Growing Oregon's Economy from Within

An Introduction to Local Economic Development

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Preface

If you are reading this, chances are good you either are taking a survey from Business Oregon, about to take one, or about to convince others to take it. The purpose of this paper is to provide you with an overview of the content in the survey.

The idea for this paper originated in 2016, when Business Oregon entered a contract with Local Analytics to define metrics and develop surveys to measure the strength of a rural community's "entrepreneurial ecosystem." Business Oregon was eager to define which Oregonian rural communities had the best "readiness" for using state funding and other assistance, and to craft interventions that could improve their readiness.

As a supplement for those using these indicators and surveys, Business Oregon asked Local Analytics to prepare this paper introducing the topic of "local economic development." What follows is an elaboration of the principles and practices in the field.

Because this paper is short, it is not extensively footnoted, nor does it not strive to answer every question in the field. Rather, it is designed to be a brief, readable, introductory primer. If you are interested in more details, please look at the four books I've written on the topic:

- *Going Local: Creating Self-Reliant Communities in a Global Age* (Free Press, 1998);
- *The Small-Mart Revolution: How Local Businesses Are Beating the Global Competition* (Berrett-Koehler, 2006);
- *Local Dollars, Local Sense* (Chelsea Green, 2012);
- *The Local Economy Solution: How Innovative, Self-Financing Pollinator Enterprises Can Grow Jobs and Prosperity* (Chelsea Green, 2015).

I also welcome feedback on this paper for future editions and other communities. Please feel free to send any questions to me via e-mail (shuman@igc.org).

- Michael H. Shuman
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Why Local Economic Development Matters

British Prime Minister Margaret Thatcher once declared: "There is no alternative to the global economy—T-I-N-A!" Ever since, modern economic developers have embraced this pronouncement by focusing on one overarching goal—the attraction and retention of global businesses. And to accomplish this, regions throughout the world have taken both "high road" and "low road" approaches. The "high road" approach includes providing a highly skilled and productive workforce and extensive infrastructure (transportation nodes, high-speed internet, and so forth). The "low road" approach has included breaking unions and rolling back environmental laws. Some regions also have added incentives to attract and retain business through special grants or tax breaks (in the United States these state and local incentives are estimates to exceed $80 billion per year).

Many of the other popular concepts in economic development today – industrial parks, high-tech clusters, tax-increment financing (TIFs), business incubators, even many green-job programs – turn out ultimately rely on the paradigm of attraction and retention. Every region in the world is now bidding for the privilege of having an office, branch factory, or retail outlet from a powerful global corporation.

What's odd about the formulation of "attract and retain" is that it ignores locally owned business. You cannot attract a local business—that would be an oxymoron. And if the only way you can retain a local business is by paying it some kind of bribe, how deep are the roots of that business anyway?

A growing body of evidence suggests that this model of economic development is ineffectual at best and a waste of local resources and opportunities at worst. A more effective approach is to focus, laser-like, on locally owned, import-substituting (LOIS) businesses. This approach is particularly appropriate for rural communities that depend on local business to a much higher degree than urban communities.

Challenges with TINA Economic Development

One of the sharpest analysts of corporate attraction policies has been Professor Ann Markusen, director of the Project on Regional and Industrial Economics at the Humphrey Institute of Public Affairs, based at the University of Minnesota. Several years ago, she assembled the best analysts in the field to explore the validity of these critiques and to offer reforms. Some of these analysts believed that these deals were ultimately beneficial, some didn't, and some were unsure. The resulting book of essays, *Reining in the Competition for Capital* (Kalamazoo, MI: W.E. Upjohn Institute for Employment Research, 2007), remains the best analysis of the field. In the opening essay, Markusen and Katherine Ness of the University of Illinois at Urbana-Champaign set out the problem by writing: "Incentive competition is on the rise. It is costly, generally inefficient, and often ineffective for the winning regions."[1]

Markusen and her colleagues review a number of troubling problems with economic-development attraction practices. Here are some of the key findings of academic research:

- Companies attracted usually don't stay very long and typically under-deliver the jobs they promise.

- The jobs delivered pay poorly and have few benefits.

- Many of the costs that a community promises to subsidize—of capital improvements, for example—are often much greater than originally projected.

- The structure of site-selection representatives' compensation, around finders' fees, gives them an incentive to represent community interests poorly—that is, to overstate the benefits, understate the costs, and exaggerate the packages other communities are putting on the table.

- The secrecy surrounding much of the deal-making increases the risk of communities making ill-informed decisions and short-circuits the normal benefits of democratic accountability.

- The details of these deals are so embarrassing to the politicians who approve them that they fight to keep the details secret. For example, in his waning days as governor of New Mexico, Bill Richardson worked around the clock to kill legislation that would have required immediate publication of the details of his administration's corporate attractions.

- Most communities engaged in global attraction wind up losing any given bid, which means they are draining precious civic time, money, and goodwill—and, at a minimum, these costs need to be weighed against the purported benefits of the occasionally won deal.

The case against corporate attraction has become so powerful that it's exceedingly difficult to find an economist prepared to defend the practice. The vast majority of scholarly articles either questions the benefits or disproves them altogether.

Moreover, almost none of the studies have weighed the biggest problem with incentives—namely the opportunity costs. What were communities providing incentives unable to do, because their economic development dollars were focused on outside attraction? What local businesses were not grown? What were the consequent costs?

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[1] Ann Markusen, ed., *Reining in the Competition for Capital* (Kalamazoo, MI: W. E. Upjohn Institute for Employment Research, 2007).

These questions are critically important, because as the evidence below suggests, local businesses turn out to be the most significant drivers of economic development.

Local Living Economies

By 2001, the disappointing results from the TINA approach to economic development inspired the creation of the Business Alliance for Local Living Economies (BALLE) and the articulation of a new approach rooted in businesses that are "LOIS" – again, locally owned and import-substituting. Other organizations began promoting similar approaches, including Main Street, the American Independent Business Alliance (AMIBA), the Economic Gardening Forum, the Association for Enterprise Opportunity (AEO), and Transition Towns. Today, it's fair to generalize that the LOIS approach has a preasence in almost every economic development department, and is the dominant approach in hundreds of communities.

The basic ideas of LOIS are simple: Local ownership means that working control of a company is held within a small geographic area. Import-substituting means that the company is focused first and foremost (though not exclusively) on cost-effective production for local markets. While the vast majority of LOIS businesses are small, some actually grow to be quite large and powerful.

Numerous studies in recent years suggest that local ownership –the LO in LOIS—enables businesses to contribute more to economic development than do global businesses attracted. Local ownership matters in at least five ways:[2]

- *Higher Multipliers* – Locally owned businesses generally contribute more to the "economic multiplier" than do absentee owned businesses. More than two dozen studies over the past decade have compared the economic impacts of locally owned businesses with their nonlocal equivalents, and they consistently show that local businesses generate two to four times the multiplier benefits.[3] That means that every dollar that moves from a nonlocal to a local business in a community generates two to four times the income boost, two to four times the jobs, two to four times the local taxes, and two to four times the charitable contributions.

