

Coping with Economic Meltdown

by Gwendolyn Hallsmith

You are sitting in a public hearing about the zoning changes you have been preparing for the past year, fighting a sense of despair and futility. More projects have been abandoned than have been started. Money is tight – at least one of the cancelled projects lost its financing at the last minute. More than ever, it feels as if the title “Planning Commissioner” doesn’t reflect your role – shouldn’t planners be able to offer a path forward, even through dark times?

The local economic development authority has been working as hard as they can to attract new businesses. They spend money, even in the downturn, on trips to distant places to try and find the next big new enterprise to bring to town. They often return empty-handed. The economy elsewhere suffers the same sluggishness as here at home they say. Maybe when things pick up they’ll have better luck.

Is this search for external investment the best strategy for strengthening the local economy? Consider this:

1. The vast majority of new jobs are created by small and medium sized firms, not large employers.¹

2. New markets, jobs, capital, technology, and economic expansion are generated when cities start to produce goods and services that were previously provided by distant exporters.

3. Start-up, innovative, entrepreneurial enterprises are on the increase in the 21st Century, while the large manufacturers that dominated the economies of the 19th and 20th Centuries are declining.

4. Local long-term wealth creation and economic security are dependent on local ownership of productive capacity; simply receiving wages for employment while the profits are exported to distant corporate centers robs the local economy

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of the capital it needs to succeed.

5. An over-reliance on export-led development can undermine the long-term economic health of a community. More attention needs to be paid to local needs and markets. Similarly, communities that develop local exchange systems and reduce reliance on the national currency will also enhance long-term local wealth creation.

6. Companies that are locally owned are much more sensitive to community needs and environmental conditions, and can lessen a city or town’s vulnerability to job losses when economic downturns occur.

If the solution to your economic problems can be solved through local action, then perhaps there is more of a role for planning commissioners than you have been taking. If the traditional strategy of attracting direct investment from outside the community leads to a dead end, mobilizing local resources for local economic renewal will test the ability of local leaders to create conditions where new local enterprises can take root and succeed. It requires tenacity, flexibility, open-mindedness, and a willingness to take risks and try new things. It also requires understanding some basic points about economics.

How do you build real wealth? How does the local economic system work? Are there policies and practices you can introduce as a leader that will either foster wealth creation or block it? The term “economic system” is used so frequently that we often lose sight of its meaning.

Systems have certain characteristics, and by understanding more about how they work we gain valuable insights into how to improve our local economy.

All local economies run on four main sources of energy – money, water, food, and energy itself – oil, gas, solar, wind, etc. If you consider the health of your local economy, you need to regularly take the vital signs of these critical flows.

- Do you take steps to prevent money from flowing out of your local economy?
- Do you have enough water for all your needs, or do you need to import it from other regions?
- Do you produce enough food and energy for people and the economy, or does most of what you consume come from distant places?

One way to start to build real local wealth is to understand all the outflows, and to try and start producing locally whatever you are buying from other places. Gathering the data, identifying the most promising strategies and alternatives, setting priorities, all of these activities are exactly what planning commissioners do best. ♦

Gwendolyn Hallsmith is Director of Planning & Community Development for the City of Montpelier, Vermont. In our Summer issue, Hallsmith will continue with a look at steps communities can take to put together a local economic development plan.



¹ The first study that documented this fact was David Birch’s *The Job Generation Process* (M.I.T. Program on Neighborhood and Regional Change, 1979). This was followed by “Tracking Job Growth in Private Industry,” by Richard Greene of the Bureau of Labor Statistics, published in the September 1982 *Monthly Labor Review* (available online at: www.bls.gov/opub/mlr/1982/09/art1exc.htm). For readers interested in learning more about the importance of local economies, please take a look at Jane Jacobs’ landmark book, *Cities and the Wealth of Nations*.

Assets that Build Your Local Economy

by Gwendolyn Hallsmith

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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Finding Your Local Economy's Hidden Treasure

by Gwendolyn Hallsmith

For the last three issues, this column has explored the first steps local planning commissioners can take to start to address the economic crisis so many communities are facing. This has included the most important step – recognizing that you can act to improve your local economy. Once you make the decision to take action, you recruit the stakeholders who need to be involved in the project. The last column described how to identify and categorize the assets you have.

After you have a clear picture of the assets in your community, you'll need to find ways your community can use them to create new jobs and opportunities. For example, your asset inventory might include historic and cultural resources in a part of the city you have always thought of as the “wrong side of the tracks.” Old buildings – factories, 18th and 19th century housing, landmarks, and unique cultural enclaves – all offer possibilities for redevelopment.

For example, in the Blackstone Valley of Rhode Island, places like Woonsocket, Central Falls, and Pawtucket were old mill towns that had lost their major employers – the mills, blast furnaces, and forges – when they moved out of New England in the early part of the 20th century.

The Blackstone River, once known as “the hardest working river in America” because of its role in powering the industrial growth of the region became a backwater, with towns whose new claim to fame was some of the highest levels of unemployment in the country. The old, crumbling mills were eyesores, the river smelled like a cesspool, and the neighborhoods grew more distressed as

unemployment became the norm.

As suburbanization spread in the latter part of the 20th century, the Blackstone Valley relics of the industrial age seemed doomed for the wrecking ball. Then, in 1986, people who were concerned about the loss of these important historic resources worked to get Congress to create the Blackstone Valley National Heritage Corridor, the second of its type in the country. The corridor included 46 miles of river, 20 towns, and

and blight and recognized the hidden treasure in the wreckage of the industrial age.

