

## Exogenous Capital

By Byron A. Ellis - August 22, 2013



In communities without a financial structure, the rate of decay of physical capital stock is greater than its replenishment or renewal. In these communities, there is seldom addition to net investment. The results, is a lack of present and future capital formation and employment.

Exogenous capital is critical to revitalize decaying rural and central city communities. However, financial intermediaries, such as banks and insurance companies, seldom provide exogenous capital to depressed communities, even when community members are stakeholders.

These communities are capital starved with limited pecuniary return, if any, on existing physical capital. Thus, their available physical capital cannot support community labor, leading to high unemployment.

Additionally, often scarce community capital is not available in the form of manufacturing facilities. Thus, these communities cannot produce new goods, rather their physical capital is available as decaying shelters (housing).

Furthermore, in financed-deficit communities the educational system is incapable of producing technological progress.

When exogenous capital flows into these community, it is often not under the control of community dwellers. Generally, the funds are directed by outside investors and in many instances, it is disruptive to community residents (gentrification).

Economic progress requires the addition of exogenous capital. But, how do impoverished communities obtain exogenous capital?

Many economists argue that financial capital is a result of historical investment decisions. However, it also a result of community visioning and leadership.

Impoverished communities could use credit unions to pool funds for provident means.

Credit unions provide financial services to members, they are unique nonprofit depository institutions. Thus, red-lined communities can setup credit unions to overcome mainstream financial biases.

Information on credit unions can be found at [National Credit Union Administration](#) and [TJP](#) can provide assistance.