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To cite this article: Shanna Ratner & Deborah Markley (2014) Rural wealth creation as a sustainable economic development strategy: introduction to the special issue, *Community Development*, 45:5, 435-442, DOI: [10.1080/15575330.2014.951375](https://doi.org/10.1080/15575330.2014.951375)

To link to this article: <https://doi.org/10.1080/15575330.2014.951375>



Published online: 06 Dec 2014.



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## Rural wealth creation as a sustainable economic development strategy: introduction to the special issue

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Many rural areas in the United States find themselves struggling to build local assets and create wealth. They often struggle to hold on to the wealth that is created within their boundaries. Conventional approaches to community and economic development have been inadequate to reverse these trends. Shifting from an old paradigm for economic development requires supporting community leaders in new ways of thinking about economic development and the role of rural places, based on valuing multiple forms of wealth. There is a real need for an approach that can help stem the potential loss of existing wealth and attract new investment that will allow rural areas to become valued partners in regional economies. The articles in this special issue provide important insights into rural wealth creation as a sustainable economic development strategy. At the same time, a number of compelling issues are raised that merit future research effort and discussion.

**Keywords:** rural economic development; rural community development; marginalized communities

### The rural economic development context

Many rural areas in the United States find themselves struggling to build local assets and create wealth. They struggle to create economic activity on a par with their urban and suburban counterparts. The post-Great Recession rebound in employment experienced by both rural (nonmetro) and urban (metro) counties has now stagnated in non-metro America with no net employment growth in 2012 and early 2013 (Kusmin, 2013). The earnings gap and higher rates of poverty and persistent poverty in rural vs. urban areas are increasingly permanent features of the rural landscape (Kusmin, 2013).

Rural areas also struggle to hold on to the wealth that is created within their boundaries. Historically, rural regions of the United States have been viewed primarily as a source of raw materials (e.g. food, fiber, water, renewable, and non-renewable energy), culture (e.g. crafts, indigenous food products, inventions), and labor to support an urbanizing economy. A study of rural–urban connections in Central Appalachia found that income generated by the less diverse economies of the rural peripheries does not “stick”, but rather “flows” to the urban core or beyond (Dabson, Johnson, Miller, & Robinson, 2009). The flows out of urban cores to rural peripheries are much less. Investments in the urban core are unlikely to spill over into the rural peripheries; the benefits will tend to stay in the core. These flows exacerbate conditions in economically isolated rural communities.

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Conventional approaches to economic and community development have been inadequate to reverse these trends. Economic development has become largely synonymous with business attraction and job creation. When development is equated with a simple count of jobs, important societal considerations (e.g. who gets the jobs, under what working conditions, and at what wage levels) are not often well considered. Likewise, negative impacts associated with the jobs or the business, such as a rise in crime or property values that push out long-time homeowners, increased pollution and congestion, over-dependence on public services, crowding out of locally owned businesses, or reduction in locally driven entrepreneurial activity are left out of the decision. Similarly, little or no attention is given to how long the jobs last, and whether the people who get the jobs are able to save and invest enough to make them more secure over the long term. Jobs that are attracted are, by definition, mobile jobs that are not inherently tied to place. When jobs do flow to rural areas, as is the case with unconventional gas extraction, rural communities are rarely in a position to control or direct the impacts of those jobs on their environment, health, and well-being (Brown, Weber, & Wojan, 2013).

In spite of the emphasis on job creation as the goal of economic development efforts, both rural and urban areas struggle to create the jobs necessary to ensure broad-based prosperity. Only 63% of the US working-age population 16 and over was in the labor force as of June 2014 (U.S. Census Bureau, 2014). The labor force is the actual number of people available for work. The percentage of the US working-age population that was actually employed was even lower, only 59% (down from nearly 65% in 2000). Additional research shows that the declining unemployment rate seen in rural counties is the result of declining participation rates, rather than expanded employment opportunities (Kusmin, 2013).

Conventional economic development is focused on job creation, while most community development practice is focused on increasing the capacity of community residents “to work toward the long-term sustainability and well being of the community,” as described in the Community Development Society’s Principles of Good Practice (Community Development Society, 2014). Although economic considerations are part of the strategic decision-making, the focus of community development has generally not been to explore the role of the market, market forces, and the private sector as part of the solution set. Yet, it is the intersection of community and economic development principles and practices that offers fertile ground for a discussion about wealth building in rural America.

