

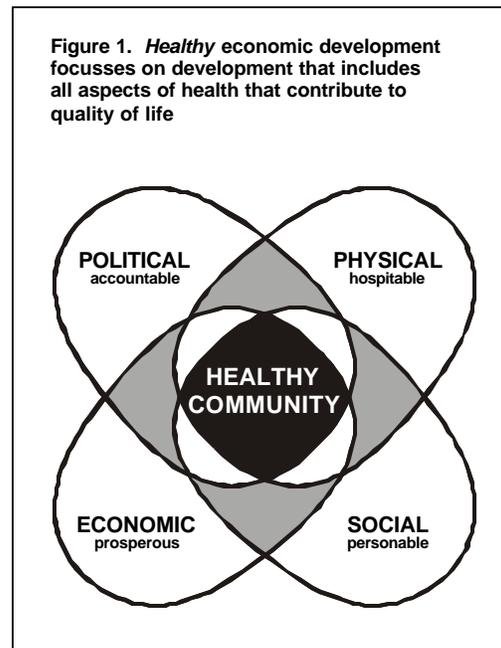
HEALTHY ECONOMIC DEVELOPMENT: A NEW FRAMEWORK

What is *healthy* economic development?

We are often told that as we become wealthier and have more options from which to choose, we must become leaner and meaner. This may be true. On the one hand, we've made tremendous advances in technology leading to newer, better products. We certainly have more cars, computers, and brands of toothpaste to buy. On the other hand, we also face downsizing, budget cutbacks, increased taxes, and increased competition from abroad. Is this a *healthy* economy? Is being 'lean and mean' an indication of economic health?

A persistent fault of current economic development is the belief that people, communities and their nations serve the economy. The premise of and starting point for *healthy* economic development is to put people first. This requires us to shift from a focus on growth to a focus on development that includes all aspects that contribute to our quality of life: our social, physical, political, environmental, and economic *health* (Figure 1).

This article looks beyond the current scope of economic development. It seeks to capitalize the economic potential inherent in people and their social relations. And in doing so, re-discover the role of communities within the global economy.



COMMUNITIES UNDER STRESS

Our economy is not threatened by globalization. Globalization *is* the economy. What is under threat is our society. In last year's edition of this journal Brock H. Dickinson wrote of the declining role of nation-states. The global threat, as Dickinson suggests, is large enough to eliminate the ability of individual governments to control taxation and the flow of money. The collapse of the nation itself would follow. He wrote, "within the context of globalization, no particular nation or region will be fully shielded from the impact of the fundamental change underway."

Many suggest that the cutbacks of the federal and provincial governments are direct responses to the pressures of globalization. In Ontario, the fallout of recent changes are compounded by restructuring. Through it all local governments are feeling the brunt of

it. Local governments are precariously perched at the front line of accountability without a framework to begin addressing the new challenges.

In a previous edition of this journal, Frank Stronach, founder and chairman of Magna International, put the issue of globalization and its impact this way. “As Canada becomes more and more integrated into the global economy, it is important for Canadians to consider what sort of society they wish to build.” He asked, “(W)hat sort of society can best improve the living standards of its citizens and, furthermore, can we create a framework in which individuals have a greater opportunity of obtaining economic freedom?”

Consistently, as our problems are defined more often on a global scale, the solutions are offered in a local context. For example, Dickinson believes that local solutions offer the “most important and effective strategies” to deal with today’s economic challenges. He emphatically concludes, “Indeed the greatest hope for strong and revitalized economic structures may lie within jurisdictions small and forward-looking enough to implement significant change and adopt new models of economic development.”

Stronach points in the same direction. He states, “In order to build an ideal society one must begin by attempting to understand the hopes, dreams, and aspirations of individuals.”

This is very promising. Even more promising, as Thomas Homer-Dixon argues, is that the ability to respond to the changes in the global environment depends upon social, political, economic and cultural characteristics. This, combined with Dickinson’s focus on local solutions and Stronach’s hopes, dreams, and aspirations of individuals, creates a very different picture of economic development than what is currently practised.

