

# Assets that Build Your Local Economy

by Gwendolyn Hallsmith

*Editor's Note: this is the third of a series of related articles by Gwendolyn Hallsmith. In her first article, Hallsmith discussed the importance of focusing on local economic development – with a stress on the word “local.” In our Summer issue, she explained how to get started in developing a local economic plan.*

When unemployment is high, when young people coming out of college can't find jobs, when storefronts stand vacant on Main Street, it can be hard to visualize assets that can make the local economy prosperous again. Yet despite all the problems you may be facing, our current economic situation can be like the young girl, when asked why she was shoveling a pile of horse manure with such enthusiasm, said: “There must be a pony in here somewhere!”

Where do you start to inventory your assets? The first step is to realize that there are many different kinds of economic assets. If you look at your community as a company, you might categorize your assets as being a result of different forms of capital.

**Natural Capital:** Your natural capital forms the basis for meeting critical community needs. It includes your water supply and waste assimilation systems; soils, forests, and natural areas; sources of energy; the foods you eat and the air you breathe; and so on.

**Physical Capital:** In addition to natural capital, your community has physical capital: housing; transportation and communication systems; manufacturing capacity; public buildings; water and sewer lines; energy generation facilities; commercial and industrial buildings; and also cultural and historic assets.

**Human Capital:** All those college and high school students who can't find jobs are a good example of underutilized human capital. The people power your community has – the ingenuity, creati-

ty, entrepreneurial spirit, and real skills locally available – are critically important for your future prosperity.

**Social Capital:** You can have highly skilled people, but if they are isolated and unable to work together to take collective action, your social capital might be quite low. Social capital allows people to accomplish things together. It forms the bonds of trust and mutual interests that are so important for any enterprise – or community – to thrive.

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**Financial Capital:** The investment potential in a community is a function of people's savings; the banking capacity; and the means used to exchange goods and services. Insurance companies and investment firms manage financial capital, as do local foundations and charities.

**Institutional Capital:** We don't often think of our institutions as a form of capital, but if you visit parts of the world where there is a lot of corruption, you can appreciate the benefit that local government, justice systems, organizations and businesses, and other institutions that work with integrity and within the rule of law bring to a community.

Why is wise management of your community's assets important? Think of it this way. If you have a savings account at the bank, you want the deposits you make in the account to grow in value. Once you start tapping into the principal

of your investment or bank accounts, you start to get worried because you know that over time, this will erode your future capacity to produce more income, or more assets.

The same principle applies to local economic planning. You want your community's capital to increase in value, you don't want to spend the principal to make a quick buck. If you are extracting water faster than it naturally recreates itself, or polluting the water bodies, then you're spending your principal. If you let topsoil and prime agricultural land disappear, let your schools deteriorate, forego investment in job training programs, and allow local institutions to stagnate, you are spending your principal.

The assets you inventory – natural, physical, social, financial, and institutional – will give you the foundation you need to begin an economic development plan. Although the list might seem daunting, local and regional government and other organizations collect information on all these kinds of assets, so you don't need to reinvent the wheel. Some of these organizations should already be members of the stakeholder group you've pulled together to develop your local economic plan (see my previous column). If they aren't, meeting with them should be a priority.

Once you have an inventory of your economic assets, the next step is to analyze the opportunities you have to use them to create more local wealth and prosperity. I'll discuss this in my next column. ♦

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