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Linking Intergenerational Wealth to Asset Based Community Development

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Cornhusker Economics

Cooperative Extension

Institute of Agriculture & Natural Resources
Department of Agricultural Economics
University of Nebraska – Lincoln

Linking Intergenerational Wealth to Asset Based Community Development

Market Report	Yr Ago	4 Wks Ago	5/17/02
<u>Livestock and Products,</u>			
<u>Average Prices for Week Ending</u>			
Slaughter Steers, Ch. 204, 1100-1300 lb Omaha, cwt	\$74.50	\$67.07	66.89
Feeder Steers, Med. Frame, 600-650 lb Dodge City, KS, cwt	94.38	81.32	87.75
Feeder Steers, Med. Frame 600-650 lb, Nebraska Auction Wght. Avg	106.60	92.25	95.39
Carcass Price, Ch. 1-3, 550-700 lb Cent. US, Equiv. Index Value, cwt	118.45	106.07	106.57
Hogs, US 1-2, 220-230 lb Sioux Falls, SD, cwt	53.00	33.75	37.00
Feeder Pigs, US 1-2, 40-45 lb Sioux Falls, SD, hd	54.00	40.28	*
Vacuum Packed Pork Loins, Wholesale, 13-19 lb, 1/4" Trim, Cent. US, cwt	136.80	91.70	*
Slaughter Lambs, Ch. & Pr., 115-125 lb Sioux Falls, SD, cwt	85.25	*	67.85
Carcass Lambs, Ch. & Pr., 1-4, 55-65 lb FOB Midwest, cwt	171.00	144.77	145.15
<u>Crops,</u>			
<u>Cash Truck Prices for Date Shown</u>			
Wheat, No. 1, H.W. Omaha, bu	3.20	3.05	2.89
Corn, No. 2, Yellow Omaha, bu	1.60	1.83	1.95
Soybeans, No. 1, Yellow Omaha, bu	4.30	4.54	4.78
Grain Sorghum, No. 2, Yellow Kansas City, cwt	3.29	3.34	3.50
Oats, No. 2, Heavy Minneapolis, MN, bu	1.50	1.75	2.13
<u>Hay,</u>			
<u>First Day of Week Pile Prices</u>			
Alfalfa, Sm. Square, RFV 150 or better Platte Valley, ton	115.00	117.50	105.00
Alfalfa, Lg. Round, Good Northeast Nebraska, ton	82.50	45.00	60.00
Prairie, Sm. Square, Good Northeast Nebraska, ton	105.00	80.00	90.00
* No market.			

Much attention is focused on improving our nation's communities and neighborhoods. Perhaps the most common response is the two-pronged approach of (1) identifying a problem and (2) obtaining grant funds – typically from sources outside the community – to solve the problem. This is a comfortable approach, and not without merit, but it is not the only way and perhaps not the best way, of thinking about how to bring about improvements in our communities and neighborhoods. This short article provides an alternative to the traditional two-prong approach noted above.

Asset Based Community Development (ABCD) is a concept pioneered by John P. Kretzmann and John L. McKnight at Northwestern University (1993). It represents a major shift in how community development practitioners have approached their work in recent years. The traditional path – especially when working in low income rural and urban communities or neighborhoods – was to begin by conducting “needs assessments” that examined the problems, pathologies and the weaknesses of the neighborhood or community. Kretzmann and McKnight argue this approach is fundamentally flawed and counterproductive and leads to a victim mentality in which residents think of themselves as incapable of taking charge of their lives and of their community's future. Kretzmann and McKnight also believe this approach leads to other negative consequences. For example, they assert that “Providing resources on the basis of the needs map underlines the perception that only outside experts can provide real help...and ensures the inevitable deepening of the cycle of dependence: problems must always be worse than last year, or more intractable than other communities, if [grant] funding is to be renewed [pp. 4].” They believe a more positive and sustainable approach is to begin the community development process by focusing on the positive assets of the community and its residents; thereby giving residents hope, a positive vision for themselves and the opportunity to be empowered rather than dependent. Although Kretzmann and McKnight do not



reject out of hand the role of “external resources,” they believe this avenue should be explored ONLY after local assets have been fully identified and mobilized.

Categorizing Assets can be done in several different ways. Although Kretzmann and McKnight focus some attention on assets embedded in the local economy and on the physical assets of the community (land, building and infrastructure) their main emphasis is on “the undiscovered gifts and treasures” of (a) individuals (b) associations, and (c) institutions. Gary Green and Anna Haines (2002) expand the definition of community assets to include five types of capital: human; social; physical; environment; and financial.

***Human Capital** - the abilities and skills that workers hold that affect their productivity.

***Social Capital** - social relationships and ties that facilitates collective action in communities.

***Physical Capital** - buildings (e.g., houses, retail stores, factories) and infrastructure (e.g., roads and utilities).

***Environmental Capital** - the community’s base of natural resources and environmental amenities (e.g., air, water, land, flora, fauna and vistas).