As such, the true weakness of the current economic system is that it does not recognize that the greatest potential for growth lies within our local means. Two problems exist that lead to this situation. The first is that most of our opportunities to informally associate with others have been displaced by contractual relationships. Second, the natural associations that do occur are not recognized as having economic value. They are seen as purely social. Two simple examples illustrate these problems. In our current economic system, something like fixing our own car or helping neighbours to fix their roof has no economic value. If there is no contractual relationship, it is not recognized. Here is another example. The economic system does not recognize the contribution we make when we stay home to raise our own children. But, if we pay for day care or hire a nanny, it then has economic value. Industrialization, whether it’s based on smokestacks, mass retail, or technology, neglects to consider the social relations as a source of wealth.

Such a system not only distorts what we perceive to be economically valuable, it also undermines our confidence in the local means we have available to create wealth. This happens because contracts formalize the relationships we have with our neighbours. Trust is displaced by legal obligations and the person is displaced by legal ‘consideration.’ As our economic relationships become removed from our hopes and

dreams, and from our social and political environments, we increasingly look outside of our communities for capital, technology, and customers.

To maximize the potential of local ingenuity we must re-discover the inherent economic potential of people and their natural associations. These associations, more than anywhere else, exist within our communities, among our neighbours, and within our homes. Certainly, if the solutions to the challenges of globalization continue to point to local sources for creating wealth, we must be willing to explore a new framework for economic development.

The pitfall we must avoid is thinking we must choose one approach over the other: local over global, or right over left. The correct approach is finding a balance. The situation we are faced with today is that current economic development strategies focus on global solutions and operating on industrial scale development – at the expense of local sources. The goal is not to isolate communities from globalization. Rather, the goal is to mobilize local means and ingenuity and take advantage of global opportunities.

WHERE DOES HEALTHY ECONOMIC DEVELOPMENT FIT?

Healthy economic development is not just an economic framework, it is part of a broader community planning model. A quick review of different perspectives on economic development will illustrate how this framework fits.

David Douglas describes a continuum of local economic development interventions. Within the continuum, industrial development shifts to economic development to community development. It moves from crisis-driven interventions to a holistic approach that “treats the community as an integrated socioeconomic entity within its biophysical environment.” He adds that the transition from the emphasis on growth to a more qualitative emphasis on development is less obvious, but present.

Herman E. Daly and John B. Cobb, Jr. offer a provocative view of development. They begin by challenging the notion that an economic proposal must be located on a political scale from left to right. The conflict between capitalism and socialism, as Daly and Cobb explain, “is not about the desirability or possibility of industrialism. That is taken for granted by both sides... Whatever their ideological differences both systems are fully committed to large-scale, factory-style energy and capital-intensive, specialized production units that are hierarchically managed.” Alternatively, Daly and Cobb locate economic strategies in relationship to community. As they explain, “the extent to which an economy supports or destroys healthy communities is more important than where it is located from left to right.”

David P. Ross and Peter J. Usher described the economic challenges of 1986 in different terms that remain relevant today, if not more important. “The trend in industrialized countries is to elect conservative governments promising to get the economy back on the tracks by making preminent once again the decision-making powers of free markets.”

Unlike Daly and Cobb, Ross and Usher assessed the trend in left-right terms. They described the shift as a “backlash to decades of liberal administrations promising that big government would collectively solve all the nation’s economic and social problems.” Ross and Usher suggest “that people are less and less responsive to the existing array of economic ‘solutions’ because they no longer believe these solutions will work. And even if they did work they probably would not solve their problems.”

All of the authors mentioned so far see the value of community-based economic development strategies. In summary, Ross and Usher offer that “we can best solve our economic and social problems . . . through smaller structures and collective processes that are closer to the community which yield more informal, appropriate and democratic solutions.”