- *More Reliable* – While absentee-owned businesses increasingly consider moving to Mexico, China, or low-wage U.S. states, with only secondary concern for throwing the community into an economic tailspin, businesses

[2] Extensive documentation of these points can be found in Michael H. Shuman, *The Small-Mart Revolution: How Local Businesses Are Beating the Global Competition* (San Francisco: Berrett-Koehler, 2006), Chapter 2.

[3] See, for example, Michael H. Shuman, *Local Dollars, Local Sense: How to Shift Your Money from Wall Street to Main Street and Achieve Real Prosperity* (White River Junction, VT: Chelsea Green, 2012), 17–25. Also see Stacy Mitchell, *The Big Box Swindle: The True Cost of Mega-Retailers and the Fight for America's Independent Businesses* (Boston: Beacon Press, 2006).

anchored locally produce wealth more reliably for many years, often for many generations. This means that economic-development investments in local business have greater payoffs.

- *Higher Standards* – Because local businesses tend to stay put, a community with primarily local businesses can raise labor and environmental standards with confidence that its businesses will adapt rather than flee.

- *More Dynamic* – A community made up of smaller, locally owned businesses is better equipped to promote smart growth and walkable communities, draw tourists through unique stores and attractions, retain talented young people who seek entrepreneurial opportunities and a distinct sense of place, and reduce the noise, fumes, and risks of traffic.

- *Better Social Impacts* – Compared to economies dependent on absentee-owned enterprises, local-business economies tend to have more social stability, lower levels of welfare, and greater political participation.

The case for promoting local ownership has been deepened by empirical evidence that regions with higher densities of local business have superior economic performance. For example:

- A 2010 study appeared in the *Harvard Business Review* under the headline "More Small Firms Means More Jobs."[4] The authors wrote, "Our research shows that regional economic growth is highly correlated with the presence of many small, entrepreneurial employers—not a few big ones." The authors further argued that the major preoccupation of economic developers – how to attract global companies – is fundamentally wrong-headed. "Politicians enjoy announcing a big company's arrival because people tend to think that will mean lots of job openings. But in a rapidly evolving economy, politicians are all too likely to guess wrong about which industries are worth attracting. What's more, large corporations often generate little employment growth even if they are doing well."

- Another study published shortly thereafter in the *Economic Development Quarterly*, a journal long supportive of business attraction practices, similarly finds: "Economic growth models that control for other relevant factors reveal a positive relationship between density of locally owned firms and per capita income growth, but only for small (10-99 employees) firms, whereas the density of large (more than 500 workers) firms not owned locally has a negative effect."[5]

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[4] Edward L. Glaeser and William R. Kerr, "The Secret to Job Growth: Think Small," *Harvard Business Review*, July-August 2010.

[5] David A. Fleming and Stephan J. Goetz, "Does Local Firm Ownership Matter?," *Economic Development Quarterly*, 2011.

- A paper published in 2013 by the Federal Reserve in Atlanta, which performed a regression analysis of counties across the United States, found statistically significant "evidence that local entrepreneurship matters for local economic performance . . . [T]he percent of employment provided by resident, or locally-owned, business establishments has a significant positive effect on county income and employment growth and a significant and negative effect on poverty…."[6]

Some see these results as paradoxical, because there's also evidence that smaller businesses, which are most likely to be locally owned, pay somewhat lower wages and offer fewer employee benefits than larger businesses (though the differential appears to be shrinking). How can it be that local businesses pay less, and yet local business communities prosper more? Conclusive research has yet to be done, but several theories might reconcile these results:

- Because successful small businesses often grow into larger businesses, an entrepreneurial community made up of many small businesses increases the probability of it ultimately enjoying larger businesses that pay better wages. Moreover, these larger businesses that grow indigenously remain locally owned and offer a more reliable basis for economic growth than briefly attracted outsiders.

- Even when local businesses contribute less to the local economy in wages than do nonlocal outsiders, they contribute more in other ways like local taxes, local supplier purchases, and local charitable contributions, which cascade through the economy through greater income, wealth, and jobs. The economic multiplier "benefits" of local businesses may turn out to be more important to community prosperity than the "costs" of lower wages.

- Many of the most talented people in a community, particularly younger people, increasingly gravitate to companies that offer great opportunities rather than great wages. They are willing to take less pay, at least for a while, for independence and ownership. These "creatives," as urbanist Richard Florida calls them in *The Rise of the Creative Class*, are important guarantors of global competitiveness.[7]

- Another critical determinant of local prosperity is the strength of civil society through volunteer organizations, civic groups, foundations, and political

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[6] Anil Rupesingha, "Locally Owned: Do Local Business Ownership and Size Matter for Local Economic Well-Being?," monograph, August 2013.

[7] Richard Florida, *The Rise of the Creative Class* (New York: Basic Books, 2002).

groups. The state of Kerala in India, for example, has been able to achieve life expectancy and literacy rates matching Western standards without high incomes, because of its dense network of social institutions.[8] In *Bowling Alone*, Harvard's Robert Putnam has made similar arguments about the importance of strong civil society in ensuring the prosperity of American communities.[9] Local business communities, with rich intimate personal relationships, are more like to foster this kind of social capital.

The second part of LOIS, the IS, is import substitution—the consumption of goods and services produced in close proximity to the producer. Every time a community imports a good or service that it might have cost-effectively produced for itself, it "leaks" dollars and loses the critically important multipliers associated with them. Moreover, unnecessary imports – of petroleum, for example –subject a community to risks of price hikes and disruptions far beyond local control. They also deny a community a diversified base of businesses and skills needed to take advantage of unknown (and unknowable) future opportunities in the global economy.

Three examples help to illustrate the potential benefits of import substitution:

- Twenty years ago, Güssing was a dying rural community of 4,000 in Austria. Its old industries of logging and farming had been demolished by global competition. Many of today's economic developers would have given up and encouraged the residents to move elsewhere. But the mayor of Güssing decided that the key to prosperity was to plug energy "leaks." He built a small district heating system, fueled with local wood. The local money saved by importing less energy was then reinvested in expanding the district heating system and in new energy businesses. Since then, 50 new firms have opened, creating 1,000 new jobs. And most remarkably, the town estimates that this economic expansion actually will result in a *reduction* of its carbon footprint by 90 percent.

- In autumn of 2008 Marian Burros of the *New York Times* wrote a piece about how the 3000-person community of Hardwick, Vermont, has prospered by creating a new "economic cluster" around local food. Cutting-edge restaurants, artisan cheese makers, and organic orchardists turning fruit into exquisite pies were just some of the new businesses that added an estimated 75-100 jobs to the area. A Vermont Food Venture Center hopes to accelerate this creation of enterprises.

- Even a single, visionary business can lead a community-wide effort at import substitution. Take Zingerman's in Ann Arbor, Michigan. On its first day of

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[8] Amartya Sen, *Development as Freedom* (New York: Anchor Books, 1999).

[9] Robert Putnam, *Bowling Alone: The Collapse and Revival of American Community* (New York: Touchstone, 2001).

