Choosing Economic Goals for Your Community

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service establishments and establish new ones. Stemming the flow of money in this way and establishing stronger economic bonds inside the community can result in a healthier local economy.

7. Decrease Absentee Ownership. Absentee ownership occurs when nonresidents control resources in a community. The results can be decisions made for the benefit of the absentee owner which have a negative impact on the local community. For example, if a prominent piece of commercial real estate is allowed to deteriorate because the absentee owner wishes to maximize his cash flow from the property, the visual impact may ruin the attractiveness of a whole city block of buildings. Also, profits and rents from absentee-owned businesses may be transferred out of the local economy.

Outside interests often strive to minimize property tax levies. Important services such as police and fire protection may suffer. Finally, revitalization efforts or other improvement efforts can be thwarted if absentee property owners of commercial real estate refuse to cooperate.

A potential conflict between this goal and a goal of expanding the economic base may occur if community leaders choose to attract branch plants of large companies. However, if leaders choose to promote the development and expansion of locally owned industries this goal complements the other.

8. Increase the Proportion of Local Income Invested Locally. Most investments are made by local citizens. The ratio between local income and investment is an indicator of how optimistic people are about the future of their community. Banks, savings and loan companies and other financial firms control the use of local savings. Ideally, all their loanable funds should be committed to finance local investment. If less than 25 percent of available loanable funds are loaned for local commercial and industrial purposes a community’s growth may be stifled. Local leaders should meet with the board of directors of each financial institution periodically to assess where local savings are being reinvested.

9. Improve the Economic Efficiency of Local Resource Use. Any community has a number of resources which presently may be underutilized. These may be human, land, building, or institutions such as schools. Putting these resources to work more productively increases the welfare of society. Retired people with skills are often happy to contribute to training younger people or by helping repair homes, appliances, and other items. A school building can often be made the center of community activity when schools are not in session. A vacant lot may be turned into a playground. Older, shabby buildings can be torn down and replaced with new businesses that furnish new jobs, more taxable property, and an improved appearance of a block.

10. Insulate the Economy from Big Seasonal and Business Cycle Swings. Wide variation in economic activity can hurt a community. An "secure" environment for commercial and residential investment results. The population often changes radically as a result of the shifts in economic activity, and the end product is a deteriorating quality of life. One solution is new industry that balances the older industry’s cyclical activity. Thus, in a town where the economy is tied to an automotive goods manufacturing base, a new industry that expands as the auto industry contracts might be brought in. Also, community leaders can look for ways to stabilize their economy by finding productive uses for local human and physical resources that run in a counter-cyclical manner to established business and industry.

11. Expand Opportunities for the Young and Low-Income Workers. This goal is actually a socioeconomic one which comes under the broader goal of economic justice. When the level of unemployment rises this group of workers is the first to suffer. They lack experience, seniority and skills. Yet they are often the ones who most need job opportunities. Without these possibilities locally the young will move away, and the poor will lose hope.

A new manufacturing plant opening, however, is not always a means to reaching this goal. In rural areas manufacturing firms pay the highest wages and thus can attract the better skilled people in the rural labor force. Consequently, opportunities for the poorly educated worker and the inexperienced youth may remain scarce. However, in a tight labor market where unemployment is below 4 percent, any able-bodied person willing to work can find a job.

ECONOMIC GOALS FOR YOUR COMMUNITY

1. Increase the Number of Jobs

2. Raise Per Capita Income

3. Expand the Economic Base

4. Increase the Tax Base

5. Change the Population Size and Composition

6. Increase the Proportion of Local Income Spent Locally

7. Decrease Absentee Ownership

8. Increase the Proportion of Local Income Invested Locally

9. Improve the Economic Efficiency of Local Resource Use

10. Insulate the Economy From Big Seasonal and Business Cycle Swings

11. Expand Opportunities for the Young and Low-Income Workers

This is only a partial list of the specific economic goals which may be worth pursuing. It can lead community leaders to think about which goals are important and how they should be prioritized. After goals have been set, then it is time to consider the alternative ways to achieve them.

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In 1974 an average of 96.4 percent of total bank loans in the U.S. were lent to commercial and industrial clients.
Broad Goals
Three fairly well accepted goals for a community are growth, stability, and economic justice.

Growth means expansion of the economy. This occurs when more jobs are created. Per capita income, work force, and local businesses sell more goods and services and people invest in their community.

Stability refers to the leveling out of the economic activity or the recovery from an economic decline. This occurs when outmigration steps as more jobs and new income become available as local resources are put to work more productively. When new businesses employ people in slack periods and established businesses expand the permanent work force it results in more economic stability.

Economic justice involves equity. In some communities there is a distinct class structure. Children of some economic classes may be deprived of an equal opportunity to succeed because of the way other classes allocate resources. Equity and justice require the breakdown of this class stratification and the creation of more equal economic opportunities and a chance for increased upward mobility. Expansion of the economic base and change in the control of local resources may be necessary in order to achieve these ends.