A NEW FRAMEWORK

There are no mystical answers about successful economic development. In a conversation with Harry Cummings, a professor of economic development at the University of Guelph, he said, quite simply, that there are only two ways to improve a local economy. First, do more of what you do best. Second, attract resources from outside the community. That’s it. So what is all the fuss about?

If the solution is simple, the critical issue is how to get there. What are the important principles that will guide communities to the solutions that best meet their needs? A framework isn’t a set of rules, nor is it found in or based on economic theory. A framework must be centred on principles that reflect local interests. The framework provides the context and helps create a forum to bring all of a community’s interests together to work collectively toward a common good.

We must ask ourselves not about the place of communities in the economy, but about the place of the economy in our healthy communities. As stated earlier, this requires us to shift from a focus on growth to a focus on development that includes all aspects that contribute to our quality of life: our social, physical, political, and economic health.

Through example and explanation, we have reached the point where a statement about the philosophy of *healthy* economic development will make sense. This framework is founded upon community-centred values

- ❖ *Community* is the foundation for creating wealth and for furthering individual and public health;
- ❖ The health of our communities lies in its capacity to come together, to act together on an issue of public concern rather than private concern;
- ❖ Economics is one of many factors, including social, environmental and political, that promote the health of our communities; and,

- ❖ Communities have the wisdom to identify their own issues and the capacity to address those issues by learning from others and using their own resources.

A *healthy* economy is not only defined by the number of homes built or the dollar value of annual construction permits. *Healthy* economic development is a process of continual improvement guided by four principles.

Local government commitment – the mayor and elected councilors must be committed to building a healthier community. Each department (e.g., parks and recreation, public health, economic development, planning) works towards the shared vision of a healthy community.

Healthy public policy – these are decisions or actions intended to have a positive effect on the health of people. Governments must take into consideration the broad range of factors that effect the health and quality of life of a community, and to allocate resources accordingly.

Broad involvement of all sectors – business, labour, social services, planners, environmental groups, faith organizations, and others come together with residents to form a common vision of a healthy community. Then, they each find ways in their daily activities to contribute toward this goal.

Wide community participation – people from all walks of life working together towards the goal of building a healthier community.

A *healthy* economic development strategy seeks to:

- ❖ Build broadly based coalitions
- ❖ Create clear policy responses from communities
- ❖ Respond to the complex challenges posed by the GLOBAL economy
- ❖ Harness LOCAL resources, skills and knowledge
- ❖ Tap into LOCAL entrepreneurial potential

PRACTISING HEALTHY ECONOMIC DEVELOPMENT

The three examples presented in Table 1 demonstrate the benefits and practice of *healthy* economic development. At first glance these may seem like run-of-the-mill solutions. What makes them different – and successful – isn't what they did, but *how* they did it. Most importantly, the success is attributed to *why* they undertook a *healthy* economic development approach.

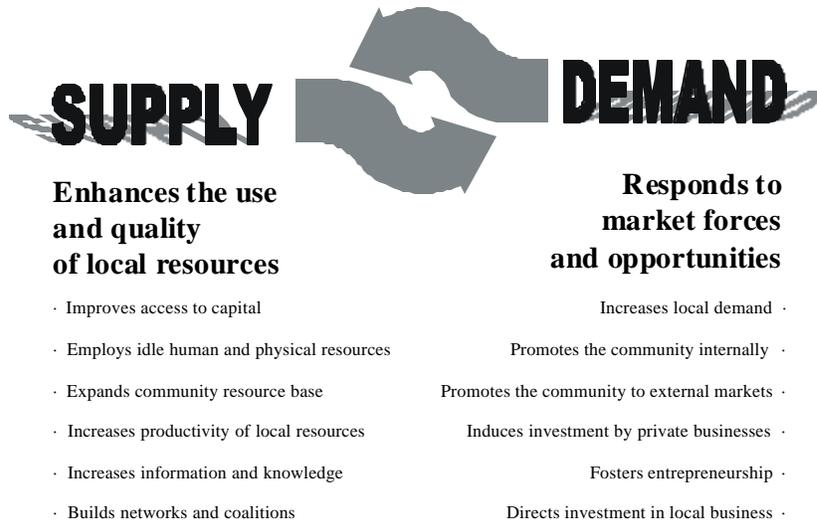
Healthy economic development requires us to integrate social and economic development. In practice this means addressing the systemic bias that builds dependency on external sources for capital and demand. This *does not* mean total import substitution or a commitment to self-sufficiency. The key to any economic development strategy is to find a healthier balance through diversity. As stated earlier, the aim is to correct a weakness that undermines our ability to create wealth using local means.

