

Chapter Two

Creating Real Wealth

Local economic development efforts have three traditional goals:

- to create new jobs
- to promote a more favorable business environment
- to increase the value of the local tax base

The assumptions built into these goals are:

- all jobs are good jobs
- business development and expansion is the critical strategy needed to create new jobs
- the only form of value that counts is that which can be expressed in monetary terms.

The question of genuine economic security and the creation of real wealth is almost never considered, nor are the assumptions about the kinds of local enterprises that might produce real wealth.

What is real wealth? How is it created on the local level? What can local communities do to build real wealth for local residents? If local economic development initiatives started with these questions, rather than the traditional assumptions, the strategies they would use to achieve their goals might be quite different, and the outcomes far more beneficial to all concerned.

The word “wealth” comes from the same root word as “well” — weal, meaning well-being. In Old English, the “th” at the end meant “the condition of,” so wealth means having the condition of well-being. Real wealth is the capacity to obtain or ensure wellness. We all know that money does not equal wealth, but if having money isn’t the whole answer, then what *is* wealth? This is the core question that

any strategy for sustainable economic renewal should address: how can the economic development efforts we make actually contribute to the well-being of our community?

We all have heard of people who have lots of money and yet do not have a high-quality life. They may have external wealth but inner poverty. Real wealth involves obtaining sufficient resources to stay healthy, including high quality food, clothing and shelter, while also achieving a sense of long-term security. Real wealth means that, over time, there is adequate access to education, health services, and all the things that make life worthwhile — cultural activities, spiritual development, recreation, and leisure. People who enjoy real wealth also have a voice in their own destiny, and in their government.

If you pursue real wealth creation for the people of your community, you will have to build the capacity to enable them to live high quality lives and achieve their full potential as human beings. This will involve a full understanding of their needs, the capacity of the community to meet them, and the global trends that will affect your efforts.

Global Trends and Local Development

The efforts of a community to increase the genuine wealth of its citizens will be impacted by a number of trends now sweeping the globe. Global warming and climate change, the inevitable transition from fossil fuels, the aging population, the introduction of new technology that displaces workers, increasing instability in world currencies; all of these factors are beyond local control, yet have an impact on the kinds of decisions you can make at the local level. It may seem beyond your control, and certainly the causes of such changes as globalization, or the possibility of a currency crash in the near future, arise far beyond your town. But unless you understand what these trends are, and put in place local measures to shield your community from their worst consequences, your efforts to strengthen your local economy may be swept away. Conversely, these trends

offer an array of chances to increase your self-reliance, create new businesses, reduce costs for existing enterprises, and capitalize on what might otherwise seem unlikely opportunities.

Most people when asked to name a global trend would reply, “terrorism.” Fear of unpredictable attack by people whose motivations we dimly understand, and who seem impossible to deter, is indeed a part of modern life. But if your community acts to create the capacity to confront the trends outlined below, it will make itself much more resilient to *all* forms of disruption, including terrorist acts. The list that follows is not a comprehensive accounting of all the challenges facing us, but it covers the primary drivers that will determine the success or failure of your efforts at the community level to deliver a high quality of life to your citizens. Bearing these trends in mind will significantly increase the likelihood that your efforts to enable your economy to meet local needs will be effective.

Communities that understand that we live in an increasingly interconnected world can navigate its treacherous waters successfully. Such communities will create new structures to avoid the pitfalls. They know that these global trends also create new opportunities for entrepreneurs to develop new business ideas, products, and services that address the issues presented. Most important, they create the internal capacity to ride the waves of change instead of being engulfed by them. They do this by empowering local people to explore:

- how these larger forces are affecting your economy
- how they may make “business as usual” difficult or impossible
- how you can take action to minimize their negative impacts
- ways to insulate your community from them
- opportunities they offer to enhance the success of your programs

Pretending that the problems don’t exist, and continuing on with business as usual, is a sure way to be swamped when the waves hit home. With these trends in mind you can more safely tap into the creative talent and innovative spirit that keeps our world fresh and inspiring.



*Best practice examples
of local communities
that have capitalized
on these trends*

Glocal Trends That Impact Sustainable Economic Renewal

Economic Globalization

The globalizing world is bringing new challenges to communities. Trillions of dollars now flow around the planet at the speed of a keystroke. Prices of commodities rise and fall depending on the whims of faceless traders half a planet away. While improved access to other geographic regions might open new markets for products and services that you might produce locally, the low cost of labor in those regions can undermine your ability to compete in this global market.

Communities today are competing with the whole world. Unless they can master the skills to do this, they will find markets drying up and imports flooding their town. The impact of Wal-mart is a result not only of the strength of an American company, but of the ability of China to manufacture very low cost products. As large manufacturing plants close their doors and move operations to countries where labor and resource costs are lower, communities find themselves wondering how to create new jobs that offer the same income as before. Typically, they can't, despite heroic efforts to lure new companies to town. Many find that even offering ruinous public subsidies, often amounting to millions of dollars per job created, is ineffective.

Advocates of globalization rightly point to its benefits: the spread of such international norms as human rights and democratic control. Free markets are more efficient, modernize out-of-date structures and habits and squeeze out wasteful practices. They give access to goods and services from around the world.

Opponents, though, correctly point out that globalization has worsened the gap between those with enormous wealth and those who live in abject poverty. The global economic system has created real losers, as well as a few winners. Conventional efforts to reduce such crushing poverty are not working. Those who lack the understanding of how to compete with the corporate giants are finding that traditional ways of making a living are no longer viable. But conventional aid programs seem only to entrench the existing disparities and lack of capacity.

Communities will not find a rescuer riding to their aid from outside. If they

are to survive the juggernaut of globalization, they will have to find ways to create for themselves the ability to meet their basic needs. Fortunately, there are a number of better models of development arising. These start the business planning process from the bottom up, as outlined in this manual. They rely on an array of sustainable ways to meet basic needs, such as efficient and renewable energy supplies, green building technologies, efficient water treatment and delivery systems, and sustainable approaches to providing food and health care. In general these approaches rely on the engine of entrepreneurs.

Programs like Chicago Manufacturing Center are enabling small manufacturers to implement more sustainable ways to do business, reducing costs and increasing their competitiveness. In India, the company SELCO is showing how, without subsidies, even poor families can afford solar electricity to provide lighting so children can study at night and small businesses can continue to operate. In China, “Eco-machines” of living plants are cleaning the water in polluted canals, while creating habitat and beautiful community parkways. SEKEM, in Egypt, is using private enterprise to lift thousands of people out of poverty, deliver quality organic food to European markets, and has even created a new University.

The Information Age and its Employment Consequences

The spread around the globe of information technologies, from the Internet to mobile phones, is both a factor encouraging globalization and a trend that will independently impact communities. For example, the ability of traders in an Afghan village to communicate with markets in Europe and America is facilitating the rebuilding of such traditional industries as carpet weaving and dried fruit exporting. But at the same time, commercial communications from the global media are overpowering local cultural activities that are an important element of community cohesiveness. Solar-powered, satellite computer communications can now be provided to every remote village in the world, bringing education, access to health care and a variety of other beneficial services. Powerful information can be available at our fingertips, but the cost of the technology to access it is quickly creating new class structures: the global technoclass and the Internet-less local underclass.

Since the industrial revolution, waves of technological innovation have shifted the basis of prosperity from such traditional industries as textiles to the modern economic powerhouses of computers and iPods. New disruptive technologies have caused the demise of traditional industries. The Digital Age, which has yet to reach many parts of the world, will continue this trend. But, conversely, it also offers opportunities for communities to leap-frog over less attractive technologies, and capture the best that the world can now offer. Just as many developing countries are jumping right to wireless technology, not bothering with land line telephones, so communities that have information can choose to implement the best of the sustainable technologies that are now making up the next wave of innovation.

Businesses, cities, and organizations that are at the cutting edge of the new economy are finding new ways to make old products more efficiently, with less energy and fewer non-renewable resource inputs. They are also using lessons from nature to develop new products that are more resilient and successful than those that corrupt and exploit the natural world. These new products and services are more competitive because they are using increasingly costly resources more efficiently. That saves money, which can in turn go to higher salaries, enhanced community services, better working conditions, and all the things that make companies and organizations places where people like to work.



