the pool of informal leaders
- Make regular connections with representative from higher units of government
- Form multi-jurisdictional agreements to improve services
- Use social media to better connect local government with local citizens
Natural capital:

- Adopt comprehensive planning to protect important natural resources
- Invest in non-extractive uses of natural resource such as river walks, bike-walking trails, parks
- Set aside land for future developments
- Work to ensure that extractive uses (e.g., farming, forestry, mining) of natural resources do not conflict with non-extractive uses
Community economic development efforts should be:

- Bottom-up involving a wide range of citizen involvement
- Take a long-term view and avoid looking for the “magic bullet”
- Strategies can range from the complex (e.g., creating a credit union) to the simplistic (e.g., hosting music in the park events)
- Take a pro-active approach and avoid “putting out fires”
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