Table 1. Three examples of *healthy* economic development.

	Fort Frances	South Bruce County	Nakina
Objective	Build customer loyalty in downtown business core	Economic diversification program to address the future health and stability of the impact area	Planning for a new, \$2 million mill
Approach	1. <i>Beaver Skins</i> : Credit provided by local businesses to area residents in the form of a local currency. 2. <i>Safety Points</i> A workplace safety initiative where savings given to employees as ‘safety points’ redeemable for merchandise and services in the community.	The planning process was committed to widespread public participation to identify specific priorities and existing resources that maximize opportunities to leverage funds.	Instead of just looking at the employment, the town also looked at the influx of people, the impact on the municipality, as well as the integration of the new people to the lifestyle in Nakina.
Outcomes	Visible improvement in the local business climate within six months. Economic impact estimated between \$450,000 and \$500,000 annually.	The planning process resulted in high participation and engaged residents in thinking about what changes have occurred and what is needed in the future to create new jobs and economic growth.	The choice to follow a <i>healthy</i> economic development strategy got the town looking at the wants and needs of the wider community.
Broader impact	Subsequently created a Vision Statement for the Town: <i>“Together, we are a community committed to sharing, developing and enhancing social, economic, health and educational opportunities. Together, we will ensure that these opportunities contribute to a sustainable environment and an atmosphere of trust where people can partake in the richness and diversity of the Town of Fort Frances and neighbouring communities.”</i>	Greater degree of ownership of solutions among residents and higher level of co-operation among impact communities.	Integrating social and economic development represented a philosophical change for the town. They “saw that Healthy Communities was doing the same as economic development and the two seemed to go hand-in-hand.”

Healthy economic development looks at both the supply and demand sides of the economic equation. On the supply side, this means improving access to capital, expanding the local resource base, and increasing information and knowledge through networks and coalitions. On the demand side, this means inducing investment by private businesses, fostering entrepreneurship in communities, direct investment in local business opportunities, and increasing local demand. Figure 2 lists the elements of this approach.

Figure 2. Healthy economic development looks at both the supply and demand sides of the economic equation.



What we learn from example is that *healthy* economic development improves quality of life. And we learn from business leaders that quality of life is becoming more important to companies looking to re-locate or expand. On the bottom line, *healthy* economic development increases community wealth and social capital which expands and retains local businesses and attracts new businesses (see Table 2).

Table 2. Healthy economic development increases community wealth and social capital.

<i>Community Wealth:</i>	<i>Social Capital:</i>
❖ Attracts more money than goes out	❖ Increases sense of belonging
❖ Retains local ownership of businesses	❖ Shares responsibility for neighbours' well-being
❖ Increases circulation of dollars in local economy	❖ Increases level of trust
❖ Creates more local jobs	❖ Cultivates collective entrepreneurship
❖ Improves management capacity and influence	❖ Improves social cohesion
❖ Practises ecologically sustainable approaches	❖ Increases local control over decisions
❖ Maximizes use of local resources	❖ Improves local accountability
❖ Reduces dependency on external demand	❖ Identifies more local business opportunities
❖ Reduces dependency on external capital	❖ Shares risk-taking on investments

COMMUNITIES OF COMMON INTERESTS

So how do we make use of all our local means?