> business in a college town known globally more for its radicalism than for its food, Zingerman's Deli sold about $100 worth of sandwiches. That was 1982. It has since grown into a community of ten businesses, each independent but linked through overlapping partnerships that collectively employ 650 people and achieve annual sales of over $50 million. Over that period the proprietors conscientiously built a food cluster from scratch. They carefully assessed the items going into the deli – bread, coffee, cheeses – and captured profitable opportunities for creating a bakery, a coffee roaster, and a creamery. They looked at the products being sold at the deli – fabulous coffee cakes and high-quality meats – and built new, value-adding businesses with these products, including a mail-order company and a restaurant called the Roadhouse.

These three case examples cast doubt on one of the principal prescriptions for regions by economic developers – that they should focus on expanding *existing* clusters of export-oriented business. These examples suggest that a smarter approach may be to create *new* clusters based, initially at least, on local demand. And this logic is all the more compelling in rural communities where many sectors of the economy have no businesses whatsoever.

Two further clarifications about LOIS are important. First, import substitution does not mean withdrawing from the global economy. To the contrary, as the late Jane Jacobs argued, an economic strategy promoting import-substituting businesses turns out to be the best way to develop exports. Suppose North Dakota wished to replace imports of electricity with local wind-electricity generators. Once it built windmills, it would be self-reliant on electricity but dependent on outside supplies of windmills. If it set up its own windmill industry, it would then become dependent on outside supplies of machine parts and metal. This process of substitution never ends, but it does leave North Dakota with several new industries – in electricity, windmills, machines parts, and metal fabrication – that are poised to meet not only local needs but also export markets.
But instead of putting all of a community's enterprise eggs in one export-oriented basket that leaves the local economy vulnerable to fluctuating global markets, import substitution develops myriad small businesses, grounded (initially at least) in diversified local markets, many of which *then* becoming exporters.

Second, this perspective does not carry negative moral judgments about non-LOIS businesses. It just underscores that economic development, a concerted intervention in the economy by public or private authorities, always has limited resources, and it's smart to invest those resources, whether money or time, in those businesses most likely to boost the economic prospects of the region. And the principles of LOIS underscore the importance of focusing, first and foremost, and locally owned businesses that increase local self-reliance.

But how can a community best implement LOIS?

15 Tasks for Community Economic Development

The "readiness" survey being distributed by Business Oregon explores the extent to which 15 different activities are being done in a rural region to implement LOIS economic development. The expectation is that whatever group is leading the economic development activities and taking the survey, whether it is public, private, or volunteer, it will reflect on what has been done—and understand what still needs to be done.

Consider the following 15 tasks as "best practices" that your region should carry out if it hasn't done so thus far. They reflect the wisdom of dozens of books and studies on the topic.

Please don't panic if your region has not done many of the activities described here! Perfection is not the goal. But where your region falls short of the best practices, take note of what other regions have found useful.

Two quick notes on language:

- You may have noticed a shift between the previous section and this one, from the term "community" to the term "region." The reason for this is a keen awareness that many rural communities in Oregon define the locus of their work more broadly than one town. It might encompass several towns or a county or even several counties. The term "region" is aimed at being more inclusive of local economic-development teams of all kinds of geographic areas, large and small.

- Additionally, rather than use LOIS economic development, we will henceforth use the more commonly accepted term "community economic development"—or CED.

(1) Vision

A successful CED program must begin with a vision statement about its goals, one that is rooted in a serious community process.

"Community economic development" implies positive change in your region's economy. You might think it's uncontroversial what positive economic change looks like: more income, wealth and jobs; a stronger tax base; a vibrant downtown; less poverty. Yet what happens when these goals conflict?

For example, what happens when economic growth conflicts with growth in per capita income? An analysis of all the economic performance of all the states in the country in the 1970s, for example, found that the fastest growing states (measured by total economic output) had the worst growth in per capita income.[10] How could that be? Because in booming economies like Arizona and Nevada, new people moved in for the new jobs and pushed per capita income growth down. When the boom slowed down or ended, as all booms inevitably do, more people were suddenly left unemployed — and average incomes fell. Counties with slower overall growth rates, that adhered to "The Tortoise and the Hare" philosophy of slow and steady wins the race, had more stable development of per capita income.

CED is filled with trade-offs like this. To explore these trade-offs, the first goal of CED to is define a vision your region can believe in. What's important to you? To your neighbors? Which goals would almost everyone agree are worth pursuing?

Among the basic questions your region might ask:

- What are the appropriate geographic boundaries for your region? Why?

- What definitions of "locally owned" and "local self-reliance" are you comfortable with?

- How do you define corporate responsibility?

Ultimately a good vision statement is generated through a participatory process that bringing together many views. It will draw a compelling picture of where the region wants to be in 5, 10, and 25 years. It will be distributed broadly to members of the region. And it will be revisited and updated periodically.

(2) Indicators

A successful CED program will have empirical indicators, that provide understandable information about whether the vision is being realized.

Most CED vision statements are necessarily broad. You might have said that "everyone in the community should have good jobs." But what exactly does a term like "good jobs" mean? Do you mean jobs with good wages? Good benefits? Secure? Challenging? Full time? Socially beneficial? And by whose standards?

To make your vision statement more useful, you need indicators by which to measure whether or not you are making progress. Good measurements allow you not only to gauge your effectiveness but also to improve it. If you've ever driven in a Prius, you've seen an extensive dashboard that lets you know what your driving efficiency is at any moment. Studies show that drivers exposed to this steady stream of feedback information learn how to drive in ways that increase their gas mileage. If your indicators are getting worse, you better try driving differently.

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[10] Thomas Michael Power, Environmental Protection and Economic Well-Being (Armonk, NY: M.E. Sharpe, 1996), pp. 155-80.

Indicators also help us to clarify exactly what our goals mean. They serve to hold those leading social change accountable.

Most indicators for community development do not provide instant feedback. Indeed, much publicly available data – on jobs, business formation, taxes and so forth – lag months or even years behind. Some important community data come from the U.S. Census, which occurs only every ten years. That's why it's important to design indicators that can be used for a very long time. Trends are what matter.

The best indicators have four characteristics:

- *Robust* – Good indicators measure things we really care about, not just things that are easy to count. The number of Ph.D.'s in the community probably matters more than the number of cocker spaniels.

- *Quantifiable* – Good indicators must be quantifiable. If your vision is "to become a world-class employer," you need to define what exactly "world class" means. Do you mean that you are attracting talent from outside the community? That your exports are increasing? Or something else? Make sure you define these terms in empirical ways.

- *Affordable* – If you generate brilliant measurements with a million-dollar grant in year one but have no funds to make the measurements again in year two, your indicators will be useless. This is perhaps the most common mistake made in the design and deployment of indicators. A good indicator must be based on data that are cheap and easy to acquire for the foreseeable future. That usually means relying on the data produced by local, state and national government agencies.

- *Manageable* – Behavioral economics has pointed out in recent years that human beings have a limited capacity to absorb and process data. So it's important to come up with a relatively small number of indicators that will be compelling for your region.

As is true for your vision statement, your indicators are best designed with lots of participation. Once they are articulated, you will want to share them broadly throughout your region. And you will need to update them periodically.

(3) Assets

A successful CED program will prepare a comprehensive mapping of community assets, including capital assets, local businesses, social networks, historical assets, infrastructure, and public buildings.

