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Anniversary Issue: The money at home

A sustainable local economy starts with small business — and the public sector

By Tim Redmond

"You need to shrink the distance between the people who visit the private economy and the people who run it."

David Morris. Institute for Local Self-Reliance

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Back in the early 1980s, when the word "sustainable" was barely a blip in the environmental vocabulary, the mayor of Saint Paul, Minn. brought in a consultant named David Morris to help him figure out how to revive the city's economy.

Saint Paul was facing the same challenges as many other northern cities — old industry was dying, the downtown was decaying, and population was declining as more affluent residents moved to the suburbs. Mayor George Latimer didn't want to do what some of the other cities were doing and beg companies to move into town: he wanted to see what could be done with the resources the city already had.

Morris, who now runs the Institute for Local Self-Reliance, started by contacting the US Patent Office and getting a list of everyone in Saint Paul with a recent patent. He eliminated corporations and universities and wound up with a list of a few hundred people — inventors, thinkers, folks who had come up with something new. About two dozen had created gizmos or technologies that solved a real problem. Most of the stuff was sitting in basements and in old notebooks.

"Latimer called them all together," Morris recalled, "and he said, 'We believe in you, and we're going to help you start a business and market your invention.'" The mayor helped the would-be entrepreneurs find the capital and support they could never have gotten by themselves from a private sector not terribly interested in small business start-up loans. He encouraged them to open companies and market their products. The results were remarkable — lots of new locally-owned companies, creation of good jobs, and the beginning of a revitalization plan that made Latimer a national figure.

That principle — look locally and use the resources you have — remains the heart of a sustainable local economy.

"A sustainable place can feed, power, and house its citizens with local resources," explained Michelle Long, executive director of Bellingham, Wash.-based Sustainable Connections. "You need to generate new innovations with local innovators."

The late urban thinker Jane Jacobs made that notion a centerpiece of her life's work. Starting with T*he Economy of Cities* in 1969 and later in *Cities and the Wealth of Nations* in 1964, Jacobs argued that urban economies are like ecosystems — they are healthiest when they are diverse, with many different niches, and they thrive when energy cycles through the system. The cities throughout history that have done best have been those that figured out how to replace imports with locally produced goods and services.

It's not that complicated, really. A sustainable local economy, like a sustainable ecosystem, needs lots of players, needs the energy of the system — money — to stick around through numerous economic cycles, and needs to use local resources to grow.

An economy that doesn't depend too heavily on any one sector will not only do better in good times but will be much hardier. As farmers know, a monocrop system not only needs far more sustenance (fertilizers, irrigation, etc.) but is far more vulnerable to catastrophic failure. Diverse local economies, with thousands of small businesses offering a wide range of goods and services, can survive bad times better than communities that depend on just a few big industries.

As the *Guardian* has shown through a series of studies we did years ago ("The end of the high-rise jobs myth," 10/23/85) — and which research done since then has proved — small, locally-owned businesses create the majority of new jobs in San Francisco. And money spent in small businesses circulates in the local economy; the proprietor of the local hardware store takes his or her revenue and spends it on shoes for the kids. The shoe store owner takes that money and buys groceries at the local market. Every dollar goes around several times; and each time, it adds economic benefit — what economists call the multiplier effect.

A dollar spent in a chain store leaves town within hours, wired to a central corporate headquarters where executives care nothing about San Francisco — save as a place to extract wealth from.

Jacobs was brilliant, but she had her libertarian leanings. She often argued that it was best for government to get out of the way and let economies grow organically. That may have made sense to someone who came of age fighting the old-fashioned redevelopment programs and top-down urban planning of the 1960s and '70s. But the modern urban economy not only needs help from policymakers, but clear direction — particularly in unsettled times like these. As William Greider wrote in *The Nation* Oct. 20, "only government has the leverage to get the money moving again."

In fact, modern progressive economic thinkers say that the public sector has a huge, perhaps defining role to play in building a sustainable local economy.

"The city needs to emphasize the public over the private," Morris told me. A sustainable economy, he said, is "a society where the public commons grows and the private shrinks." Taking public programs and services and turning them over to private business — which is all the rage in the Mayor's Office these days — is about the worst thing a community can do.

So what could City Hall do to create a more sustainable local economy? Start, Morris says, by reducing the need for money. "The things that are most valuable in a sustainable economy are those that are free," he said. That means keeping libraries open, making more public space accessible, offering free public events — and encouraging people to reuse even the basics. "There's no need for most people to buy new clothes, especially for kids. Sustainability starts with people substituting free things for costly things."

That could mean, for example, city-run clothing exchanges (and toy exchanges and places where used construction materials could be traded). It also means leadership by example: Mayor Gavin Newsom isn't as big on conspicuous consumption as his predecessor, Willie Brown, who bought new imported Italian suits by the rack. But he's hardly been known for promoting a low-consumption lifestyle. "The mayor could announce, for example, that he is going to reduce his consumption of imported goods by 75 percent in the next year," Morris suggested, "and show everyone how he's going to do it."

Then there's distance — both physical and psychological. Obviously, reducing commutes and the need for long-distance shopping trips is a factor, but it's not enough. "You need to shrink the distance between the people who visit the private economy and the people who run it," he said. The owners of businesses need to live in the community. They need to interact with their customers and neighbors, to see the local schools where their tax dollars go.

In Bellingham, Long's group worked with local government on a large-scale marketing campaign with the slogan "think local, buy local, be local." Their effort involved an advertising campaign, a coupon book, and even a mascot. "We have a bee who goes around to events; it's the Be-local Bee," she said. It's more than just shopping; it's about thinking about your community first.

The impact: more than 60 percent of Bellingham residents in a recent poll reported that they now think about finding local sources for their goods and services.

One key to all this, Doug Hammond, executive director of the Business Alliance for Local Living Economies, told us, is access to community capital. "If that's not available, you never get out of the gate," he said.

BALLE, a seven-year old organization with headquarters in San Francisco, works with 20,000 members to promote small, locally-owned businesses and initiatives to sustain healthy economies — and healthy communities.

Community capital means "financing to support innovation," Long said, "from people who are willing to look at what we call

living returns — something that works for the lender and for the borrower."

There are, Hammond notes, "almost no resources for locally-owned, independent businesses. It's a disproportionately-tilted playing field."

Hammond, who took over as BALLE's director this month, was startled to learn that San Francisco puts all its money — its payroll accounts, tax accounts, and so forth — in North Carolina-based Bank of America. That's not a local bank. It's not an institution that supports local businesses, and the money it makes doesn't circulate in San Francisco.

Cities that want sustainable economies, he said, need "locally-owned common-good banks" that will invest in small loans to local businesses — and be willing to accept fair, but not excessive, returns. "If the city was willing to put some of its working money into that kind of a business, it would be a huge start," he told us. "That kind of thing is the low-hanging fruit."

The mayor has spent a lot of money on staff and programs that promote his image as environmentally conscious. But what he really needs, Hammond said, is a "local-first czar," someone at City Hall who has the mandate — and the authority — to promote a sustainable economy.

"There has to be a baseline for local procurement," he said. "How much of the city's resources go back into the local community? What are the ways to make those resources community controlled again?"

San Francisco is a peninsula, but it isn't an island. The city can't operate entirely independent of the rest of the world. But at a time when global capital is in crisis, and fossil fuel use is threatening ecological catastrophe, and few people in Washington or Sacramento are offering true progressive solutions, San Francisco should be leading the way toward a model for a locally sustainable economy.

It's not impossible. It's not even that hard. It just takes political will.

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