*Best practice examples
of biomimicry,
energy efficiency, etc.*

Shifting Demographics: Young and Old

Another trend that illustrates the opportunities for creative leadership at the local level is divergence in the age of the population. More people are living to old age, due to better health services and higher quality of life in many areas. At the same time that the population is aging in developed countries, the number of young people in developing countries is increasing dramatically.

A 2005 report by the Investment Management Consultants Association forecast the following ¹:

Global population shifts over the next 50 years will profoundly affect the world's economic and geopolitical landscape. Three trends in particular have strategic implications for the long-term economic outlook—

- Working-age populations will shrink in most major countries
- Populations throughout the developed world are rapidly aging
- Populations throughout the developing world are rapidly growing, especially in Islamic countries, increasing the number of young people.

The U.S. population will continue to grow in the coming decades, whereas the populations of Europe and Japan will shrink, indicating that the United States will become an increasingly dominant global economic and political power. At the same time, rising birthrates in some of the world's poorest, most unstable countries will spawn burgeoning populations of young people with limited economic prospects, pointing to growing geopolitical risks and increased terrorism.

In addition to potential geopolitical instability, other likely results of UN-projected population trends include:

- Diminishing aggregate demand for consumer products and real estate as working-age populations in Europe and Japan shrink
- Full employment and labor shortages in industrialized economies (this will benefit per capita incomes but not profit margins)
- Steady growth in demand for consumer products in emerging countries, particularly in Asia
- Continued transfer of manufacturing and service jobs to Asia
- Declining public-sector services in developed countries (the retirement age will almost inevitably rise in advanced economies, real benefits may be cut, and aging populations will put immense pressure on state-funded health care systems)
- Uncertain sustainability of the Euro
- Emergence of western economic problems in China
- Increased urbanization in unstable countries
- The global spread of infectious diseases
- Environmental consequences of rapid population growth in the developing world.



More information about
the Fureai Kippu system

Communities are being forced to find social innovations in both the use and support of elderly people and young people. In Japan and Switzerland, local communities have created new systems for elderly care that increase the resources available and improve the quality of service. Called *Fureai Kippu*, which when translated from Japanese means “Caring Relationship Tickets,” these credits enable families to arrange for regular care for their elderly family members in exchange for services that they might provide to someone else. So, if families are separated by distance, it’s possible to trade the ‘tickets’ in other cities that a family member has earned by donating time closer to home. These notes have transformed the care of the elderly in the countries that use them, making higher quality care available on a low cost neighborhood basis.

One could hope that, with the widespread maturing of populations, the Knowledge Society might evolve into an era that deserves to be called a Wisdom Age. Time will tell.

Monetary Instability

Many countries have experienced monetary instability, but there are now signs that the entire global economy may be on the verge of such a dislocation.

It is now entirely plausible that the next monetary crisis could be a dollar crash. If this happens it could become the most important financial event in history. Indeed, prior crashes appear not to have been random accidents, but signs of systemic dislocations of the official monetary system. This implies that no country should consider itself immune from such problems: not China, not Japan, not Germany (or even all of Europe), not the United States. Monetary crashes are often accompanied by a banking crisis which compounds the problems created for the communities in the country affected.

The social and economic implications of a monetary and/or banking crisis would be devastating. Cities may feel powerless to do anything about such issues, but many of the unpalatable consequences of such events would end up falling upon the local authorities to solve. There may be little that a local economy can do to relieve the instability, but there is a great deal that it can do to shield itself from the worst effects of a crash.

Local complementary currency innovations [see Chapter Three] can help mitigate national or global instability, and can be implemented before a crisis. Such innovations strengthen local economies and offer a safety net below the official monetary system, whether that system is in crisis or not. Communities have made local products more competitive by introducing such new forms of exchange. These complementary currencies provide an alternate way in which local and regional consumers can pay for locally produced products. They make the local products more affordable and appealing, because consumers are able to save their scarce money for items that can only be obtained in the global market.

In Germany and Austria, local areas are introducing something they call Regios, which are currencies that can be used as a supplement to the Euros. These have played a significant role in strengthening the regional economies where they are used. Issuing Regios gives regions the autonomy necessary to deal with their particular social, economical and financial problems directly, while benefiting regional businesses and services. Usually, the cash spent in big chain businesses tends to flow in the direction of corporate headquarters outside the region, often thousands of miles away. Regios, on the other hand, support regionally-based businesses, strengthening the economy and helping to preserve the unique character of each region ².



*More information and
web site links to the
Regios system*

Climate Change and the Loss of Natural Capital

Every major ecosystem on the planet is in decline. Numerous expert studies have shown that current business practices are threatening the ability of intact ecosystems to deliver such essential services to the economy as pollination of agricultural crops, maintenance of soil fertility, the predictable functioning of the hydrological cycle, and the even support of life itself on our planet.

Environmental degradation can be costly to businesses in many ways. It lowers the productivity of the resource base upon which most businesses, government, and organizations depend. As governments seek to deal with the loss of ecosystems, businesses that continue to pollute or behave irresponsibly will face regulatory fines and loss of consumer support. Conversely, by reducing these impacts, businesses and organizations can save money, both for themselves and for the communities they serve.



*More information about
the Dutch Smart Card*

In Rotterdam, the city has taken steps to encourage resource saving activities through the implementation of a Smart Card system. People can accumulate ecological credits, or ‘green points’, on their card by using public transit, buying a bicycle, recycling, purchasing energy efficient products, etc. They can then use the points they have earned to purchase other things they need.

One of the natural services that we have taken for granted, but that is now threatened, is the stability of the climate. Human activity — largely the burning of fossil fuels emitting carbon dioxide, and various agricultural and industrial processes that emit such gasses as methane, oxides of nitrogen and sulfur hexafluoride — are causing the planet to warm. Impacts include reduced snow and rainfall, killing heat waves, more and more violent storms, flooding, the spread of diseases, and rising sea levels.



*Climate Making Sense
and Making Money*

In 2005, the head of the United Nations climate agency stated: “Climate change is for real. We have just a small window of opportunity and it is closing rather rapidly. There is not a moment to lose.” He concluded, “We are risking the ability of the human race to survive.” Numerous studies have shown that the impacts of climate change will fall disproportionately on the poor. Natural disasters like Hurricane Katrina will unfortunately not be isolated events.

The good news is that climate change can be abated at little or no cost, and in some instances at a significant profit. World greenhouse gas emissions could be halved by 2050 at a cost of just 1% of global gross domestic product, according to an analysis by Germany’s environment agency. Without action to restrain emissions, the cost of global warming-linked weather changes could cut world GDP by 10%, it warns.

The European Commission plans to cut energy use 20% by 2020, and increase European use of renewable energy to 12% by 2012. This should reduce Europe’s emissions by a third. The program is projected to save 60 billion Euros, create millions of new jobs, and increase European competitiveness.

Stabilizing atmospheric carbon dioxide levels will not be easy, but it can be done. Using a combination of energy efficiency — especially far more efficient hybrid-electric cars and efficient diesels running on bio-diesel, wind machines, solar electric and thermal collectors, and a shift from an economy based on hy-

drocarbons to one running on carbohydrates — communities can enhance their prosperity, reduce their vulnerability, and protect their environment. Technologies exist to enable the world to shift from using coal and oil to much more benign ways of meeting our needs for energy.

Strategic Resources:
Peak Oil and Sweet Water

There are two key resources that our modern life style has taken for granted for at least a century: cheap fossil energy and the availability of sweet (i.e. drinkable) water. There is a growing consensus that the availability and cost of these two vital resources are going to significantly change over the next decades.

World oil prices will only continue to rise. This is in part because China has entered the world oil market, with India right behind it. These two countries recently created an oil buying agreement, seeking to strengthen their ability to secure supplies of an increasingly scarce resource. If the Chinese economy continues to grow at its present rate, and if they use oil as inefficiently as Americans, by 2031 China will need 99 million barrels of oil a day. The world currently extracts 89 million barrels per day, and may not be able to lift more. If China's coal burning equaled current U.S. levels (nearly 2 tons per person), China would use 2.8 billion tons annually — more than the 2.5 billion tons the entire world now uses. These and a variety of other signs indicate that conventional energy sources are likely to be increasingly scarce and that prices for such commodities as oil will continue to rise.