With a vision statement you now know where you want to go, and with indicators you know how to measure progress toward your destination. The next step is to assemble an economic vehicle that moves your indicators in the right direction. To take this step, you need to take a hard look at your tools, materials, and resources to see what you can and cannot build. If you live in the desert, for example, it's unlikely you'll be able to create a swordfish business.

For a long time, efforts to move people and places out of poverty focused on deficits. If your community had a high rate of illiteracy, you were motivated to build a school. If your community had a high infection rate of HIV, the solution was to educate people about AIDS, the needs for abstinence and safe sex, and, better still, to open a health clinic. If your community had a high unemployment rate, the urgent agenda item was to create as many new jobs as possible, from any source possible: large or small business, local or nonlocal business, clean or dirty business.

These are all examples of how we naturally respond to a deficit model. It presents people as embodying a set of fragmented problems, and leads to disjointed, sometimes contradictory solutions. It tends to reinforce a sense of helplessness in the people, sometimes even a sense of victimhood, which devalues their ability to solve their own problems. The model leads to resources flowing to service providers rather than to people in need. The solutions chosen also tend to come from the outside: outside investment, outside jobs, outside help, all of which deepen people's sense of dependency. These solutions are frequently disconnected from what people really need.

In1990 John Kretzmann and John McKnight of Northwestern University suggested that it was better to dignify people and communities by focusing on their strengths rather than their weaknesses. "[A]ll of the historic evidence," they argued, "indicates that significant community development takes place only when local community people are committed to investing themselves and their resources in the effort. This observation explains why communities are never built from the top down, or from the outside in."

Kretzmann and McKnight published a handbook, *Building Communities from the Inside Out*, which remains an extraordinary tool for communities. At its core was the assertion that even the poorest people and places have good things, important things, powerful things that can empower them to change their communities. "The key to neighborhood regeneration," they suggested, "…is to locate all the available local assets, to begin connecting them with one another in ways that multiply their power and effectiveness, and to begin harnessing those local institutions that are not yet available for local development purposes."

Traditional economic thinking envisions three essential ingredients for nurturing local businesses: land, labor and capital. Land was historically important because the earliest communities — and, indeed, most communities on the planet today — focus first and foremost on agriculture to produce food. Labor refers to the skills people have — physical, cognitive, emotional, leadership, spiritual — to undertake certain kinds of work. Capital refers to the availability of money to launch and grow a business. Capital is not just "money." It's also access to all kinds of resources. Economists, for example, think of technology as a kind of capital.

The Kretzmann-McKnight approach to asset building goes well beyond these three basic economic assets. And in recent years more and more economists have come to recognize that there are many kinds of assets that support business activity:

- *Financial Assets* – How much money does the region have access to? What's in banks, credit unions and thrifts? What's in residents' portfolios of stocks and bonds?

- *Built Assets* – What's in our physical world such as houses, offices and factories? What does our "infrastructure" look like? What's the state of our roads, water pipes, electrical wires and wireless towers?

- *Human Assets* – What are the knowledge, skills, talents and wisdom of people living in our region? Is the region growing these assets by educating its young people or promoting adult education? What's the region's access to outsiders if certain skills are unavailable locally?

- *Civic Assets* – Scholars like Robert Putnam at Harvard have written about the importance of "civil society" for economic prosperity. Civil society is really talking about the quality of our relationships. It includes the local nonprofits, churches, voluntary associations, professional groups, neighborhood associations, and sports clubs. Where people have many high-quality ties to one another, they can get more accomplished.

- *Natural Assets* – The "land" economists refer to does not sit isolated — it's part of a larger ecosystem filled with valuable minerals and wildlife. Even though we take nature for granted, its many "services"– clean air and water, for example – are not free. In *Guns, Germs*, *and Steel*, Jared Diamond argues that our natural endowments, including farmland, temperate climates, and access to the sea, go a long way toward explaining why some nations develop faster and more effectively than others.

- *Cultural Assets* – Our endowments include all kinds of human accomplishments, including language, food, music, art, dance, and history. Many extraordinarily regions that lack other forms of wealth – Appalachia, for example – are richly endowed with these assets.

Assets, it's worth noting, are not just positive features of a region. Assets are also negative features reframed as positives. Empty farmland, rendered that way because of recent bankruptcies, is potentially usable farmland. Shuttered factories could be refurbished into new factories. Unemployed people are potentially employable people. This may seem like a rhetorical trick, but it really goes to the heart of asset analysis — to identify possible new business opportunities even in difficult circumstances.

CED requires that you develop a comprehensive inventory of these assets for your region, measure how the inventory is growing or shrinking every year, and discern what opportunities for new or expanded local business are possible from these assets.

(4) Planning

A successful CED program will engage various constituencies to plan for the community's economic future by analyzing leakage, retail sales, placement, tourism, business expansion challenges, and cutting-edge industries.

You now know what kinds of assets your region has for new or expanded local businesses. You have a handle on land, buildings, finance, natural resources, and civic institutions. You know a lot about your human resources, including the associations that make up civil society. But ultimately you need to shape this information into useful planning for business. The success of your CED efforts will depend intimately on the success of your local businesses.

Since a cornerstone of CED is greater local self-reliance and greater economic diversification, a critical question is this: Are there goods or services that members of your region are currently importing that new local businesses could instead provide cost effectively? This process, known to economists as "import substitution," pumps up the local economic multiplier as new local businesses, driven by local demand, spend their money in the local economy. Measuring exactly how money is flowing out of your economy – and which goods and services your residents are buying outside the region – illuminates potential markets for new local business. This is the essence of "leakage analysis." If your tub is losing water because it's draining out the bottom, the cheapest and fastest solution is to buy a better plug.

In addition to leakage analysis, your region could benefit from the following kinds of studies:

- *Retail Analysis* – What percentage of your retailers are locally owned (versus franchises and outsider-owned box stores)? How can local retail purchases be shifted from nonlocal to local retailers?

- *Placemaking Analysis* – Where are the places in your region that naturally attract residents and visitors? Where are the great downtowns, public markets, parks, theaters, etc.? How can these magnets be made more powerful (as well as more interesting, fun, and profitable)?

- *Tourism Analysis* – What is your community doing now to attract tourists? How can hotels, restaurants, and events become bigger draws? How can the region be better marketed, tourist traffic be increased, and their daily spend rates grown?

- *Business Expansion Analysis* – How can existing businesses be expanded? What exactly are their needs and the obstacles to expansion? How can CED efforts meet those needs and lower those obstacles?

- *Cutting-Edge Industry Analysis* – What are the natural resources in your backyard that your businesses have yet to tap? Do you have a renewable energy industry that takes advantage of free sunlight and wind? Do you have food processors transforming native crops and flavors into exportable products? Are you transforming wasted paper, glass, and metal into new products?

All these studies provide invaluable information to existing businesses and to your next generation of entrepreneurs. They shine a spotlight on opportunities for business expansion.

(5) Triple-Bottom-Line Companies

A successful CED program will identify, spread, and celebrate examples of business behavior that serves well workers, stakeholders (beyond shareholders), the community, and the environment.