This discussion about rural wealth creation as a sustainable economic development strategy is timely. The World Commission on Development defines sustainable development as that which meets today’s needs without compromising future generations’ ability to meet their own needs (World Commission on Development, 1987). Today, rural communities with aging populations are facing an enormous potential loss of wealth as current generations retire or pass on, often closing businesses and leaving their assets to heirs who reside outside rural areas. At the same time, America has never needed vibrant rural areas more than it does now. Rural areas can responsibly provide the nation with many valuable goods and services, such as renewable energy of many types, energy-efficient housing, food that is healthy and affordable, open spaces and recreational opportunities, ecosystem services and carbon offsets, forest products, a healthy and well-trained decentralized labor force, and other innovative products and services that embody a range of values from social justice to environmental sustainability. However, meeting the growing demand for sustainably produced local and regional food products, renewable (and non-renewable) energy, clean water, clean air, environmental

services such as carbon sequestration to slow the impacts of climate change, and providing educational, recreational, and cultural opportunities to urban populations requires strong, resilient rural communities. This moment of both crisis and opportunity could give rise to innovation and renewal.

Shifting from an old paradigm for economic development requires supporting community leaders in new ways of thinking about economic development and the role of rural places and people, based on valuing multiple forms of wealth. There is a real need for an approach that can help stem the potential loss of existing wealth and attract new investment that will allow rural areas to become valued partners in regional economies. What is needed is a systems approach to the development of communities and economies that explicitly connects economic, social, and environmental opportunities and impacts. Such an intentional approach will help to promote a more equitable distribution of income and financial wealth, and to improve and increase the other forms of capital required for economic revitalization and sustainable livelihoods.

### **A framework for wealth-based development**

Since early 2008, the Ford Foundation has been supporting the exploration of a wealth creation framework for rural economic development with a set of place-based partners. A separate effort to look at wealth creation has been led by researchers at the US Department of Agriculture's Economic Research Service (ERS). Together in 2011, Ford and ERS co-convoked a national conference on wealth creation and rural livelihoods that sought to address these issues in a cross-cutting way, bringing researchers, place-based practitioners, policy-makers, and funders together to share knowledge and learning about wealth creation principles, practices, and policies. This special issue of *Community Development* is one outgrowth of the strong interest in rural wealth creation as an economic development strategy identified through the conference.

The Ford Foundation-funded initiative provides a framework for creating wealth that is rooted in rural regions – including those of persistent poverty – using a systems approach to intentionally connect people, resources, and markets; to engender investments that create multiple forms of wealth; and to develop new models of local ownership and control (Levy & Wyckoff, 2014). This wealth-based framework for economic development provides a bridge between community and economic development approaches, utilizing the skills of community organizers and community builders as well as economic developers in new ways. This framework has been tested in Central Appalachia since 2010, the Lower Rio Grande Valley since 2011, and the Deep South since 2012 by a variety of place-based community and economic development non-profit organizations.

This framework for rural development recognizes that jobs are not “created” in a vacuum but instead result from investments in innovation, infrastructure, skills, human and environmental health, and the capacity to change regulations and resource allocations to respond to a changing world. Jobs result from new relationships that create new economic opportunities. This framework aims for inclusive, sustainable development based on the following assumptions:

- Wealth, broadly defined, is the foundation of prosperity, not just income.
- Poor places and people will stay poor unless they are connected to larger economies.

- Poor people and places have assets which, if properly developed, can contribute to larger regional economies.
- The economy does better as a whole when more people are doing better.

Three primary components comprise the framework: (1) focus on eight forms of wealth plus ownership and control of the wealth that is created; (2) use of demand-driven wealth creation value chains to engage and transform market systems; and (3) use of measures to gage wealth-building impact over time (Ratner & Allen, 2013; Ratner & Markley, 2014).

### **Wealth**

Defining wealth broadly encourages a diverse (and often unconventional) range of partners to participate in development efforts, as long as those efforts clearly demonstrate a positive impact on the type (or types) of wealth that matters most to them. Consistent with existing practice focused on community capitals, the wealth creation framework defines wealth to include intellectual, individual, social, built, natural, cultural, political, and financial capital (Table 1). All these capitals must be healthy and capable of producing a sustainable “income” stream (whether in dollars or in kind) to create and

Table 1. Defining wealth.