There is little that local economies can do to reduce the world oil price, but there is a great deal that individuals and communities can do to extract themselves from the globalized energy market. An increasing number of homes are being equipped with solar electricity and heat. It is not uncommon now to have homes that operate independently of the electric grid or interconnect at will. Individuals and communities are setting up small-scale biodiesel production facilities, using waste vegetable oil or the output from special crops. Biodiesel can also be co-produced attractively with ethanol.

In Brazil, 90% of new cars can run on straight ethanol. Around the world efficiency is the fastest growing energy technology, followed by using the sun to

produce heat, followed by wind power. In good sites wind can be brought on line for less than it costs to run an existing coal or gas plant. Even poor communities like Curitiba, Brazil have created public transportation systems that work well and are affordable. Communities like Austin Texas are encouraging “plug-in” hybrid vehicle programs. The University of Colorado runs its bus fleet on biodiesel, and the program spun off a for-profit company that is now making the fuel. In the United States, such organizations as the New Voice of Business, the Union of Concerned Scientists, and the Apollo Alliance have produced studies showing

Osage, Iowa

Energy Efficiency for Economic Renewal – the classic story

— L. Hunter Lovins

In 1974, the Osage Municipal Utility was faced with the need to build a new power plant to meet growing demand. Its general manager, Wes Birdsall, realized that if the plant were built it would increase everyone’s rates. Instead, he stepped across the meter to his customers’ side and helped them use less of his product. Why on earth would a businessman ever do that?

Bidsall realized that what his customers want is not raw kilowatt hours, but the energy “services” of comfort in their homes, shaft-power in factories, illumination, and the other services that energy delivers. People buy energy, but what they really want is the service. If they can get the same or improved service more cheaply using energy more efficiently or from a different source, they will jump at it. Birdsall realized that if he raised his prices, not only would he be doing his customers a disservice, but that they might turn to other options. By meeting their desires for energy services at lower cost, he retained them as customers, and began one of the most remarkable economic development stories in rural America.

Birdsall’s program was able to save over a million dollars a year in this town of 3,800 people, and generated over 100 new jobs. A report on the program found that, “Industries are expanding and choosing

to remain in Osage because they can make money through employees who are highly productive and through utility rates that are considerably lower than neighboring cities.” Birdsall was able to reduce electric bills to half that of the state average and unemployment to half that of the national average, because with the lower rates new factories came to town. He held electric growth level until 1984. The program was profiled in the Wall Street Journal, and was copied by other utilities.

According to a USDA study of Osage, “The local business people calculated that every \$1 spent on ordinary consumer goods in local stores generated \$1.90 of economic activity in the town’s economy. By comparison, petroleum products generated a multiplier of \$1.51; utility services, \$1.66; and energy efficiency, \$2.23. Moreover, the town was able to attract desirable industries because of the reduced energy operating costs resulting from efficiency measures put in place. Energy efficiency has a long and successful track record in Osage as a key economic development strategy.”[†]

[†] “The Jobs Connection: Energy Use and Local Economic Development”, Tomorrow’s Energy Today, US Department of Energy, 1994.

that it will be possible for communities and countries to make the shift to renewable energy.

Far more challenging than shifting to renewable energy will be providing sufficient drinking water to all of the world's population. Clean water, vital to businesses as well as individuals, has been taken for granted in developed countries for many decades. Yet two-thirds of the people in the world live in areas that are already affected by water scarcity. There is a growing consensus that water scarcity will become a significant trend for a growing number of cities and countries around the world.

The answers are essentially the same as they are for energy: dramatically more efficient use of the resource, coupled with distributed capture of water and treatment of waste water, are the most cost effective ways to meet local needs.

The Rise of the LOHAS Market

There exists a large and growing market in the U.S. and Europe for goods produced in ways that do not harm the environment or people. Approximately 30 percent of the adults in the U.S., or 63 million people, are estimated to place significant value on such attributes. These preferences represent part of a tectonic shift in consumer awareness and behavior.

Identified in a research report by Conscious Medium, this industry has been named "Lifestyles of Health and Sustainability," or "LOHAS." It is a worldwide market conservatively estimated at \$228.9 billion a year, and growing. In the U.S. the market supporting what are called ecological lifestyles is at least \$81 billion a year.

Demand for organic produce is increasing everywhere. In 2003, the market value of organic products worldwide reached \$25 billion. Most of these sales were in Europe and North America, but demand is growing in Asia and elsewhere.

Such customers are also demanding products that are certified to be Fair Trade. Fair Trade is an alternative to conventional international trade, in which economically disadvantaged craftspeople and farmers from developing countries compete at a comparative disadvantage in a market dominated by much larger players.



The Business Advantages of Sustainability

The final major trend sweeping the planet is the dramatic shift in business towards behaving in more sustainable ways. Driven in part by the consumer attitudes described above, it is also a reaction to the other megatrends. Whatever its cause, it is very good news for all of us, as the business sector may be the only institutional force on the planet that is big enough, well enough managed, and possessed of sufficient resources to tackle the big problems facing us. This trend poses a challenge, however, to small businesses in communities: responsible behavior is coming to be the new norm, and companies that do business the old way will have a harder time competing.

A “next industrial revolution” is bringing the world an explosion of new technologies and management strategies, driven by the reality that there are 1.) a lot of people who need jobs, and 2.) a shortage of natural capital (natural stocks of energy and materials, plus nature’s ability to handle wastes and provide vital services). This is the exact reverse of the conditions that fostered and gave ongoing business logic to the first industrial revolution: few people and lots of natural capital.

In the present conditions, only a sustainability strategy can protect shareholder value in the long run. Even the most doctrinaire capitalists are reassessing their assumptions about what is happening to the environment, how external stakeholders perceive their company, and how a company’s definition of its responsibility to the rest of the world affects its own employees. Companies that realize the seriousness of these challenges, commit to a transition to more sustainable behavior, and deliver on that commitment will be the companies that succeed in the coming decades. Commitment to and follow-through on sustainability will come to be the hallmark of corporate integrity and management capacity.

The first complete business system for addressing sustainability’s competitive advantages was developed by the authors of *Natural Capitalism – Creating the Next Industrial Revolution*. The Natural Capitalism principles work together to provide enterprises with an approach to greater profitability by radically increasing resource productivity, using green design approaches that mimic natural systems, and managing companies and communities to enhance the natural and human



Natural Capitalism
online

capital needed for continued prosperity.

This approach has been embedded in an implementation system that can bring the competitive advantages of sustainability to any business: the Management Helix ³. This tool provides a long-term framework to enable enterprises to integrate existing management systems with sustainability principles (Natural Capitalism or others chosen by the enterprise). The Helix helps enterprises be more strategic in their approach and more competitive through implementing sustainability technologies and techniques throughout the core activities and business divisions of a company. It enables an organization to create a strategic plan to bring sustainability to its management, operations, research and development, human resources division, communication and marketing, and external relationships such as supply chains and stakeholder relations. It sets four stages of progress towards becoming an organization that is restorative of people and natural capital, as well as more profitable, taking a company or community from just having heard of the opportunities of sustainability, through an explorative phase, to an implementation and leadership process.

Using this tool companies can make the transition from business-as-usual to the greater profitability and stronger shareholder value that sustainability can confer. Among the benefits:

- Reduced costs, increased profitability and financial performance
- Reduced risk
- Attraction and retention of the best talent
- Ability to drive innovation
- Labor productivity — increased worker health
- Increased market share and enhanced brand equity
- Product differentiation
- Supply chain and stakeholder management

The extent to which such thinking is entering the mainstream is reflected in

the fact that the world's 150 largest companies now have "sustainability officers" at the level of Vice-president or higher⁴, and are increasingly willing to cooperate with civil society to achieve their sustainability and business goals. A 2005 survey of CEOs from 43 countries conducted by PricewaterhouseCoopers found that 87 percent of corporate leaders now believe that environmental sustainability is important to a company's profits. This figure is up from 79 percent in 2004 and 69 percent in 2003. Eighty-nine percent of the Fortune 1000 businesses think that sustainability will be an even more significant issue in five years.

