LocaNomics: Principles & Practice for Community Prosperity

Michael H. Shuman
Course Description

Economic development as practiced today has three dubious characteristics. It focuses on nonlocal business. It lacks a coherent framework for assisting local business. And it is a top-down enterprise. This course sets out an alternative set of principles and practices—a “local living economies” (LLE) approach to economic development that focuses on local business, creates an entrepreneurial ecosystem that supports them, and invites grassroots participation.

Starting in 1970s, the objective of most economic developers became to attract or retain global businesses. Indeed, one of the most common phrases in the professional literature, even today, is “to attract and retain.” What this formulation misses is locally owned businesses. A locally owned business cannot, by definition, be attracted. And most locally owned businesses, because they have deep relationships to a community through its managers, employees, owners, customers, suppliers and other stakeholders, usually do not require special efforts to retain them. The focus on “attraction and retention” suggests that economic developers have increasingly focused on global big business.

A growing body of evidence suggests that a community prospers when it follows three other simple rules:

- **Rule #1**: Maximize the percentage of jobs in your local economy that exist in businesses that are locally-owned.

- **Rule #2**: Maximize the diversity of your businesses in your community, so that your economy is as self-reliant and resilient as possible.

- **Rule #3**: Prioritize spreading and replicating local business models with outstanding labor and environmental practices.

This course begins by elaborating the rationales for these rules, and then proceeds to detail, step by step, how communities are implementing these principles. An alternative framework for economic development can be created around six P’s: planning, people, purse, purchasing, partners and public policy.

Here’s what we mean by each:

- **Planning** – The starting place for LLE economic development should be community planning. What are the most plausible opportunities for new or expanded local businesses given your vision, your goals, your assets and your markets?

- **People** – Realization of local business opportunities requires entrepreneurs and employees who can lead new or expanded local firms. How can people already living in the community be mobilized for these roles?

- **Purse** – Most local businesses, whether startups or expansions, require both lending and equity capital. How can existing financial resources, whether savings accounts or pension funds, be tapped to support local businesses?
• **Purchasing** – Once established, local businesses flourish with concerted Buy Local efforts by consumers, businesses and government agencies. What are the best strategies for promoting these efforts?

• **Partners** – Local businesses can improve their competitiveness by working together as partners, either in a local business alliance or as part of a sector-specific network in food, energy or finance.

• **Public Policy** – Laws, regulations and rules at all levels of government — local, state, national and global — should be calibrated to maximize the probability of local businesses succeeding.

After exploring these concepts broadly, the course spends the final third of its time on perhaps the single biggest obstacle to local living economies – namely Purse. The complex world of community capital is presented, along with the growing number of tools communities and “unsophisticated” investors are using to invest in local small business.

The course aims to promote bottom-up participation in economic development, both to hold professional economic developers more accountable and to carry out more of this critically important work at the grassroots. We recognize that there is a legitimate role for economists, public policymakers and other experts, but we also believe that the entire field would prosper with the broader citizen participation.

**Learning Objectives**

Participants can expect to walk away with:

- An understanding of the shortcomings of existing economic-development practices, and the relative strengths of LLE economic-development alternatives.
- More than 100 case studies of communities that are successfully using LLE economic-development tools.
- A detailed understanding of how to undertake LLE economic-development in their own communities.
- A cohort of fellow practitioners that they can rely on as they begin to implement LLE economic development.
About the Instructor

Michael H. Shuman is an economist, attorney, author, and entrepreneur. He currently is Director of Community Portals for Mission Markets and a Fellow at three organizations: the Business Alliance for Local Living Economies (BALLE), Cutting Edge Capital, and Post-Carbon Institute. He is one of the nation’s leading experts on community economics and the advantages of small-scale businesses in an era of globalization. He is also one of the original architects of the crowdfunding law signed last April by President Obama, and currently teaches monthly workshops on local investment.


In recent years, he has prepared studies the on the opportunities for food localization for New Mexico, Detroit, Cleveland, Boulder County, Denver, Michigan, and Washtenaw County. He led another food study, funded by the Bill & Melinda Gates Foundation and the Kellogg Foundation, analyzing case studies of 24 local food businesses worldwide. (www.communityfoodenterprise.org ). He has performed “leakage analyses” (job opportunities through import-replacing businesses) for Spokane (WA), St. Lawrence County (NY), the Katahdin Region (ME), Martha’s Vineyard (MA), Appalachia, Davidson County (NC), and Kootenai County (ID), and has designed simple leakage calculation tools for the BALLE web site (www.livingeconomies.org ). He is also now completing a study, funded by the W. K. Kellogg Foundation, which documents income tax and public spending inequities facing small business in 15 states.