In 1997 the author John Elkington coined the term "triple bottom line" to refer to the performance of a company not just in terms of its profitability but also its benefit to workers, suppliers, communities, and ecosystems.[11] Since then commentators sometimes refer to these bottom lines as the three E's (economy, equity, and ecology) or the three P's (profit, people, and planet).

Not everyone applauds this kind of business behavior. "There is one and only one social responsibility of business," according to the celebrated conservative economist Milton Friedman, and that is "to use its resources and engage in activities designed to increase its profits."[12] Tens of millions of Americans now reject this view, however, and are voting with their wallets, as consumers, as investors, and as employees, to support businesses that aspire to higher social and environmental standards. A central feature of CED is to take advantage of these powerful trends.

As evidence of this movement, consider first consumers. Advertisers now talk about the LOHAS market – Lifestyles of Health and Sustainability – and estimate its purchasing

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[11] John Elkington, *Cannibals with Forks: The Triple Bottom Line of Twenty-First Century Business* (Oxford: Capstone,1997).

[12] Milton Friedman, "The Social Responsibility of Business Is To Increase Its Profits," *New York Times*, Magazine Section, 13 September 1970, p. 125.

power size to be $290 billion annually.[13] Marketing experts observe that one in four American adults--about 41 million people--fall into this category and shop for products supportive of "health, the environment, social justice, personal development and sustainable living." Many of these consumers are willing to pay slightly more for goods and services from a company with outstanding labor and environmental performance.

An equally profound shift has occurred among investors. By the end of 2013, one in six dollars under professional management -- nearly $7 trillion in total -- was being invested under some kind of socially responsible investment (SRI) strategy.[14] Since the financial crisis of 2008, millions of Americans have taken this a step farther by moving their money from "Wall Street to Main Street" and investing locally.[15]

There also has been a shift among job seekers. Millions of millennials are choosing employers based, not on the highest salaries, but on the greatest potential for positively influencing the planet. The accounting firm Deloitte recently interviewed 7,700 millennials from 29 countries, and found that, of those who planned on staying with their employer, 40% applauded their employer for having "a strong sense of purpose beyond financial success."[16] Nearly half reported turning down a job offer because the firm's values were unacceptable. A remarkable 87% think a company's success should be measured, not just by its financial success, but also by its larger purpose.

CED reframes what was once regarded as the "problem" of business responsibility into an opportunity. The old paradigm viewed the bottom line of business as necessarily at tension with the assumed added costs of higher labor or environmental standards. Some feared that a "business climate" with higher standards would deter global companies from setting up shop in their community. The new paradigm posits that if a business shows leadership in these areas, it actually can attract new consumers, new investors, and new talented employees, all of whom will then bolster the bottom line.

Moreover, there are many other CED benefits that can come from these kinds of businesses:

- A company that pays its employees more can increase family income, social mobility local spending, and local taxes.

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[13] See, e.g., http://www.lohas.com/about and http://www.nmisolutions.com/index.php/syndicated-data/nmis-proprietary-databases/lohas-consumer-trends-database.

[14] US Sustainability Investment Forum, *Report on Sustainable and Responsible Investing Trends in the United States,* 2014. See http://www.ussif.org/sribasics.

[15] Michael H. Shuman, *Local Dollars, Local Sense: How to Shift Your Money from Wall Street to Main Street and Achieve Real Prosperity* (White River Junction, VT: Chelsea Green, 2012),

[16] Will Yakowicz, "Half of Millennials Would Reject A Work Assignment That Clashed with Their Ethics," Inc.Com, 15 January 2016.

- A company that conscientiously conserves energy can bring down local fossil fuel burning and local pollution, and thereby improve public health and its financial bottom line.

- A company that buys from other local companies can pump up the local "economic multiplier," which cascades in more local income, wealth, and jobs.

One tool that CED practitioners are using to take advantage of the benefits of triple-bottom-line business is the B Corp system launched in 2006 by three successful entrepreneurs. B Lab's proposition is simple: If more companies could more easily measure their triple-bottom-line progress and those metrics were made public, they would be more likely to strive for significant improvements. The B Corps system of ratings emphasizes the importance of *self-measurement* and benchmarking a company's performance against other companies in its sector and of comparable size. Self-assessment proceeds through the B Impact Assessment, a web-based tool that is designed to be comprehensive yet user-friendly enough for most businesses to complete within two-to-four hours. It is free and open to all kinds of companies, large and small, for-profit and nonprofit. As of the end of 2015, B Lab reported that nearly 40,000 businesses had taken the survey, 7,755 completed the full B Impact Assessment, and 1,577 companies in 42 countries and 130 different industries scored highly enough to receive the B Corporation certification.[17]

In 2010, Maryland became the first state in the nation to pass a statute creating "benefit corporations," with criteria less demanding than—but simpatico with—B Corps. Since then, thirty other states and the District of Columbia have passed similar laws—including Oregon. A company simply needs to file, or revise and refile, its founding documents with the state, and incorporate one or more of several enumerated "public purposes" in its Articles and Bylaws. It also needs to commit itself to some third-party review of its social performance – not necessarily B Lab's – and report that review annually to its shareholders. Any company that follows these steps will immunize its directors and managers from shareholder lawsuits alleging that they failed to maximize short-term profits.

Smart CED practitioners will seek to take advantage of these trends: by identifying companies in the region with outstanding triple-bottom-line performance; by teaching other businesses how to adopt these practices; and by encouraging more local companies to become B Corps or benefit corporations.

(6) Business Networks

A successful CED program will be grounded in vibrant networks of local businesses, including a local Chamber of Commerce or a local affiliate of BALLE, the American Independent Business Alliance (AMIBA), or Main Street.

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[17] B Lab regularly updates these numbers on the homepage of its web site. https://www.bcorporation.net/

The steps you've proceeded through thus far will provide you with, among other things, a long list of businesses that your economy is missing. These are businesses that, in theory, could diversify your economy based on local demand. But, sadly, this is where most grassroots efforts promoting CED end: with a wonderful list of dreams but no practical way to make them real. The essential next step, which can transform theory into action, is to create an alliance of local businesses. This can happen through the Chamber of Commerce or through one of the newer organizations like BALLE, AMIBA, or Main Street.

Local businesses working together can play a transformational role in promoting CED. Most local entrepreneurs are hardworking and pragmatic. They are loyal to the community, through everything from their charitable contributions to their sponsorships of Little League Baseball teams. They also tend to be non-ideological, which means that they can build bridges among local groups at loggerhead. Not surprisingly, opinion polls find small businesspeople among the most trustworthy of all professional groups in the country.

A local business alliance brings together influential local business owners to create a supportive network that can foster innovation, encourage entrepreneurship, and develop groundbreaking programming. A team of local businesses can help increase the competitiveness of its members. For example, Tucson Originals is a group of local food businesses that collectively buy foodstuffs, kitchen equipment, and dishes, and thereby bring down the input costs for their members. Bringing together business innovators, along with local activists, can help grassroots economic development efforts with momentum, visibility and legitimacy.

You probably have a chamber of commerce in your region, and in principle, many of the functions of a local business alliance can be done by the chamber. In fact, several BALLE networks are in fact either departments within or subsidiaries of the local chamber. But many chambers are concerned that they need to represent all businesses equally – local and nonlocal— and may be uncomfortable embracing an agenda that prioritizes local business. That's why many communities have set up, alongside their chamber, a unique local business alliance.