In May 2005, General Electric announced the creation of GE Eco-magination. This committed the Fortune 500 company to implementing aggressive plans to reduce the emission of greenhouse gasses, market clean products, and focus its innovative resources to solving the world's most pressing problems. The announcement signaled a tipping point. That GE (which would have been the only company on the Fortune 500 a century ago, had such a list existed then) now felt obliged to make such an announcement indicated their recognition of the significant forces driving the world in the direction of greater sustainability, and of the fact that this was the best way to enhance corporate prosperity.

It is also increasingly true that communities themselves will be forced to adopt

Fiji

Locally Managed Sustainable Fisheries

— Bill Aalbersberg, Alifereti Tawake, and Toni Parras

Locally managed marine areas (LMMAs) are an innovation of the last decade. They call on a rich tradition of village management of ocean resources. In this new incarnation, traditional local conservation practices are blended with modern methods of monitoring and energized by the full participation of members of the community, who design and implement the marine management plans. The goal is to bolster local incomes and traditions by replenishing local waters—a grass-roots approach to rural development.

At the end of two years of workshops and training in environmental education and community planning, the community decided to set up a 24-hectare *tabu*

area on the mudflat and seagrass bed directly in front of the Ucunivanua village as an experiment. The hope was that as the clam population recovered in the *tabu* area, more clam larvae would settle in adjacent fishing areas as well, eventually leading to increased clam harvests in these areas—something called a seeding effect. The village chose a group of 20 men and women to be on the *tabu* area management team. From the outset of the planning process, advisors from USP had requested that the team include equal numbers of adult men, women, and youth—an unusual step in traditional Fijian culture. The *tabu* area management team staked out the boundaries of the proposed protected

the same sort of commitment to greater sustainability. Already studies show that regions that preserve the quality of their environment are more attractive to the sorts of companies that will succeed in the coming decades. Dr. Richard Florida, in his landmark book *The Rise of the Creative Class*, demonstrates that companies will follow the knowledge workers, who will tend to gravitate to regions with clean air, clean water, preserved natural spaces and a high quality of life. In an Internet world in which a company can be located essentially anywhere, one of the most important development assets that a community has is its ability to attract top talent and the companies that seek them.

This underlines the importance of looking at the entire community when initiating a local economic development effort. To create real wealth, one must understand all of the ways people achieve well-being. To develop a local economy that can be resilient in the face of global change, it is important to understand all facets of that economy, from the way goods and services are produced and exchanged to the resource inputs and waste outputs of each production process. There are opportunities and risks at every level in the local system. Developing a comprehensive understanding of how the whole-system works is absolutely critical.

area. The team then worked with the paramount chief and elders of the village to hold a traditional ceremony declaring the area *tabu* for three years.

Here is where modern technique fused with traditional village values. The scientific experts from USP taught team members the skills of monitoring and the basic ideas of sampling and statistics. The team learned how to lay line transects and to sample the clam population at 10-meter intervals along the 500-meter transect line, then record their results and analyze them with simple statistics. Using these skills, the team established a baseline of clam populations in the *tabu* area and in adjacent sites down current. Those baseline calculations were then to be used for comparison with the results of the annual monitoring to follow. In effect, the community learned how to conduct a scientific experiment to see if a locally managed marine area strategy would lead to increased

resource yields and better conservation. Monitoring data gathered by the team in 1997 and 2004 indicate the dimensions of the experiment's success. The number of clams increased dramatically in both the *tabu* and adjacent harvest areas. At the start of the project, it was extremely rare to find a clam bigger than 5 cm in diameter. Today, the Ucuivanua community routinely finds clams in the *tabu* area that are over 8 cm in size. Because of its success, the Ucuivanua *tabu* area, which was initially intended to be closed to fishing and collection for just three years, has been extended indefinitely (Tawake and Aalbersberg 2003).

The above text is verbatim from: "World Resources 2005: The Wealth of the Poor – Managing Ecosystems to Fight Poverty." Published by UN Development Programme, UN Environment Programme, World Bank and World Resources Institute. http://biodiv.wri.org/pubs_pdf.cfm?PubID=4073

Human Needs and Community Capacity

Conducting an Asset Inventory

People achieve well-being when their needs are met. As has been noted, these needs go beyond the physical prerequisites of food, clothing and shelter. We all have needs for meaningful work, for income and the self-respect that comes from being able to earn it, and for the economic security that income confers. We need a certain level of autonomy, equity, and input into the decisions that affect our lives. We need quality education, health, recreation, leisure. Wellbeing also requires that people have self-esteem, the ability to express their creativity, and spirituality. For us to prosper, all of these needs must be met by the community systems we have created to satisfy them, and they are all relevant to the question of how real wealth is created locally.

Taking action to meet any or all these needs creates opportunities for constructive economic activity. If there are needs that aren't being met, or that can now only be met by spending money outside of the community, there are opportunities for new ventures. By finding ways to meet human needs more efficiently and effectively, you can identify competitive, economically viable opportunities for wealth creation in your community.

The LASER focus on individual human needs is a new starting point for community development. Typically, the focus has been on the economic interests on the community level. For example, we might have talked about the need for a skilled workforce, which is closely related to the human need for lifelong learning, but with a narrower focus that tends to favor the interests of the business community over the needs of the individual. Going back to the question of how the economy meets our real human needs, instead of how we orient our own human development around the needs of the more powerful economic institutions, is a fundamental step toward a sustainable economic renewal strategy.

Needs are powerful drivers of human activity. We are continuously producing and consuming food. We have developed extensive and complex systems to meet our needs for water, waste management, energy, transportation, housing, goods and services, education, communication, and productivity.

All of the systems we have developed to satisfy these needs — the infrastructure, the government programs, the institutions, the laws — are the assets of our communities. For the purposes of this workbook, assets are defined as the systems that meet human needs. When we're identifying what opportunities are available locally to expand our economy, and to create greater long-term prosperity, the first step is to understand all the ways in which needs are currently being met. Part of this assessment is to identify gaps, or areas where there are higher than necessary levels of non-renewable or unsustainable resource inputs, high impacts, and assets that have to be brought in from outside the community or the region.

One of the things that you are evaluating when you conduct an inventory of your community's assets is the capacity of the local area to meet the needs that drive its market forces. There are many different human needs, and several corresponding categories of community assets to satisfy them:

- The ways in which we provide for **human development** that enables people to achieve their full human potential.
- The **social and cultural systems** of our communities, which meet our needs for a sense of belonging, meaning, purpose, and cultural identity — all the ways we grow as a society.
- The **governance and institutional systems** of our communities, reflecting how we address the needs we have for empowerment: self-determination and autonomy, equity, conflict resolution, and access to institutions and services. They also provide the business and organizational framework for economic activity, and for the management of production.
- The **financial systems** we have to meet our needs for income, trade and exchange, and economic security.
- All the things we make with our **productive systems** — the infrastructure, built environment, and the ways we produce goods and services. These meet a lot of our material needs: housing, energy, communication, transportation, waste management.
- The **natural environment**, which meets many of our most important needs — water, air, light, food, aesthetic beauty, waste assimilation, health, and recreation, to name a few.

The capacity of a community to meet its needs is a function of its assets, and of their ability to sustain themselves over time. When it comes time to develop strategies to strengthen the local economy, we will examine ways in which communities can build on these assets to enhance their capacity to create a genuine level of well-being for everyone.

We will begin now, however, by taking inventory of all the ways in which needs of our community are currently being met. We will then use this inventory to help identify new opportunities for the production of real local wealth. We will then expand our assessment of the current systems, attempting to identify the underutilized resources, unmet needs, high impact strategies, competitive advantages, vulnerabilities, risks, sustainability questions, and potential markets. This will become the foundation upon which we can design a strategy for economic renewal that can enable a community to triumph — even in the face of the global trends described earlier.