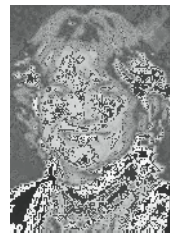
The Blackstone River story also points to another asset that is often overlooked – the natural features which offer restoration and rejuvenation possibilities. Strict environmental controls and the introduction of sewage treatment plants required by the Clean Water Act turned the river around. A cleaner river became the front yard of the region, rather than its sewer pipe.

Many cities have discovered their hidden treasure in the cultural enclaves that made up some of their blighted neighborhoods as the 20th century came to an end. “Little Italys,” once home to recent Italian immigrants who came to the U.S. and Canada in search of factory jobs, are now home to restaurants, shops, and unique cultural festivals. The “Chinatowns” in many cities also provide tourist and recreational attractions, where the colorful and decorative architectural styles imported from the Far

East have created neighborhoods that look like works of art.

These are just a few examples of how visionary communities have recognized the assets they have – even when they look like liabilities – and have used them to reshape and revitalize their local economies. ♦

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ANDRIAN PAQUETTE, CURATOR, SLATER MILL MUSEUM; REPRINTED WITH PERMISSION OF SLATER MILL MUSEUM, PAWTUCKET, RI.

The “Labor & Ethnic Festival” is held each year at the Slater Mill along the Blackstone River in Pawtucket, Rhode Island.

two states (Rhode Island and Massachusetts). With stricter environmental controls, the cleaned-up river drove the new phase of tourist and cultural development as riverboat tours, parks, new museums made from the old mills, and a long bike path became the new attractions.

Now the Blackstone Valley is home to artists and a cultural economy that consistently is ranked as one of the top tourist destinations in Rhode Island, a state where Newport, Block Island, Watch Hill, and the beaches provide ample competition. The historic preservation advocates of the 1980s had a vision that saw beyond the deterioration

Charting an Economic Course

by Gwendolyn Hallsmith

Editor's Note: this is the last of five related articles prepared by Gwendolyn Hallsmith for the Planning Commissioners Journal. We'd be pleased to email PCJ subscribers a complimentary pdf of the complete series. Just email us at: pcjoffice@gmail.com and put "Hallsmith series" in the Subject line.

We've been examining all the ways that planning commissioners can lay the groundwork for sustainable economic development. Past articles have described how to identify and recruit stakeholders for an economic planning process, take an inventory of the assets you have in the community, and find new ways that these assets can be put to use to improve the quality of life – all important elements of an economic renewal strategy. This column will close the series with ideas about how to bring the strategies you select into alignment with the global trends that will shape the economy over the next twenty years.

If your local economy were a ship and you were preparing for a journey, you'd want to:

- have a good crew (the stakeholders),
- know all the parts of the ship were in good working order,
- have enough food, medical supplies, fuel, and water for the trip (the assets),
- chart a course that suited the type of ship you had (the ways the assets could be put to use), and
- know if storms are expected, where the shoals are located, and that your destination is a good place to go.

The vision of a sustainable economy with a safe and vibrant community; a healthy environment; lots of good job opportunities; and people who are engaged in governance, can be an effective driver of a planning and implementation process. It's the destination.

It is important, however, that we clearly articulate goals related to developing a sustainable economy at the outset, so there is broad agreement on the overall direction the community is heading. This means, for example, reaching



agreement on the value of growing local entrepreneurs and supporting local businesses. As we've discussed in previous columns, part of the foundation of a sustainable local economy lies in drawing on existing local assets to build real wealth in the community.

The weather report, compass, and maps are also critical elements of the enterprise. As we begin the 21st Century, the economic forecast predicts some serious storms:

- Fossil fuels will be increasingly in demand (yet in shorter supply) as China and India catch up with the industrialization of the West. This will lead to higher costs for food, transportation, and other necessities.
- Climate changes will lead to higher infrastructure repair costs in many parts of the country as snow storms, flooding rains, and hurricanes increase in intensity. We can also expect mounting insurance costs for coastal areas that will be facing the effects of more severe weather and the rise in sea levels. As pressure to mitigate the impact of climate change increases, low carbon solutions for heating, electricity, food, and transportation will be a profitable investment for companies and communities.
- Changing demographics will also

impact our prosperity. As Baby Boomers age, health care costs will consume an increasing share of GNP. The ratio of people over age 80 will grow, outnumbering the younger generation that will be asked to care for them. Finding new ways to care for elders, while keeping them engaged in community life, will be a critical issue.

All of these trends mean that the two growing sectors of the national economy – the Creative Economy and the LOHAS market – will continue to be investments that can help local economies grow.

LOHAS stands for Lifestyles of Health and Sustainability. Analysis by the National Marketing Institute shows that products and services in this market represent over \$200 billion in annual sales in the United States, with almost 20 percent of the adult population as the customers. Creative Economy products – film, video, books, arts and crafts, design, media, etc. – have continued to grow even through the global recession, so they represent a strong sector for economic renewal and recovery.

The old paradigm of natural resource intensive industrial production is in many places being supplanted by a new era of creativity, renewable resources, and sustainable products and services. While Earth is finite, our human ingenuity and compassion are not. Planning commissioners can help chart a new course for their communities with a commitment to vision, good information, and sound planning. ♦

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