Unfortunately, solving one problem often leads to another. Consider, for example, the three goals simultaneously are seldom possible. There are trade-offs among the goals and levels of achievement. Growth means change, and change means instability. As an example, consider the community that becomes temporary host to a huge construction crew building a power plant—first, a “boom” could occur during construction and then a “bust” as the power plant finally goes into operation with a small crew.

Specific Goals
Each of the eleven goals is defined, and some of the potential conflicts and complementarities with other goals are presented. Alternative ways of reaching these goals are also mentioned.

1. Increase the Number of Jobs. The goal of more jobs is stated more frequently than any other. More jobs can bring about higher per capita income, expansion of opportunities for young and low-income people, and a decrease in the number of families with low incomes. A high unemployment rate is the most obvious indicator of a community’s need for more jobs, but a higher proportion of an area’s work force commuting to other communities could also signal a possible problem. A low percentage of adults participating in the work force is perhaps another indicator, and a low prevailing wage rate suggests that competition for labor is weak.

If a community succeeds in expanding the number of jobs it may experience job displacements and sometimes unpleasant surprises along with, or without, the expected benefits. It may find that the new jobs are taken by outsiders; local unemployed people who lack skills often are not the ones who secure the new jobs. A new employer may bid up the prevailing wage, raising costs to established businesses. Car dealerships, garages and similar enterprises may lose business if the number of commuters to other communities lessens because jobs become available locally.

2. Raise Per Capita Income. The average income per resident of a geographical area often is used as the most important indicator of economic well-being. In 1976 the median household after tax income in Indiana was about $14,298.

New sources of income can come in the form of new jobs, higher prices for products already being produced locally, or new ways to use existing resources. Thus, pursuing a goal of more jobs can bring about higher per capita income, but there are alternative ways to attain this goal.

A possible negative impact from sudden, dramatic increases in the income level of a community is an unequal distribution widening the gap between the “haves” and “have nots.” Another negative impact can be a sharp increase in the prices of rentals, houses, and other necessities, leading to an increase in the cost of living. The cause of such a rise can be too many dollars chasing too few goods. This is termed demand pull inflation.

3. Expand the Economic Base. The “economic base” of a community is that group of industries which produce a good or a service which is marketed to customers outside the area. These industries bring new dollars into the local economy. All other nonbasic industries circulate these dollars within the local economy. Often community leaders will set a goal of expanding their economic base so that more outside dollars will flow into the area. Three alternatives are available to do this: bring in new industry, expand existing industry, or develop new industry locally.

A good indicator of the need to expand a community’s economic base is the commuting patterns of the working population. If your community is exporting workers every morning in order to bring back new income on payday, this goal should be considered.

Other complementary goals are to increase the number of jobs, raise per capita income and increase the tax base.

4. Increase the Tax Base. To raise the assessed valuation of property in the taxing district, community leaders are looking for new investment, often from interested parties outside the community. Bringing in a branch plant of a national company is a commonly recognized means to attain this goal along with the three preceding ones. However, many states are legislating away the incentive to attract new basic industries. Property tax revenues have been temporarily frozen in Indiana, and in Wisconsin even major new investments such as power plants do not raise property tax income to local governments. Instead, shared state tax revenue has become the major source of new revenue to local governments.

Where local property tax revenue decisions are still made locally, one possible alternative to industrialization is a community revitalization effort. The method for a successful revitalization that attracts new residents. Then, as the housing market becomes more competitive for buyers, values will increase, people will invest in more home improvements, new houses will be built, population will grow, and commercial development will be stimulated. Such chain reactions have occurred in towns in Indiana where assessed valuation has risen dramatically.

5. Change the Population Size and Composition. The rural to urban migration in the United States is now diminishing. Instead, many rural areas are experiencing population growth for the first time in fifty years. Another migration trend has been the movement of people from the northeast and midwest to the U.S. south, southwest and far west. Both these trends have implications for what will happen to population size and composition of individual communities.

For some, their only alternative is to let population shrink. The result is an older population, a dwindling number of working age families, and an exodus of the brightest and the most aggressive youth. Other communities may try to stem the tide or even increase their population. A community that achieves population stability may also achieve stability in population composition. However, a growing population usually creates economic problems as new families arrive demanding more school education services, recreation facilities, modem sewage and water systems, that older residents established residents, and perhaps a different life style.

6. Increase the Proportion of Local Income Spent Locally. Household spending patterns influence the number, size and diversity of nonbasic businesses located in a community. Ideally, a community should retain most of its residents’ spendable income. However, many small towns near cities of 25,000 or more population have become satellites of the larger communities. Shopping patterns have changed. Shopping centers strategically located on the periphery of the bigger cities entice customers away from the small-town retailers. The dollars then flow from rural areas to urban ones.

Depending upon location, a community may be able to stem this flow. A civic group like the Chamber of Commerce can determine what and why people buy outside of their community. Then, using this information, they can take action to improve existing retail and