A prolific speaker, Shuman has given an average of more than one invited talk per week, mostly to local governments and universities, for 30 years—in 47 states and eight countries. He has appeared on numerous television and radio shows, such as the Lehrer News Hour and NPR's "Talk of the Nation," and NPR’s “All Things Considered.”


Shuman received an A.B. with distinction in economics and international relations from Stanford University in 1979 and a J.D. from Stanford Law School in 1982. Between 1987 and 1990 he was a W.K. Kellogg National Leadership Fellow. He is also a member of both the State Bar of California and the District of Columbia Bar.
Pre-Course Required Readings
This course will be conducted at an advanced undergraduate level or graduate professional program. The more time you put into preparing for the course, the more you and your cohort will get out of it. We recommend you set aside at a minimum ½ day to prepare for this course. Read through the required readings and take notes of the key points. The readings will form a foundation for discussion and basic understanding of the key concepts. This will allow class discussions to explore the application of the concepts in your community.


Handouts
• “24 Top Tools for Local Investing” (monograph).
• “Small-Mart Action List,” excerpted from The Small-Mart Revolution.

Readings for keeners
Students who wish to gain a full understanding of the instructor’s worldview, and the main thrust of the class, are encouraged to read his three books:

• Going Local: Creating Self-Reliant Communities in a Global Age (New York: Free Press, 1998)
• The Small-Mart Revolution: How Local Businesses Are Beating the Global Competition (San Francisco: Berrett-Kohler, 2006)
• Local Dollars, Local Sense: How to Shift Your Money from Wall Street to Main Street and Achieve Real Prosperity (White Junction, VT: Chelsea Green, 2012)

Additionally, many of the topics the curriculum are covered in the instructor’s workbook prepared (with Kate Poole) for the Business Alliance for Local Living Economies in 2011.

Other Suggested Readings

There are literally hundreds of books on the topic of community economic development. Among those that the instructor has found particularly compelling and that you might read before or after the course are the following:

- Michael Abelman, Fields of Plenty (2005)
- Wendell Berry, Home Economics (1987) and The Unsettling of America (1977)
- David Boyle and Andrew Simms, The New Economics (2009)
- Amy Cortese, Locavesting (2011)
- Herman Daly, Steady-state Economics (1977) and (with John Cobb Jr.), For the Common Good (1989)
- Richard Douthwaite, Short Circuit (1996)
- Paul Ekins, ed., The Living Economy (1986)
- Lyle Estill, Small Is Possible (2008)
- Paul Hawken, The Ecology of Commerce (1993) and (with Amory & Hunter Lovins), Natural Capitalism (1999)
- Colin Hines (with Tim Lang), The New Protectionism (1993)


**Pre-Course Work**

What is being done in the name of economic development in your community right now? Talk to at least five knowledgeable people in your community, such as economic developers, policymakers, politicians, businesspeople, journalists, professors, or business-development specialists. Find out:

- What are the primary economic-development programs?
- Which businesses are the programs’ priorities?
- What’s being done, on behalf of local businesses, in each of the 6 P’s?

On the first day of class, be prepared to give an engaging 90 second presentation on what you found out. Be mindful of that the shorter the presentation time, the longer it takes to prepare. Use your readings to think about how to apply the 6 P’s to your community.
The overall agenda for day one is shown below.

- Most of the day is organized as a series of mostly 30-minute “wind sprints,” where material is presented for about 15-20 minutes and the remainder is for questions and discussion. This is designed to the flow of the day moving, and to integrate participation throughout the day.
- The day also contains one small-group exercise that occurs primarily during lunch. Each group will be organized (where possible) with people who live in a similar region.

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<tr>
<th>Time</th>
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<td>9:00-9:30</td>
<td>Introductions: Course &amp; Each Other</td>
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<tr>
<td>9:30-10:15</td>
<td>Overview of Local Living Economies</td>
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<td>10:15-10:45</td>
<td>Vision</td>
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<td>10:45-11:00</td>
<td>Break</td>
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<td>11:00-11:30</td>
<td>Indicators</td>
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<td>11:30-12:00</td>
<td>Assets</td>
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<td>12:00-12:30</td>
<td>Leakages</td>
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<td>12:30-1:00</td>
<td>Small Group Prep</td>
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<tr>
<td>1:00-2:00</td>
<td>Lunch &amp; Small Group</td>
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<td>2:00-2:30</td>
<td>Small Group Presentation &amp; Discussion</td>
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<td>2:30-3:00</td>
<td>Business Alliances</td>
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<td>3:00-3:30</td>
<td>Building Blocs</td>
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<td>3:30-3:45</td>
<td>Break</td>
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<td>3:45-4:15</td>
<td>Entrepreneurship</td>
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<td>4:15-4:45</td>
<td>Local Purchasing</td>
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<td>4:45-5:00</td>
<td>Review of Evening Assignment</td>
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Introductions
- Who are you?
- Who is the instructor?
- What are our goals, topics, and ground rules?