Form of Capital	Definition
Intellectual capital	The stock of knowledge, creativity, or imagination in a region. Investments in intellectual capital can take the form of investments in research and development, the arts, and introduction of new ideas.
Individual capital	The stock of skills and physical and mental healthiness of people. Investments that can impact individual capital can take the form of training, apprenticeships, improved housing, nutrition, exercise options, etc.
Social capital	The stock of trust, relationships, and networks that support civil society. Social capital investments are those that build trust among like-minded individuals and groups and also among those with different values, roles, or life experiences.
Built capital	All fully functioning constructed infrastructure. Investing in retrofits, renewable energy options, hoop houses, packaging equipment, and irrigation systems are all examples of investments in built capital.
Natural capital	The stock of unimpaired environmental assets (e.g. air, water, land, flora, fauna). Investments in environmental restoration, clean-up, and protection of existing systems are all examples of investments in natural capital.
Cultural capital	The stock of practices that reflect values and identity rooted in place, class, and/or ethnicity. Cultural capital shapes the ways in which the other forms of capital are defined in any given place or by any given group. Cultural capital can be shaped through investments in other forms of capital, for example, investments in social capital through festivals or in intellectual and individual capital through passing on craft skills or languages.
Political capital	The stock of power and goodwill held by individuals, groups, or organizations that can be held, spent, or shared to influence resource allocation decisions. Political capital is grounded in social capital. Investments in political capital build the relationships needed to influence key decisions, which in turn open up new opportunities for wealth creation at scale.
Financial capital	The stock of unencumbered monetary assets that is available to save or invest in other forms of capital.

sustain a resilient economy. There are many ways to build and maintain eight forms of wealth individually; however, practitioners are still just beginning to learn how to build them all without undermining any one to build another.

### ***Wealth-building value chains***

A wealth-building value chain is a coordinated network of people, businesses, organizations, and agencies that addresses a market opportunity to meet demand for specific products or services, each advancing individual/organizational self-interest while together building rooted local and regional wealth. Wealth-building value chains include buyers, transactional partners (those who are involved in actually producing and delivering the good or service), support partners (who provide services to transactional partners and/or buyers that enable the value chain to function effectively), and investors (those who may or may not be buyers, transactional partners, or support partners, but who have self-interest in a fully functioning value chain).

One of the significant differences between this framework and conventional approaches to economic development is that it is demand-driven; value-chain opportunities are assessed in light of their value to specific buyers and for how much they can contribute to building locally or regionally owned and controlled wealth. Both assessments must be positive to justify further investment. Instead of beginning with what is present and asking how it can be pushed to the market, a demand-driven framework seeks first to understand what the market needs and wants and why, and then how appropriate investments in the assets of a place (i.e. community and region) can come together to meet the market demand and provide a tangible return on investment. Thinking first about the needs, desires, and challenges faced by specific buyers helps shape a value chain that is truly demand-driven and forges relationships that can continue to respond to market changes in a timely manner. This framework promotes lasting livelihoods and allows rural regions that are currently economically marginalized to reposition themselves as valued partners, worthy of investment, that provide goods and services essential to regional well-being.

### **Lessons from research and practice**

Many lessons have been learned from the application of this wealth-building framework, and some of those lessons are reflected in the articles included in this special issue. Perhaps, the most important lesson learned to date, and the one addressed by all the articles contained in this special issue, is the critical role of the value-chain coordinator or intermediary in this work. Wealth-building value chains do not self-organize; intentional coordination is essential. In “Facilitating community wealth building: understanding the roles played and capacities needed by coordinating institutions,” Lyons and Wyckoff build on literature related to supply chain coordination, entrepreneurship, and social entrepreneurship, augmented by focus group discussions with wealth-creating value-chain coordinators, to identify and define seven roles of a wealth-creating value-chain coordinator and eight skills required to perform those roles well.

According to Lyons and Wyckoff, coordinators must be the keepers of the values of the value chain, in particular the focus on benefitting economically marginalized people and places and creating multiple forms of wealth accompanied by ownership structures that root wealth in place. They must also bring resources together both inside and outside the chain, and be stewards of the value chain, as well as innovators, mediators,

communicators, and researchers. Finally, the coordinator must hold the big picture of the value chain, including all the players and the systems that influence it. The coordinator must be able to identify gaps, bottlenecks, and underutilized resources and develop wealth-building strategies to address them.

The categories of skills required to be an effective coordinator are similar to those required by effective entrepreneurs; only instead of informing a single enterprise, value-chain coordinators use their skills to bring multiple enterprises, as well as buyers, support partners, and investors, into alignment to meet market demand. These skills include personal development, interpersonal skills, communication skills, knowledge of the specific sector in which the value chain operates, credibility, and accountability. In addition, the coordinator must be able to see the big picture and innovate, using past experience to inform new approaches. Existing literature offers little or no guidance as to the skill set required for effective value-chain coordination. This article contributes to the field by not only identifying the relevant skill set, but by comparing it to previous research related to the skills required by entrepreneurs and social entrepreneurs. The importance of focusing on wealth, broadly defined, is reinforced.