Conducting the Asset Inventory

Your Stakeholder Group can be divided up into smaller working groups to explore all the different assets of the community. It makes sense to establish at least five or six groups to manage the necessary data gathering and interpretation. If you have taken care to include representatives from all of the various community groups and interests when recruiting your Stakeholder group, you will be in a good position to assess all types of community assets. Some of the community groups whose members might be most effective for the task assessing each category of community assets are:



- **Assets for Human Development:** Educational Institutions, Training Programs, Welfare Offices, Health and Wellness Services, Youth and Elder Care, Families, Correctional Facilities, Community Centers.
- **Social and Cultural Assets:** Arts Organizations, Faith Communities, Tourism and Travel specialists, Performing Arts Groups, Historical Societies, Charitable Organizations, Media Companies.
- **Institutional Assets:** Local, Regional, and State Government, Legal Services, Insurance Services, Mediation Counselors, Chambers of Commerce, United Way, Business Leaders, NGO Organizations, Service Clubs, Industry Associations.
- **Financial Assets:** Banks, Credit Unions, Loan Programs, Complementary Currency Programs, Jobs and Wages, Income, and sources of investment.
- **Manufactured Assets (Infrastructure, Built Environment, Products):** Public Services (roads, rail, airports, busses, trucks, water, sewer, waste, utilities, police, fire), energy generation and distribution companies, communication, Housing officials, Public Buildings managers, Industrial Parks, Commercial, Retail, and Office Space landlords.
- **Environmental Assets:** Agricultural and Forestry Producers, Natural Resource Managers, Environmental NGOs, Fish and Wildlife experts, Environmental Scientists, Outdoor Recreational Groups, Nature Clubs, Hunting and Fishing Clubs.

Human Development Assets

Human development assets represent all the systems we have in place to strengthen our capabilities as individuals. These are also critical to our well-being, and have usually been considered part of traditional economic development activities only insofar as human development serves the economic purposes of business, not the other way around. Even the term “human resources” implies that the importance of human development lies in how we can be used for productive purposes. Where human beings have been considered as the raw material inputs of production, they have been systematically dehumanized in the process.



Tool for completing an inventory of the community's human development assets

LASER is an attempt to turn this kind of thinking on its head. Human development and a rich social and cultural life should be the goal of economic activities, along with the enhancement and enrichment of the natural environment. The needs we have for health, education, and other developmental activities require certain economic activities to meet these needs. An inventory of the assets we have that contribute to human development will focus on the ways we grow as human beings and reach our full potential.

By asking the stakeholders who are experts in these areas to compile this asset inventory, you can take advantage of their knowledge and experience. It isn't necessary to compile a list of every program, every day care center, and every health provider, as long as your inquiry generates a reasonable picture of how these systems work in your community.

Social and Cultural Assets

Our overall well-being is perhaps more critically linked to the social and cultural assets in our community than anything else. And yet these assets are rarely the subject of economic development planning. This is one area where traditional approaches to expanding the local economy have really missed the mark. These assets meet our needs for connection to other people, and provide all the ways that community life helps us grow to our full human potential. They speak to our fundamental need for care. Our educational systems, recreational programs, spiritual practices, neighborhood associations, and creative and cultural activities all contribute to the sense of belonging that is the very essence of "community" at the human level.

Doing an inventory of our social and cultural assets will involve an evaluation of how needs in this area are being met by the institutions, programs, and systems now in place. Special attention should be paid to the local cultural life, as it can be an important way to add value and vitality to the local community, and because creativity is so often the soul of any new enterprise.



*Tool for completing
an inventory of the
community's social and
cultural assets*

Institutional Assets: Governance, Businesses, and Organizations

The term “governance” does not mean government, although government is certainly an important element of the governance system we’ve developed over time. Governance encompasses a wider range of community institutions that provide us with the structures and institutions to make collective decisions, to manage and resolve conflict, to protect individual and human rights, and to ensure that people have a level of autonomy and self-determination. These are the systems that determine how we accumulate, use, and share power as a community.

An inventory of governance assets will address our need for a level of power in our lives, and our need to share in the collective decision-making that helps determine our individual and community destiny. We don’t often think about our need for power, but we know when it’s missing. You know you need it as soon as you don’t have it, or as soon as someone else forces you to do something against your will.

In compiling your community’s governance assets, take careful note of how responsive these structures and institutions are to innovation and change, and how much public engagement they invite in decision-making. Another important facet of this research is identifying the level of self-determination enjoyed by the community as a whole in relation to higher levels of government, or to external forces beyond its control. As stakeholders, civil society organizations should participate in decision making processes at all levels, calling for democratic governance, accountability and transparency. Your asset inventory should determine whether this is currently the case in your community.

In addition to the governance assets are the private and semi-private enterprises which, over time, have been created and abandoned in every community. New technologies are introduced that change everything — witness the dramatic difference in the activities of travel agents in recent years, as the availability of the Internet has intruded on their established role. Taking an inventory of the busi-



*Tool for completing
an inventory of the
community’s governance
and institutional assets*

nesses and organizations that are currently operating in your community is simply producing a snapshot of the economic activity at this point in time. It would be a serious mistake, given the global trends discussed above, to assume that all of them will be viable over the long term. This snapshot, however, is still a very important part of your economic renewal plan, because the existing business and organizational framework will give you important information about the possibilities for the future. The inventory will also reveal opportunities to make existing businesses more efficient and productive.

The businesses and organizations that are active and successful in your community are meeting several very significant needs: they provide employment, they produce goods and services people depend on, and they are sources of long-term income and economic security for the owners. While income and economic security seem quite closely related, jobs that provide wages are not always secure. This is especially true if the wages are from a distant company with no real roots in the community. Real economic security comes from local ownership of productive capacity. Programs that allow employees stock ownership options, or encourage

small business development, or provide for local licensing of environmental services, are important leverage points for real economic security.

It is essential to realize as part of this inventory that businesses, large and small, are not the only economic enterprises in your community. Non-governmental organizations and government itself can be equally important, if they are bringing new money into the community and creating high quality jobs. Educational institutions — from the local schools right up through the universities

— are huge employers, and those that charge tuition are enormous economic engines for the local development process. They are “exporting” knowledge and education. Hospitals can also take credit for having “export” goods and services, when people come from other communities to take advantage of their facilities.



Tool for completing an inventory of the community's businesses and organizations



Financial Assets

Money is central to a discussion about economic renewal, because it is the oil that keeps all the gears of the economic machine lubricated and operational. It provides a medium of exchange and a way to accumulate savings that can be turned into investment. Money provides the capacity for new enterprises to get started — with grants and loans they can purchase the resources, equipment, and personnel they need to be productive. It provides individuals and families with income so they can afford to eat, house themselves, and pay for the goods and services they need. The national money that we all are accustomed to using also has as a stabilizing influence, being considered legal tender for the repayment of debt, and for payment of taxes.

Yet money is not the only way that we can make exchanges, and using a national monetary system as the sole exchange mechanism in every community tends to weaken local economies. Many communities have introduced complementary forms of exchange, currencies that link unmet needs with underutilized resources. These mechanisms, and the local potential for new kinds of exchange, should be explored as part of the financial asset inventory.

Sufficient financial capital is critical to the success of new productive enterprises, so it is also important to look at all the ways that entrepreneurs can gain the loans, investment, and other financing they need to start or expand their businesses and organizations.

Manufactured Assets: Infrastructure and the Built Environment

The material needs we have are met both through our productive capacity and by the natural environment. All of the systems we have developed as communities to meet these physical, material needs are reflected in the service infrastructure we've developed and in our built environment. On an aggregate level, we refer to it as urban form. Urban form in turn reflects all of the other systems. We build government buildings around our ideas about how government should run, and educational buildings that reflect our educational philosophy, and recreational facilities that are based on the types of activities that are considered fun and interesting by a given community.