CED organizers, therefore, will try to set up at least one local business network in their region, and recruit as many local businesses as possible to become active, dues-paying members.

(7) Building Blocks

A successful CED program also will be grounded in business associations, what might be called "building blocks," that represent each of the major industrial sectors in a regional economy, such as food, retail, manufacturing, and finance.

A business alliance is not much more than a name until you organize your local business members into smaller affinity groups that maximize the benefits of working together. By creating peer cohorts around specific sectors of the economy, a business alliance can become more diverse and more powerful.

As children, we learn how to assemble amazing, complex structures from small pieces of wood. Playing with these blocks and seeing how they can be put together into larger structures stretches our imagination. Similarly, the concept of "building blocks" enables CED practitioners to construct a strong local economy from the ground up. You could define the building blocks in your region through conventional categories, like "manufacturing" or "information," or you might define them through terms that better capture your vision for the future. Here, for example, is a description of the "local living economy" building blocks that BALLE networks have embraced:

- *Local Food* – This sector covers not only the ability of a community to feed itself by growing its own fruits, vegetables and grains, and by raising its own animals (for meat, eggs and dairy products), but also to produce value-added foodstuffs and to sell these foods through local grocers, restaurants, suppliers, and caterers.

- *Renewable Energy* – A strong local economy reduces its need for energy through residential, commercial and industrial efficiency measures. For remaining electrical needs, it generates electricity renewably through local wind turbines, photovoltaic cells, hydroelectricity, biomass, geothermal power and tidal power, perhaps through a municipal utility district. For heating needs, it uses a combination of redesigned buildings (favoring passive solar), active solar heating, and the burning of waste wood. For transportation, it might tap into local biofuels (preferably from crop waste and not crops per se) and local electricity (for electric vehicles).

- *Green Building* – A strong local economy provides durable, affordable, energy-efficient shelter for residents and for businesses, schools, churches and most other community activities. Ideally, the construction of these buildings would involve primarily local building materials, whether steel, stone, wood or straw bale.

- *Recycling and Reuse* – What was once the raw materials industry, rooted in logging, mining and transforming petroleum products into plastics is increasingly dominated by industries dedicated to recycling and reusing old materials. There may still be virgin production of materials, but it will be from sustainable flows of wood and plant matter. A growing part of the raw materials industry will be reclaiming old metal, wood and plastics from deconstruction, old machinery and even trash.

- *Green Manufacturing* – Even as we continue to spend relatively more on services and less on goods, we will continue to need manufacturing. Indeed, if oil prices rise again (as many observers expect), it will be sensible for more manufacturing to relocate locally. But in a local living economy, this manufacturing will be smaller, more focused on local niches, and more environmentally sound. It will avoid the use of toxic chemicals, and increasingly transform waste products into inputs for other products.

- *Sustainable Software* – Both metaphorically and in practice, a local living economy moves from hardware to software, from primitive, materials-intensive machinery to intellectual property captured in carbon-light bytes of data. A local living economy aims to capture the best ideas on the planet in locally usable software and technology.

- *Community Finance* – A key element of a local living economy is community finance. How can local savings, both short-term savings in banks and credit unions and long-term savings in college and pension funds, be tapped for local economic expansion?

- *Local Service* – This sector, of course, will naturally assume greater and greater importance in a local living economy. It refers to both professional services like law, engineering, and accounting, and personal services like haircuts, massage, and lawn mowing. Because a local living economy places a strong premium on the smart-growth goal of creating a "walkable" community, these service providers increasingly will operate out of home-based offices.

- *Human Capacity* – A local living economy, as it gets wealthier, will probably invest greater fractions of its resources in the service categories of health, education and well-being. The industries here are already largely local. In many rural communities hospitals and schools constitute the single largest regional employers. The challenge for local living economies is how to deliver better services at lower cost.

- *Independent Retail* – Buying local at independent retailers will remain one of the signature building blocks of a local living economy. One of the principal ways these retailers will become more competitive against big box stores, mega-malls, and mail-order houses is by creating their own wholesale distribution networks – effectively what True Value and Ace did for independent hardware stores. Retailers also will team up with each other to create direct-24/7 delivery services and locally branded malls (like public markets).

- *Local Arts and Entertainment* – A local living economy will celebrate its cultural assets through local theater, film, music, dance and art. Web access means that even remote communities will be consumers of global culture, but it also means they can be global producers. The "long tail" argument points out that by projecting to a global audience, even an obscure talent – singing seals from Monterey – is likely to find a paying audience globally.

- *Local Transport* – Finally, a local living economy will seek to reduce the use of automobiles, arguably the most polluting, dangerous and environmentally disruptive technology of modern life. Communities will be able to reduce this dependency, in the short-term, with local mass transit, smart growth, and more walking and bicycling. Over time, new generations of safer and cleaner cars that use only renewable energy will be introduced.

The virtues of similar companies working together in one place underlie the idea of economic development through clusters. The idea is that when similar businesses congregate and collaborate, they attract a critical mass of intelligence, talent, creativity, and technology. The clustering of computer businesses around Silicon Valley, for example, created a pool of extraordinary pioneers, who graduated from the world-class computer departments of Stanford and U.C. Berkeley, who moved in and out of various companies like Apple and Intel, and who nurtured all kinds of support businesses like intellectual property law firms and venture capital companies. These programmers, marketers, and high-tech developers went to the same bars, frequented the same health clubs and were active in the same PTA meetings. All these organizations and individuals formed relationships, fostered innovation, and established linkages that facilitated more competitively advantageous behavior.

Unfortunately, the concept of cluster development has become widely misapplied to argue for maintaining an economy's focus on a single natural resource business — say, fishing in a coastal community. Others use it to narrow the focus of economic development to a single sector to attract global businesses in that area. These efforts actually perpetuate a hollow economy and leave it vulnerable to sudden global changes in that one market. The CED approach, in contrast, encourages the growth of diverse clusters, including those that already exist in the community and new clusters that do not yet exist locally. A strong local economy needs viable clusters in every sector.

CED organizers should identify existing networks, and nudge them to do more. And they should help unaffiliated businesses within the local business alliance form new building-block affinity groups.

(8) Local Purchasing

A successful CED program will mobilize more local purchasing by residents, local businesses, anchor institutions, and local procurement officers.

A smart local business knows that the difference between a successful year and a disastrous one, between profit and loss, can be summed up in one word—c*ustomers*. More selling is a necessary condition for commercial success. This is why one of the first and most common action steps undertaken by a local business alliance is a "buy local" campaign. Every consumer persuaded to buy local improves the bottom line not only for local sellers but also for the community at large because of a stronger economic multiplier. The obvious and powerful logic of local purchasing makes its omission from the tool chest of mainstream economic development puzzling. But its role for CED is central.