In the article "Socioeconomic development in an ultra-peripheral European region: the role of a food regulatory council as a social anchor," Alonso examines the role of a food regulatory council on the Spanish island of La Palma in the Canary Islands, a very rural setting, through the lens of social anchor theory. Food regulatory councils maintain quality control and ensure compliance with regulations for food producers. The author's research suggests that to be effective as conduits for food regulations and quality assurance, food regulatory councils must also be actively engaged in training (creation of individual capital), public education with respect to local food traditions (creation of intellectual capital), strengthening connections among producers and between producers and buyers (creation of social capital), becoming a place where controversial issues can be discussed and resolved (creation of both social and intellectual capital), and providing producers with a common voice to use in addressing the problems and challenges of the sector (creation of political capital).

The author concludes that regulatory councils can fulfill the roles of social anchors and thereby contribute to rural wealth through the creation of bridging (to market) and bonding (among producers) social capital. When food regulatory councils succeed in connecting producers to markets, and educating consumers regarding the unique characteristics of local products, they strengthen the identity and recognition of local foods and elevate the image of the producing region. Each of these contributions helps to create a foundation for lasting livelihoods.

The wealth-building, coordination, and other roles played by the food regulatory councils suggest that they could be considered value-chain coordinators as well as social anchors. The author concludes that if more stakeholders were aware of the importance of building multiple forms of wealth to the success of regulatory councils, a more intentional approach could contribute even more to socioeconomic and community development in rural areas.

The vehicle of a value chain is not the only way to create and maintain wealth for the benefit of economically marginalized rural people and places. In the article "Community forests as a wealth creation strategy for rural communities," Lyman, Grimm, and Evans illustrate the contribution of six community forests across northern New England in the United States to community wealth building. Community forests are tracts of forestland that are owned by local governments (or other entities) on behalf of communities. They are created and managed through participatory and collaborative processes,

provide multiple benefits and value to the communities, and permanently protect the conservation values of the land.

The authors find that capital is both preserved and created through acquisition and management. Preserved capital is primarily natural, while acquisition and management create financial capital (timber revenues), social capital (trust, cooperation, new capacity, and associations), intellectual capital (new knowledge), individual capital (jobs), and built capital (trails, recreation facilities, campgrounds).

Even though a community forest is not, by itself, a value chain, it can, in fact, contribute to a variety of value chains, whether they are in timber products, recreation, or municipal water supply. Even without a focus on value-chain creation, a community forest that is well managed by a local government or its designee has the potential to increase the stock of local wealth available to contribute to community vitality and a variety of economic endeavors. The authors suggest that there needs to be “a critical mass of capacity, leadership, and interest by people in communities in order to begin and complete a project.”

Investments in community forests have heretofore been viewed primarily through the lens of environmental conservation. The authors suggest that a better understanding of the ways in which local ownership and control of community forests build multiple forms of wealth could open up new forms of support for community forestry as a tool for community and economic development as well.

### **Contributions and opportunities for additional research**

The field of wealth-based development as defined here is still emerging and there is a great deal to learn. Articles in this special issue contribute insights into the roles and skill requirements for successful coordinators of wealth-based value chains, the potential for different types of organizations such as regulatory councils to act in the capacity of coordinators, and the potential for community-owned assets such as community forests to generate community wealth.

The articles contributed by Alfonso and by Lyman, Grimm, and Evans suggest that a wealth-based development framework can generate new insights into the types of returns that are measurable and impactful in rural communities. These two articles also suggest that the role of the coordinator can be played by governmental or quasi-governmental organizations with a specific focus on place-based development.

Lyons and Wyckoff help us understand the roles and skills of a coordinator; more work is needed to understand the full range of types of organizations and organizational partnerships available to carry out those roles and bring the necessary skills to bear to effectively integrate rural places into larger economies.

There are many opportunities for additional research in the field of wealth-based economic development, particularly for longitudinal studies that would capture the dynamics of wealth creation, investment, and re-investment over time. Specific opportunities for further research suggested by the articles in this special issue include:

- Research on the skill sets needed by coordinators that are embedded in the value chain (i.e. contribute to the production of the goods and services provided) vs. those that coordinate but do not co-produce;
- Research that would help coordinators identify where to look for the skills they may lack, including among unusual suspects that may be available within their region and/or people and places that can assist coordinators in developing required



skills (e.g. a regional hospital may have expertise in marketing that could assist a tourism-related value chain);

- Research into the wealth creation results associated with publicly owned and controlled resources such as community forests; and
- Comparative studies of food regulatory councils or similar entities to further test and clarify their role with respect to wealth creation, including the perceptions of local and non-local consumers about the benefits of such councils.

There is an urgent need to focus rural community and economic development efforts on wealth-building. The articles in this special issue contribute to this ongoing discussion and will hopefully inspire continued exploration into methods and consequences of an alternative approach to economic and community development based on wealth creation.

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