*Tool for completing
an inventory of
the community's
infrastructure and
built environment*

The urban form we develop has an enormous impact on our capacity to meet our needs now and in the future, due in large part to the level of resources it consumes. Inefficient housing, wasteful public services, leaky pipes, greenhouse gas-emitting power plants, transportation systems that emphasize roads over rails, and gridlocked city streets are all challenges to both our sustainability as a community and our potential for economic renewal.

As with the other inventories, the idea is to get an overview of what the assets are, along with the issues and trends in play. This information can come from the Stakeholder group and any independent research you are able to do. It is not critical that it be an exhaustive list. If there are large gaps, impacts, and challenges, then this work is part of the process of identifying what they are. This part of your inventory will reveal your “ecological footprint” as a community. From how far away does your food come? Where do you get the energy to run things? What is the dominant form of transportation, and what is its impact?



Environmental Assets

All of the systems that support human life are in turn dependent on the benefits provided by the natural environment. They are so critical to our existence that they are almost invisible to us. We take for granted the fact that we can breathe and grow food, and so for a large part of human history have not thought of the natural systems in terms of the value that they provide. Our economic calculations rarely account for the costs of natural inputs. Very little of a community's natural capital ever appears on a corporate or governmental balance account. Harmful impacts on the environment are called "externalities," thus excluding them from the equation. Nature has often been seen historically as something to be conquered and subdued, not a vital asset to be honored and respected. All of that is changing now, as the real impact of our activities on what we once thought of as the unchanging systems of nature becomes all too apparent.

To achieve sustainable economic renewal, we must be fully aware of how our environment serves our local needs. We must also be alert to the economic benefits to be obtained through sustainable use of natural products and services. There are several key ways that the natural environment can be an important economic asset. As shown by Dr. Florida's studies, a clean and appealing environment is a significant asset in attracting a talented workforce, and the companies that follow this talent. An attractive environment confers significant recreational and spiritual benefits to local residents.

Many companies depend directly on the resources that the environment provides. The inventory of assets in your own community should seek to determine if there are products and services being used to which greater value could be added before being sold outside of the community. Every effort should be made to use these resources more efficiently, and to use sustainable practices to make the end products more valuable.

The needs we have in this area closely overlap with the infrastructure and built environment, and neither area should be considered in isolation. Water treatment and distribution systems are dependent on an abundant water supply. Energy generation and distribution systems won't work without the fuel to turn the turbines, or the sun to heat the water. Many energy choices are destructive of



*Tool for completing
an inventory of
the community's
environmental services*

the environment. Food production and distribution systems are completely dependent on productive, healthy soil, adequate water, stable climate, and sunlight. Unsustainable agricultural practices lead to water pollution and soil erosion. The ecological integrity of our region, and of the planet, depends on a rich diversity of species and habitats.

As this inventory is conducted, identify particular areas where you feel that more resources are available, where sustainability is possible, and where more efficiency might provide greater opportunities for your local economy.



As you can see, the task of identifying and assessing your community's assets is as substantial as it is essential. Once your Stakeholder group has been established, you can get right to work on this while the public visioning process is underway (see previous chapter).

A comprehensive asset inventory process could be endless — to fully explore each of the categories identified above would be a lifetime of work for any community. The idea is not to produce an exhaustive report, but to give everyone in the Stakeholder group an improved understanding about how each community subsystem functions. Every person involved comes to the table with a partial view of how the community works. By engaging in shared research and dialogue about each category of assets, everyone will have a more complete view by the end of the process.

Some cities have adequate resources to engage staff or consultants to pull together data and maps and trends. Others can barely support a concerted volunteer effort. Anything you are able to do to in this area will lead to a better-informed discussion about your community's needs, assets, resources, and opportunities, and will enable you to design better strategies for improving your economy and achieving your goals. So don't worry about not having enough information, and don't lose sight of the forest for the trees. The collective wisdom of the Stakeholders, combined with some research into both the current situation and what has happened in the past, should help provide the basis for future work.

Building on Assets

Evaluating the Potential for Economic Renewal

Once you have a clear picture of the assets in your community, it's time to evaluate them and to identify ways in which they can be built upon. The traditional approach this kind of evaluation has been something called a SWOT analysis: looking at the Strengths, Weaknesses, Opportunities, and Threats. For sustainable economic renewal, SWOT is not enough, because it will miss some of the critical variables for increasing the sustainability of the system. For LASER, we have designed a new evaluation tool. As with SWOT analysis, this approach considers the current situation, but it also takes into account the related future considerations. This focus on the future is critical to any planning for sustainability.

This table identifies the focus areas for evaluating both the current situation and the potential for renewal. Each area of evaluation has a tool or set of questions for your group to ask about the asset inventory you have completed.

Evaluating Economic Renewal Potential

Present Condition	Future Scenarios
Trends	Risk Management
Unmet Needs	Systemic Vulnerabilities
Underutilized Resources	Exchange Feasibility
Capacity	Sustainability

**Present Condition:
Trends**

The current situation did not appear out of nowhere. Whatever is happening in your community has been evolving over time. It is difficult to completely understand how you got to where you are without looking at where you've come from. When you're gathering data on the assets in your community, try to find some corresponding data from years past. Ten years of trends might suffice for some issues, but the longer the timeframe you can manage, the better. These trends have much to say about how the system is working. If we see exponential growth in an area, for example, we know that there is some kind of self-reinforcing process behind it — this “snowball” effect could be a vicious cycle or a virtuous cycle. If a situation maintains itself at the same level over an extended period, then you can bet that there are systemic forces keeping things in that state of equilibrium.



Tools for conducting and understanding a trend analysis

**Present Condition:
Unmet Needs**

One of the key objectives of the asset inventory you have done is to evaluate how well human and corporate needs are met by the community systems that have been established. Once you have a solid list of assets to work with, question how well those assets are satisfying the needs that have been identified. You are not trying to evaluate the success or failure of each institution, program, or system, but rather to see how all of them contribute to the well-being of the community as a whole when they're considered in the aggregate. It might be, for example, that there are a number of high quality arts and cultural programs available for the community, but that they neglect to reach out to an underserved, minority population with culturally appropriate offerings. So the unmet needs in that instance would be the cultural needs of the particular minority population. This in turn indicates an opportunity for additional activities that could be economically viable.



Tools for Identifying Unmet Needs in the Community

Present Condition: Underutilized Resources

The flip side of unmet needs is the underutilized resources that might be available in your community. As part of your asset inventory, it should be possible to identify particular assets that are not being used to their full potential. For example:

- school buildings that are dark and empty after 3:00 pm, when the community needs more places for after-school activities and community events
- abandoned, trash filled vacant lots in inner city areas, when the community needs space for gardens and parks
- young people with time on their hands, causing trouble and committing crimes, when children need older mentors and the elderly need maintenance work done around their homes
- food going to waste in large supermarkets and restaurants, when whole settlements are going hungry



*Tools for Identifying
and Evaluating
Underutilized Resources*

LaCrosse, Wisconsin

Power Cooperative Generates Power from Manure

— Christopher Juniper

Formed in 1941, the Dairyland Power Cooperative serves over 500,000 people in four states with over 1,000 megawatts of electricity from five generating stations. Its mission includes “competitively priced energy for customers and maximum value to our owners consistent with the wise use of resources” and to “work to improve the quality of life of customers and the economic and social well-being of the region.”

In 2004 it formed a partnership with Microgy, a subsidiary of Environmental Power, to produce up to 25 megawatts of power from dairy and swine farms in its territory using anaerobic digestion of manure. The first “cow-power” plant went online in June 2005; four more are expected to be producing power by the end of 2006. Each mini-powerplant produces enough power for approximately 600 homes (775 kilowatts). The methane digester is owned by the farmer and the electrical generation equipment by the Cooperative. The system “significantly reduces” air and water pol-

lution issues associated with manure disposal, as well as reducing odors by 95%. The by-products of the digestion are used in two ways after dewatering: the dry product can be used as natural bedding and the liquid as fertilizer, reducing dependence on chemical fertilizers.

Dairyland’s environmental ethic is also supported by its efforts to recycle 90% of its fly ash from its coal powerplants into area concrete (which becomes 30% fly ash instead of Portland cement – saving consumers and reducing imported cement). A majority of the bottom ash from the plants is reused in road construction or as anti-skid materials. The Cooperative began investing in electricity from wind turbines in the 1990s and now generates 17 megawatts from several locations.