Many communities have carefully branded these activities as “Think Local First.” The formulation is a reminder that the goal is not to “buy local all the time” or to “buy local at all costs.” The goal is rather to promote smarter shopping. And before a consumer buys another good from a nonlocal store or another service from a nonlocal vendor, he or she should at least know and consider the local alternatives. “Think Local First” is fundamentally a marketing campaign, except instead of promoting one business it promotes collectively all the businesses on the local team. The primary mission is to persuade potential local purchasers that the local alternatives are superior. Among the ways of fulfilling this mission are:

- To label local goods, and put clear signage on locally owned businesses;
- To show price advantages enjoyed by local goods and services; and,
- To educate consumers about the economic, environmental, and social benefits from buying local.

Smart CED practitioners will seek to promote greater local purchasing not just by consumers but also by businesses, by government purchasing agents, and by “anchor institutions” like hospitals, universities, school districts, prisoners, and sports teams.

(9) Entrepreneurship

A successful CED program will promote entrepreneurship through education, mentorships, technical assistance, celebrations of entrepreneurs, co-working spaces, incubators, accelerators, intellectual property protection, peer networks, and needs assessments.

No matter how sophisticated your CED theorizing, the bottom line is that it will go nowhere without great people, and more than anything you need great entrepreneurs leading great local businesses. A well-populated universe of talented small businesspeople is essential for a prosperous local economy. When such a universe exists, all the other CED tools become easier to use and are more likely to achieve the desired results.

Whether entrepreneurs are born or made is an interesting philosophical question but irrelevant to CED practitioners. Instead, they seek to maximize the number, quality, and effectiveness of entrepreneurs within any region. They recruit entrepreneurs not only from “the best and brightest” but also from groups typically forgotten by the mainstream economy: youth and retirees; single parents juggling kids with a home-based business; recently released felons looking for a second chance; low-income residents struggling to get off welfare; and people with disabilities. The goal is to expand the talent pool, whatever the starting point.

To support entrepreneurs, CED embraces the following methods:

- *Education* – Entrepreneurship training ideally begins in primary and secondary schools, and is available for adults in community college, business programs, and adult-educational programs through Small Business Development Centers (SBDCs). It can be done through local in- person classes or online programs that are available to entrepreneurs worldwide.

- *Mentorship* – Programs like SCORE help match retirees with entrepreneurs in their fields of expertise. Executives at existing companies or talented local entrepreneurs might be encouraged to mentor those just getting started.

- *Coaching* – Many consultants serve as professional coaches, helping local entrepreneurs with particular problems on a fee-for-service basis.

- *Technical Assistance* – Professionals in all categories also may be willing, for a fee, to help entrepreneurs work through very specific problems, such as accounting, taxation, marketing, or fulfillment.

- *Celebration* – One way regions have made entrepreneurship "sexy," especially for young people, is by holding competitions for startups and by giving awards to outstanding local businesses. While cash prizes are motivating, many entrepreneurs are equally motivated by just public recognition.

- *Co-Working Spaces* – A growing number of regions provide entrepreneurs with low-cost working spaces, sometimes replete with office equipment (like copy machines, phones, and kitchens) and secretaries. Besides providing a half-way house between working at home and having a permanent office, bringing entrepreneurs together like this facilitates peer support, innovation, and collaboration.

- *Incubators and Accelerators* – There are more than 1,000 incubators in North America that support early stage companies with low-cost rent, technical assistance, and sometimes financing. Accelerators take more mature companies and move them through their expansion phase more quickly.

- *Maker Spaces* – Across the United States have sprung up hundreds of locations where entrepreneurs can have access to wood-working, metal-working, and 3-D printing equipment, usually to prototype new products.

- *Intellectual Property Protectors* – Some regions, especially those with strong university clusters, provide centers for helping entrepreneurs legal protect their inventions and other intellectual property.

Smart CED practitioners will seek to make sure that all these institutions are available in the region, that their services are available to all kinds of entrepreneurs, and that these institutions are well networked. If there are gaps uncovered in this ecosystem, efforts are made to fill them. Additionally, entrepreneurs themselves should be surveyed periodically to understand exactly which of their needs are not being met.

(10) Community Capital

A successful CED program will increase the level and effectiveness of local reinvestment by residents, businesses, foundations, investors, anchor institutions, banks, and other financial institutions.

Financial capital is the rocket fuel that propels business. It enables a local business to get started, buy equipment, rent office space, purchase inventory, and hire employees. It helps a local business achieve steady profitability, survive the inevitable difficulties and slack periods, and grow when opportunities present themselves. A critical part of a healthy local economy is the recycling of local savings back into local business.

The reality in most regions is that even though local businesses are responsible for nearly all the jobs, wages, sales, and taxes, community capital barely touches them. Most banks, for example, extend most of their commercial lending to large, nonlocal businesses, and individual investors put nearly all of their long-term savings into stocks, bonds, mutual funds, pension funds, and insurance funds that have no local-investment content whatsoever. Much of this is a consequence of outdated banking and securities law that make it difficult and expensive for “retail investors” to put money into local businesses.

There are, however, local institutions that are beginning to change this financial ecosystem. Among them:

- *Local Banks and Credit Unions* – A dollar deposited in a local financial institution is three times more likely to be lent to a local business than a dollar deposited in a nonlocal bank. Getting residents in your region to “move your money” is an important kind of a CED initiative.

- *Community Development Financial Institutions (CDFIs)* – Some financial institutions, including banks, credit unions, and community development corporations, can obtain “CDFI” designations from the U.S. Department of Treasury when they show that their work is focused on local-income communities or on non-male, nonwhite entrepreneurs. Getting this designation provides access to grants, low-interest loans, and other capital.

- *Revolving Loan Funds* – Nearly a thousand communities in the United States have loan funds dedicated to helping small businesses. These funds usually need, however, significant infusions of additional capital.

- *Angel Investors* – Angel investors are wealthy individuals who sometimes are persuaded to invest, on their own or through angel clubs, in worthy local businesses.

- *Venture Funds* – Venture capitalists practice a style of investing where the institution essentially takes over a local business, invests heavily in it, and takes it public if the business is successful. The probability of venture capital dollar touching any given local business, however, is probably about one in a thousand.

- *Foundation PRIs* – Under long-standing IRS law, charitable foundations can invest in local businesses if they are related to their own mission. An advantage of so-called program-related investments (PRIs) is that if they succeed, the foundation puts the earnings into its asset base; if they fail, the foundation can write off the losses against its annual grant-giving obligations.

- *Crowdfunding* – Recent changes in federal and state law make it cheaper and easier for “retail investors” to put money into local business. The federal JOBS act, implemented in May 2016, has led to the formation of two dozen “community portals” where local investors can find local businesses looking for capital. In Oregon, recent securities law changes permit Hatch Oregon to offer small-business investment opportunities to grassroots Oregonian investors.

CED practitioners will seek to expand these activities. They will inventory the existing local investment ecosystem, and help start initiatives and institutions that fill identified gaps. They will also seed and grow organizations, networks, and programs that improve the awareness of community capital options among local investors and businesses alike.

(11) Pollinators

A successful CED program will seek to transform some of its economic programs into self-financing businesses, which can begin to stabilize CED initiatives for the long-term.

“Sustainability” is one of the watchwords of CED, but it means more than just being sufficiently green or environmentally friendly. It also means living within one’s means.