Janice Stein, an international negotiator and mediator spoke of community health at The Ontario Rural Council conference in Collingwood. She stated that people who are best connected, those with ties within and outside their own neighbourhoods, do best. Tightly connected communities are healthier because they have the capacity to create wealth. Our wealth, Stein explained, depends upon our capacity to come together, to act together on an issue of public concern rather than private concern.

On any particular issue the interests of different groups are set against each other. For example, we know too well how difficult it is for governments to get beyond politics. We also know how difficult it is for businesses to get outside their board, for environmentalists to get beyond their own agenda, and for economists to see the people that make up the statistics. Therefore, as a starting point, we must ask, “What is important to all of us?”

Each of us must acknowledge others’ positions if we are to move forward. We must be willing to risk conflict, and be willing to take the time and energy to work through our disagreements. To become healthier a community must first believe that there is a need to shift from a focus on self-interests to one of collective interests. This is part of the *healthy* economic development framework. Second, the community must believe that they *can* improve by harnessing local means. Third, a community must mobilize resources to enable improvement. This last step requires co-operation and collaboration – and is the most difficult and time consuming.

Everyone at the *healthy* economic development table makes a commitment to ask: What is the impact of our choices on the health of our community? As Stein explains, this is the question that is not part of the stakeholder model. In this case, such a question is not part of the current economic development model.

Collaboration and co-operation also rely on our ability to mobilize existing resources in a way that builds long-term capacity. In too many situations, ‘solution-focussed’ efforts are short lived, quickly rising and fading from issue to issue. Mobilization efforts must work within the sectors that make up a community as well as across sectors. For example, links among local manufacturers, and bridges with the social sector must be strengthened.

Overcoming barriers between sectors is not the only challenge. There is another dimension to communities that is often overlooked: the separation between formal and informal associations. For example, formal structures within the economic sector include Chambers of Commerce, BIAs, and economic development advisory councils. Informal structures include networking groups and associations of home-based business owners. Similar formal and informal associations exist in each of the other sectors. The strong tendency is for large, formal structures to associate with other large, formal structures,

even across sectors. A successful mobilization effort must find common goals to bring these groups together.

A CATALYST FOR POSITIVE CHANGE

A Healthy Community planning model embraces the principles of *healthy* economic development. This model includes:

- A formal resolution by local council to be a Healthy ; renewed at least with each change of government; and to which residents hold government responsible.
- Council formally adopts Healthy Community principles and integrates them into the planning process, i.e., puts them into practice.
- Community ‘state of the town/environment’ reports holds everyone accountable for the affects of decisions made and not made.
- A coalition of community interests acts as a mediator outside of the political process, yet attached to it (e.g., Mayor’s Committee), i.e., acts as a mediator between political decision making process and groups seeking to influence public policy.
- The coalition group represents a broad range of community interests and all sectors.
- Wide public participation is supported and integrated into the formal planning system – without having to be part of the formal system.

The benefits of the *Healthy Community* planning model are limitless. The true wealth of a community is measured in many ways.

Healthy Communities improve the public good. The aim is to provide a clean, safe physical environment, meet the basic needs of all its residents, have residents respect and support each other, celebrate its historical and cultural heritage, and rest on a sustainable ecosystem. It increases social wealth by increasing sense of belonging, improving social cohesion, increasing local control over decisions, and improving local accountability.

Healthy Communities improve the performance of governments. A *Healthy Community* builds from the strength of its associations, partnerships, and networks. Communities with the strongest, thickest connections are best at holding governments accountable for their decisions, actions, and inactions.

Healthy Communities support strong, innovative economies.

Must we become leaner and meaner in order to become wealthier and have more choices? No. A community that commits to a *healthy* economic development framework will need fewer resources to solve problems and to address crises. One by one, as communities adopt the *Healthy Community* model, we build a stronger, wealthier, and healthier society.

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