Sources:

Business magazine, November/December 2004.
Dairyland Power Coop: <http://www.dairyland.net/>

The list goes on. As your asset inventory reveals these under-utilized resources, you can try to match them up with needs that are going unmet.

Present Condition:
Capacity

All of these considerations are part of the process of determining the capacity of your community to meet the needs of its people. The idea that there might be

limits on local capacity has long been argued by environmental experts. Many have advocated that it is essential for human survival that we analyze our ecological footprint and work to determine the carrying capacity of the ecosystem in which we live. All of the different community systems have capacity issues, however. Some can expand with increased demand, some cannot. Some systems might have surplus capacity, which might indicate an opportunity for growth. Or a community may be using resources faster than they can be renewed, and may have to curtail its activities to become sustainable.

Most economic development promoters argue that communities must grow forever to maintain prosperity. It is important, before adopting this position, that you understand what assets your community has and how close you are to their limits. It is also important that the discussion of how to enhance the prosperity of your community center not on physical growth (getting bigger), but on qualitative development (getting better). This may or may not require physical expansion. Most communities will actually be wealthier if they implement some form of growth management.

The key variables in evaluating the capacity of the different systems in your community are:

- 1) What current assets are meeting the identified needs
- 2) The regenerative cycle of each asset
- 3) The adaptive potential if demand increases
- 4) The substitution options available



Tools for conducting a Capacity Assessment



Hunter's paper on growth.

If you look at the water system, for example, you would:

- 1) Identify the water sources currently being used to meet demand (the current assets meeting the need for water).
- 2) Work to identify the water balance in the system — what the inflows are compared to outflows — and whether growth projections could be met by the total amount of water available within the system.
- 3) Determine if the water supply that is already being used might be supplemented from other sources (adaptive potential). If you rely on surface water, for example, explore the availability of groundwater.
- 4) Explore alternatives to the present pattern of use (substitution options), like using water more efficiently in homes, businesses and in agriculture. Explore installing greywater systems for certain industrial processes, or using waterless toilets for human waste disposal.

All of this information, combined with the trends, unmet needs, and underutilized resources, will begin to give you a picture of the total capacity of the system to provide for the human and corporate needs you have identified. While it sounds daunting, a lot can be done if you have a good Stakeholder group that includes experts in the fields concerned. If this is the case, you can usually come up with enough information to have a general sense of the community capacity with only a limited amount of original research. Of course, many communities cannot afford even a small amount of professional research. In those cases, do the best you can — no set of information is going to be perfect. The goal is for everyone involved in the process to learn more about how the community works, not to have a 100% accurate, detailed description of every possible facet of community life.

**Future Scenarios:
Risk Management**

Sustainable economic renewal is based upon reducing reliance on non-renewable resources, building social cohesion, creating economic activities that

build real wealth, and engaging people in the decisions that affect their lives. One big benefit of this approach is that it reduces the risks associated with disruptions of global and national systems that are getting more fragile as time goes on. Risk management is a compelling reason to pursue sustainable economic renewal. There are also specific tools and techniques that you can use to assess the different risks associated with particular policies and programs.

Your asset inventory and capacity assessment will provide you with essential information about the risks you will need to consider when moving forward with a plan for economic renewal. In your planning, you should seek to avoid, prevent, control, mitigate, or transfer those risks, and to identify options available to finance the costs associated with various strategies, perhaps through some type of insurance program.

**Future Scenarios:
Systemic
Vulnerabilities**

The unmet needs you have identified might indicate some areas where your community systems are vulnerable — exposed not simply to manageable risks,

but to larger, more difficult threats. For example, prior to being hit by Hurricane Katrina, the city of New Orleans might have employed the risk management strategy of strengthening the dykes and improving their emergency planning. Yet these risk management efforts would not have addressed the systemic vulnerabilities that became so painfully apparent in the wake of the storm: the increased strength of storms given the impact of global warming, and the impoverished state of those areas of the city that were below the waterline.

The stark contrast between the rich and the poor in New Orleans, combined with the complete inability of the emergency services to respond adequately to those areas where people had no means of escape, became a potent recipe for the death and the social destruction that followed in the storm's wake. All this reflected systemic vulnerabilities that were in large part the result of chronically unmet needs in different parts of the community.



*Risk Management
Tools and Techniques*



*How to Identify
Systemic Vulnerabilities*

Future Scenarios: Exchange Feasibility

The underutilized resources you are able to identify may suggest opportunities for economically viable activity, assuming that the resources can be mobilized to meet some of the unmet needs in the community. You may also uncover new opportunities to increase net local income with increased exports. Before you move forward with ideas for putting these resources to use, you should perform at least a preliminary feasibility study, where you identify the potential “exchange value” for the product or service you have identified. The exchange value of an item is similar to its market value; you obtain a sense of its worth by evaluating whether there is enough of a need to create a demand for the item in question. The key difference is that a market analysis only looks at whether whatever it is would survive in the marketplace. Exchange value analysis, on the other hand, recognizes that there are exchanges that could take place outside of the marketplace which might be quite good for the community.

For example, no one could argue that a mother’s care for a sick child has no real value, and yet our current system does not assign a monetary value to that activity. Looking for the increased wealth and assets that flow from activities and products that do not have a direct monetary or market value is the purpose of this assessment.

Traditional market feasibility studies consist of four main elements:

- 1) Market analysis: the supply and demand issues you would need to understand to introduce a new product or service,
- 2) Organizational analysis: the appropriate structure and business model for the type of activity you have proposed,
- 3) Technical assessment: the technology and equipment required to pursue the venture, and
- 4) Financial evaluation: your start-up costs, operating costs, revenue projections, sources of financing, and projected profitability.

In addition to these traditional elements, the Exchange Evaluation provided by LASER seeks to identify the underutilized and non-monetized resources that



*Tools for Conducting a
Market Feasibility Study*



Tool for Conducting an Exchange Evaluation

could be exchanged in order to meet needs that are currently going unmet. Where the traditional market analysis assumes that the only things with value are those with a dollar value, this analysis expands the definition so that capital of all kinds can be mobilized for the common good.

Future Scenarios: Sustainability

Long-term benefits, costs, and impacts are some of the factors to consider when you're trying to assess the sustainability of a particular asset. These must be

evaluated with respect to the entire community system, so you can recognize when a benefit to one part of the system has a negative impact somewhere else. If the ways in which your community meets some of its needs now are imposing a high cost on other local assets, are there strategies you can pursue to reduce those impacts, or to shift to another way to meet the needs?

There are several different tools you can use to evaluate the sustainability of an asset. One way to begin is to ask these five simple questions about the way the asset is being utilized now:

- 1) Are the human, financial, and natural resources being conserved and renewed?
- 2) Are the value and vitality of human and natural systems improved?
- 3) Are the benefits and burdens distributed equitably?
- 4) Are the people who are affected involved in making the decisions?
- 5) Are people and the whole community of life respected and nurtured?

So, for example, if you have identified the local airport as an asset within your transportation system, then you would ask all of these questions about the role the airport plays in your community. It would obviously come up short on using renewable resources — airports are one of the more significant consumers of fossil fuels on the planet (Heathrow Airport in London uses fully one half the total fossil fuel consumed by the entire city). It also might be rated low on the question of benefits and burdens — often there are neighborhoods in the vicinity of airports that suffer many of the burdens of its operation without much benefit.



LASER Sustainability Test

Finding assets that have a low sustainability rating means that you have an opportunity to discover more sustainable ways to meet the needs that they serve. It might be that the local airport could be augmented with a better regional transit system that would use the rail services more, reducing the automobile traffic to the airport and eliminating some of the shorter local flights. It might also be possible to confer with the neighborhoods near the airports when expansion plans are considered, with a view to offsetting some of the negative impacts with investments in neighborhood amenities like parks, recreational facilities, schools, and public services.