In the context of economic development, it means being sure that today's investment makes more investments possible tomorrow. One problematic characteristic of many economic development programs, even those designed for CED, is their dependence on grants from governmental agencies, philanthropists, and foundations, which are unlikely to continue indefinitely. An objective of CED is to reform this practice and to make CED initiatives as entrepreneurial as the businesses they support.

The solution is what we call a *pollinator,* a CED program that can finance itself. Like any business, a pollinator may not always be profitable, but at least there is an underlying design, an envisioned system, a credible business plan that aims to make the enterprise profitable. And if it is profitable, then the surplus revenues can be used to support another pollinator which can support another and another and so forth. Twenty-seven examples of enterprise "pollinators" appear in *The Local Economy Solution* (Chelsea Green, 2015). Among them:

- *Local Loyalty Cards*—Supportland (recently rebranded as Placemaker) has 80,000 users in Portland, Oregon, who receive gifts and discounts for loyally making purchases at local stores and service providers. It is now spreading to other communities in North America. www.supportland.com

- *Youth Entrepreneurship Schools*— Fundación Paraguaya now runs three high schools in Paraguay that pay all their expenses through the revenues generated by student-run enterprises, and is working with another organization based in the United Kingdom, Teach a Man to Fish, to spread this model worldwide. http://www.teachamantofish.org.uk/

- *Incubators*—The Northwest Regional Planning Commission in rural Wisconsin runs a network of ten small business incubators over an area of 11,000 square miles, with "circuit riders" who move from site to site and provide various forms of technical assistance. www.nwrpc.com

- *Accelerators* – Each year the Seattle-based Fledge leads three cohorts of promising local entrepreneurs through intensive trainings, and pays for its work through modest royalty payments from its graduates. www.fledge.co

- *Joint Selling*— The Reading Terminal Market is one of a growing number of permanent "public markets" that are effectively shopping malls for local food providers, local artisans, and other local businesses. www.readingterminalmarket.org

- *Local Prepurchasing* –Credibles, based in San Francisco, provides a platform for local food businesses to raise capital from their customers—without legal paperwork—through preselling. www.credibles.co

Smart CED practitioners will identify existing pollinators like these in the region and help launch new ones.

(12) Public Policy

A successful CED program will constructively review existing policies (local, county, and state) that touch local business and make concrete recommendations for improving them.

Many CED practitioners worry about public policies, such as corporate attraction subsidies and tax breaks, that favor global businesses at the expense of local businesses. Other common concerns include:

- Taxes that are too onerous for local business.
- Zoning rules that limit home-based businesses or prohibit mixed-use development.
- Licensing rules that impede entrepreneurs from starting in certain professions or fields.
- Securities laws that make it more expensive for retail investors to put money into local business.
- Procurement rules that prevent local governments from giving preferential contracts to local business.

CED practitioners want to see all levels of government create the conditions for local business success. And they realize that even the absence of government programs is, effectively, a public policy that has impacts on business. So getting public policy right must be high on the CED agenda.

Public policy is everything that our elected officials and civil servants do. It includes the rules set by government through laws and regulations — what people and businesses can and cannot do. It includes expenditures by government, which often lead to specific public programs or projects. And it also helps set the norms of a community, the sense of right and wrong, the ground rules that mediate all activities and conflicts. If a community were an aquarium, public policy might be thought of as water in the fish tank.

Since policymakers across the political spectrum aim to help local businesses, CED efforts to improve policies affecting these businesses are often welcome. Smart CED practitioners will therefore inventory public policies that are hurting local business and propose specific, pragmatic alternatives.

(13) Leadership

A successful CED program will have a coherent structure that facilitates broad collaboration by effective local leaders, and will include key community "movers and shakers," local policymakers, and public-private partners.

Like any successful organization, a CED program requires a coherent leadership structure. Everyone in the organization should know who is responsible for what and when. If possible, it's important to include representatives (even if only in an advisory capacity) from all levels of government – state, county, and local. And the work should proceed through all available channels: through the organization itself, through member businesses, through simpatico grassroots groups and nonprofits, and through public-private partnerships.

(14) Diversity

A successful CED program will affirmatively incorporate groups that often have less power in a community, including the poor, women, youth, racial and ethnic minorities, recent immigrants, and tribes.

Prosperous local economies grow from diversity. And to have the strongest vision of a prosperous local economy, it's valuable to assemble a team that is representative of the diversity within your region. Diversity today is seen as referring primarily to gender, ethnic and racial diversity. Other important categories for inclusion are recent immigrants and tribes. But there are many other kinds of diversity relevant to local economy building. For example:

- What's the diversity of types of businesses and economic activities in the community? Are the retailers represented? Manufacturers? Bankers? Service providers? Utility operators?

- What's the diversity of political opinions? Are Republicans and Democrats present? What about third parties like Libertarians and Greens?

- What's the diversity of ages? Are you including high school students and senior citizens? What about educational achievement? Do you have high school dropouts? How about Ph.D.'s?

- What's the income diversity? Are low-income residents included?

- What's the diversity of hobbies, clubs and habits in your group?

Even if you cannot assemble a perfectly representative team, it's useful to understand your gaps. Who is not at your table? How might their views change your planning? How will you ultimately include or accommodate their views?

(15) Strategy

A successful CED program should integrate all the elements above into a comprehensive strategy that identifies priorities, coordinates with regional partners, and undertakes periodic evaluation.

All the items discussed in this paper comprise an extremely complex agenda. No region can do all these activities, so it's important to prioritize. Has your region consciously done so? How? Are you coordinating with and learning from other regions nearby? Do you have structures in place for periodically evaluating your work?

Final Observations

Even if you diligently complete all 15 tasks, your work will never be done. There's always more CED to reach for, and probably more ways to do so discussed here.

It's also important not to be daunted by how many possible activities there are. Just pick the ones that make the most sense for your region, and start there. Once you have some success under your belt, other activities will be easier.

Remember the immortal words of Gandhi who said, "Everything you do is irrelevant, and yet it is still very important that you do it."

And the even more immortal words of Betty Rees: "If you think you are too small to be effective, you have never been in bed with a mosquito"

About the Author

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Shuman has authored, coauthored, or edited nine books. His most recent book is *The Local Economy Solution: How Innovative, Self-Financing Pollinator Enterprises Can Grow Jobs and Prosperity* (Chelsea-Green, 2015). One of his previous books, *The Small Mart Revolution: How Local Businesses Are Beating the Global Competition* (Berrett-Koehler, 2006), received as bronze prize from the Independent Publishers Association for best business book of 2006.

A prolific speaker, Shuman has given an average of more than one invited talk per week, mostly to local governments and universities, for the past 30 years in nearly every U.S. state and more than a dozen countries.

Shuman has written nearly one hundred published articles for such periodicals as *New York Times*, *Washington Post*, *Nation*, *Weekly Standard, Foreign Policy*, *Parade*, and *The Chronicle on Philanthropy*. In 1980 he won First Prize in the Rabinowitch Essay Competition of the Bulletin of the Atomic Scientists on "How to Prevent Nuclear War."

Shuman received an A.B. with distinction in economics and international relations from Stanford University in 1979 and a J.D. from Stanford Law School in 1982. Between 1987 and 1990 he was a W.K. Kellogg National Leadership Fellow. He is also a member of the State Bars of California and the District of Columbia.