The fifth type of capital – **Financial Capital** – is defined by Green and Haines and most others in terms of the availability of credit and loan funds, including alternative credit institutions such as community development credit unions, community development banks, revolving loan funds and micro-enterprise loan funds.

Intergenerational Wealth Transfer is an extremely important source of financial capital that is typically overlooked by those involved in community betterment. Recent analysis by the Nebraska Community Foundation suggests \$258 billion of personal wealth will change hands in Nebraska during the next 50 years (see table for the expected amount for each county). The figure for rural Nebraska is \$94 billion. While most of this transfer will be distributed to family and other heirs, there is also the opportunity for a modest amount to be invested in the community in which it originated. Results from the 2002

percent of those who do, provide at least one-half to **local** organizations, causes or charities. In addition to this annual giving, suppose only five percent of the \$94 billion in expected intergenerational wealth transfer was set aside by rural Nebraskans in endowments to support community betterment initiatives.* This scenario would result in a **perpetual, annual** flow of some \$250 million to Nebraska’s rural communities (without diminishing the value of endowments after accounting for a normal inflation rate). An annual flow of funds of this magnitude would surely make a big difference in the face of rural Nebraska. Those who are concerned about the future of rural Nebraska need to be more cognizant of this largely unrecognized potential treasure. It truly represents the ultimate in the asset based approach to community development.

*In Nebraska, it is not necessary for each community to create its own charitable organization. An alternative mechanism is the Nebraska Community Foundation (NCF). The NCF serves as an “umbrella” foundation within which each community establishes its own “account.”

References:

Kretzmann, John P. and John L. McKnight. *Building Communities from the Inside Out*. Center for Urban Affairs and Policy Research. Northwestern University. Evanston, Illinois. 1993.

Green, Gary Paul and Anna Haines. *Asset Building and Community Development*. Sage Publications. Thousand Oaks, California. 2002.

Allen, John C., Rebecca Vogt and Sam Cordes. *Charitable Contributions in Rural Nebraska: A Culture of Giving*. Center for Applied Rural Innovation, University of Nebraska. October 2001.

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Nebraska Rural Poll suggest rural Nebraskans are charitable people. Most contribute money annually, and over 60

Estimated Intergenerational Wealth Transfers by County, 2000-2050

Adams	\$4.3 billion	Frontier	\$276 million	Nance	\$520 million
Antelope	\$946 million	Furnas	\$655 million	Nemaha	\$1.2 billion
Arthur	\$68.4 million	Gage	\$3.6 billion	Nuckolls	\$462.3 million
Banner	\$100.9 million	Garden	\$236 million	Otoe	\$2.3 billion
Blaine	\$82.5 million	Garfield	\$202 million	Pawnee	\$391 million
Boone	\$777 million	Gosper	\$294 million	Platte	\$5.3 billion
Box Butte	\$1.9 billion	Grant	\$98.8 million	Perkins	\$474 million
Boyd	\$238 million	Greeley	\$319 million	Phelps	\$1.7 billion
Brown	\$459 million	Hall	\$8.5 billion	Pierce	\$1.1 billion
Buffalo	\$6.6 billion	Hamilton	\$1.5 billion	Polk	\$822 million
Burt	\$1.1 billion	Harlan	\$467 million	Red Willow	\$1.6 billion
Butler	\$1.14 billion	Hayes	\$128 million	Richardson	\$1.3 billion
Cass	\$4.8 billion	Hitchcock	\$301 million	Rock	\$169 million
Cedar	\$1.2 billion	Holt	\$1.6 billion	Saline	\$1.9 billion
Chase	\$698 million	Hooker	\$79.4 million	Sarpy	\$23.6 billion
Cherry	\$748 million	Howard	\$836 million	Saunders	\$2.7 billion
Cheyenne	\$1.5 billion	Jefferson	\$1.1 billion	Scotts Bluff	\$5.1 billion
Clay	\$1.1 billion	Johnson	\$515 million	Seward	\$2.6 million
Colfax	\$1.4 billion	Kearney	\$1.2 billion	Sheridan	\$711 million
Cuming	\$1.8 billion	Keith	\$1.1 billion	Sherman	\$347 million
Custer	\$1.6 billion	Keya Paha	\$57.8 million	Sioux	\$86.4 million
Dakota	\$2.9 billion	Kimball	\$529 million	Stanton	\$838 million
Dawes	\$956 million	Knox	\$1.1 billion	Thayer	\$941 million
Dawson	\$3.4 billion	Lancaster	\$45.8 billion	Thomas	\$80.4 million
Deuel	\$259 million	Lincoln	\$5.3 billion	Thurston	\$300 million
Dixon	\$873 million	Logan	\$91 million	Valley	\$597 million
Dodge	\$6 billion	Loup	\$85 million	Washington	\$3.7 billion
Douglas	\$99 billion	Madison	\$6 billion	Wayne	\$1.3 billion
Dundy	\$352 million	McPherson	\$71.5 million	Webster	\$544 million
Fillmore	\$1.2 billion	Merrick	\$1 billion	Wheeler	\$146 million
Franklin	\$433 million	Morrill	\$610 million	York	\$2.5 billions



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