Obviously, taking the time to do a complete evaluation using each of these tools for all the assets you have identified will not be practical, unless you have a large staff (or, perhaps, a local college or university that could take it on as a student project). The purpose of these tools is to give you a rigorous way to evaluate the possibilities that your initial research has identified. As your Stakeholders and the working groups you've established proceed, having this menu of questions and evaluation tools can help you discover where the real potential for new initiatives are. When you have finished reviewing the asset inventories with all of these forms of inquiry in mind, you'll be ready to set some clear goals and targets for your local economic renewal plan.

Setting Goals for the Future

Setting goals moves your community ever closer to realizing its vision. Goals should be focused on the community's strengths, and reflect the end state that the community wants to arrive at after the action plan has been implemented. As stated in the introduction, one defining aspect of the LASER approach is that the goals you set for local economic development are asset-based, rather than problem-based. The criteria for choosing your goals, therefore, should be focused on enhancing your community assets.

You can use the opportunities you have identified in the asset inventory to draft a goal statement for each of the areas where you believe economic renewal activities could be successful. The goal is meant to be an aspiration: something the community is working toward, not away from. To avoid confusing goals with the strategies you will use to reach them, goals should be worded to reflect an end state, a particular future condition you are trying to achieve. You can reinforce this in your own goal statements by placing a target date right up front, and then picturing what the state of a given asset would be on that date. The examples from the Cities of Calgary, Alberta and Burlington, Vermont show how this might be done.

You will note that many of the details you have identified through this process are not reflected in this kind of draft goals statement. Don't become discouraged by the sense that you have explored these issues deeply, only to condense what you have discovered to the point that the results seem overly broad. The information and insights you gained and recorded through this exercise will prepare you for setting specific targets, and — from these — creating strategies for action. The purpose of the goals process is simply to identify your community's highest priorities for action, and to present them in a condensed and easy-to-communicate form.

The final goals you select will be one or more statements for each economic renewal opportunity, as determined by your committee and the feedback you have received from the community. Some communities have six or more statements each, while others pack a lot of ideas into a single statement. Remember,

Goal Statements

from municipal projects for Sustainable Economic Renewal

Calgary 2106:

Goals for Economic Security

- *Economic Security: Calgary is a city with a vibrant, environmentally sound and sustainable economy that fosters opportunities for everyone to be economically self-sufficient. Economic security is assured.*
- *Meaningful Work: Calgary is a city of opportunity and choice. Through their work Calgarians contribute to the overall economy in a personally meaningful way, increasing the value and vitality of human and natural systems.*
- *Income: Sufficient income enables all Calgarians to meet their needs and provides for a healthy life.*

Burlington Legacy Project:

Goals for a Vibrant Local Economy

- ***In the year 2040**, all local employers provide living-wage jobs.*
- ***In the year 2040**, our city's natural beauty attracts tourists to engage in activities that enhance health and well-being.*
- ***In the year 2040**, the riverfront area is a vibrant urban center, where people come to work, shop, and engage in recreational activities.*

though, that your goal statements are meant to convey the highest priority areas for action in your community; they are not a laundry list of everything you plan to address. The next task is to identify individual targets for each goal, which will present the opportunity to itemize more specific, detailed objectives.

SMART Targets

Thanks to your hard work, you have articulated the vision and established the goals for truly sustainable economic renewal in your community. It is time to translate them into measurable, achievable terms, and this requires that you set targets for progress. Targets are the first step toward group accountability. It's one thing to wish for everything worthy and good; it's another to state your objectives in clear terms that challenge people to make those wishes a reality. The targets you set will be used to establish the indicators and evaluation tools you put in place to track your progress toward your Vision.

Achieving your stated goals requires that you set realistic targets toward achieving them. Knowing the variables at work in your system, and the influence they exert, makes this possible, while careful attention to underlying trends will help you to understand the systems you are working to improve. If job growth has been inching upward at .02% per year for the past 30 years, and your analysis indicates that the critical variables aren't likely to change dramatically, it will only invite failure to project a future job growth of 10% per year over the next five years. Your own study of the system shows that this will not happen without dramatic systemic change.

This is not to say that we are trapped by history. But to grasp the kind of strategies and interventions we need to make, we do need to understand what has led us to the current juncture. Trying to make dramatic improvements in community systems without careful consideration of past trends and thoughtful projections of reasonable objectives is often a futile exercise.

To start making use of the trend data you have collected and analyzed, answer the following questions:

- 1) What trends do you want to enhance?
- 2) Which trends do you want to reverse or moderate?
- 3) What systemic forces are behind the trends you want to change?

For the purpose of setting targets, it helps to pull together a summary of the information you've uncovered in your trend analysis, along with a sense of the possibilities for new directions. Target selection will be shaped by the capacity you have to change the system the goal fits within, and the resources available for working toward it. Targets should usually be quantitative, fit within a definite time frame, and be stated in clearly defined terms. One easy way to remember all the qualities of a good target is to think of it as a SMART Target:

- S**pecific – it is focused on a particular geographic area and a key element of the economic renewal growth strategy
- M**easurable – it can be measured in quantitative terms to evaluate progress
- A**chievable – it can be accomplished in the timeframe you have identified
- R**ealistic – it is achievable when compared with best practices and what has been done elsewhere
- T**ime-bound – it includes a specific date by which it will be achieved

Some good examples of SMART targets are among those that the city of Calgary has established to meet their goals for Economic Security:

- Increase research and development intensity (gross public & private expenditures) to 3% of GDP by 2036
- By 2036, increase the number of environmentally sustainable and commercially viable value-added products produced in Calgary by 40%
- By 2036 Calgary's economy will be diversified and balanced such that no sector will exceed 10% of GDP (Calgary will not be known as just an oil & gas town)
- By 2036, tourist visitations and expenditures will grow by 30%.

Chapter Summary

The process of setting goals and targets will reveal the clear strategic direction you want to take in your plan for economic renewal. In the next chapter you will begin to look for the specific strategies and activities that will get you there. Before developing a plan for action, however, it is critical to establish the vision, goals, and targets, so that you can be sure you're pursuing the right strategies. Otherwise, you risk being derailed by someone else's idea for a good strategy, or by unspoken assumptions about your community's economy that turn out to be inaccurate.

To summarize the points made in this chapter:

- Real wealth creation should be the goal of local economic renewal efforts, and this means challenging some of the traditional assumptions and approaches to economic development.
- Real wealth is aligned with human well-being. Therefore, a starting point for local economic renewal efforts is to take an inventory of our community assets, which are defined as those systems, programs, and institutions that meet our human needs.
- There are many complex and challenging global trends that communities have to cope with in the process of improving local conditions. It's important to understand what these forces are, and what opportunities they offer for viable economic activities at the local level.

- The asset inventory to be done at the outset of the planning process should encompass all six major areas of community development:
 - a. Assets for Human Development
 - b. Social and Cultural Assets
 - c. Institutional Assets
 - d. Financial Assets
 - e. Manufactured Assets
 - f. Environmental Assets

- These assets must be evaluated in terms of both their current status, and with consideration for their future potential. There are several focus areas for this evaluation, each with its own set of tools:

Present Condition	Future Scenarios
Trends	Risk Management
Unmet Needs	Systemic Vulnerabilities
Underutilized Resources	Exchange Feasibility
Capacity	Sustainability

- When the inventory and evaluation of your community's assets has been completed, set goals and targets for improvement. These will establish the overall strategic direction of you economic renewal efforts, and provide the basis for moving forward with development of an action plan.

Chapter Notes

1 – Information in this paragraph from:

<http://www.financialcounsel.com/News/Economics/IH/2005/IH-GlobalDemographics-071105.pdf>
July 5 2005

2 – Bernard Lietaer. *Complementary Currency Innovations to Address Megatrends*. 2006.

3 – The Management Helix system was primarily developed by L. Hunter Lovins and Christopher Juniper of Natural Capitalism Solutions and Charles Hargrove of Australia, 2004-6. Resources for applying the Helix to small businesses have been developed in collaboration with the Chicago Manufacturing Center's Green Plants Program led by Karen Wan, USA.

4 – Personal communication Professor Peter Newman, Murdoch University, sustainability advisor to the Premier of Western Australia, Sept 2003