Overview
- What is the theory of mainstream economic development? What are its weaknesses?
- What are the principles of LLE economic development?
- Why are locally owned businesses so important?
- Can local businesses compete?
- What are the key agenda items (6 P’s) for LLE economic development?

Vision
- What are your community’s goals?
- How do you define “local”? Self-reliance?
- What do you consider socially responsible?

Indicators
• What are the characteristics of good indicators?
• What are key LLE indicators available from Statistics Canada?
• How can indicators guide LLE?

Assets
• What are different types of assets?
• How can deficits be reframed as assets?
• What are the key components of a community asset map?

Leakages
• What does “economic leakage” mean?
• How can leaks be measured? What tools are available?
• How can import-substitution priorities be set to plug leaks?

Small Group Exercise
• For your region...what are the three best assets, indicators, and leakages?
• Based on those picks, what local businesses would your LLE-ED efforts prioritize?

Business Alliance
• How does a local business alliance differ from a Chamber of Commerce?
• What helpful actions might a business alliance take?
• How might these actions be reframed as self-financing “meta-businesses”?

Building Blocs
• What’s the building-bloc structure of the Canadian economy?
• What would LLE building blocs look like?
• What helpful actions should a building bloc take?

Entrepreneurship
• What are the top theories of entrepreneurship?
• How can you increase the quantity and quality of entrepreneurs in your community?
• What are the top challenges facing entrepreneurship?
• What might be meta-businesses promoting entrepreneurship?

Local Purchasing
• What’s the difference between price and value?
• How can multipliers be measured?
• What are the key components of a Local First campaign?
• What’s the difference between B2C, B2B, and B2G purchasing?
• What might be purchasing meta-businesses?

Evening Assignment
• What would be one promising meta-business for your community?
• What would the key components of your meta-business plan look like?
The overall agenda for day two is shown below.

- The structure of the day is basically the same as Thursday—many wind sprints, plus one small-group exercise at lunch.
- Be sure to save all unanswered questions for the end the day!

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<th>Time</th>
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<td>9:00-9:30</td>
<td>Presentation of Assignment</td>
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<td>9:30-10:00</td>
<td>Public Policy</td>
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<td>10:00-10:45</td>
<td>Introduction to Community Capital</td>
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<td>10:45-11:00</td>
<td>Break</td>
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<td>11:00-11:30</td>
<td>Community Banking</td>
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<td>11:30-12:00</td>
<td>Coops</td>
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<td>12:00-12:30</td>
<td>Accredited Investors</td>
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<tr>
<td>12:30-1:00</td>
<td>Small Group Prep</td>
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<td>Small Group Presentation &amp; Discussion</td>
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<td>2:30-3:00</td>
<td>Non-Securities</td>
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<tr>
<td>3:00-3:30</td>
<td>Local Stock &amp; Stock Markets</td>
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<td>3:30-3:45</td>
<td>Break</td>
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<td>3:45-4:15</td>
<td>Local Investment Funds</td>
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<tr>
<td>4:15-5:00</td>
<td>Final Discussion</td>
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Public Policy
- What is “public policy”?
- What should be included in a LLE-ED public-policy inventory?
- What might smart LLE-ED public policies -- in the categories of zoning, policing, tax, procurement, investing, administration -- look like?

Introduction to Community Capital
- What’s the structure of financial capital in Canada?
- What are securities and securities laws?
- What’s an accredited investor and why does it matter?
- What are the ways in which local investment increases and decreases risk?

Community Banking
- What are various sources of debt capital?
- Why does local ownership of banks matter?
- What role can targeted “CD’s” play?

Cooperatives
- How do coops differ from other forms of local business?
- Why are coops formed?
- What are various forms of coop investment?
Accredited Investors
• What are the typical kinds of investments available from accredited investors today?
• What are some models for refocusing them on local investment?

Small Group Exercise
• Regathering in your regional groups...define the single biggest capital need of your local businesses? Is it debt or equity? What’s the size needed? What are the gaps in local providers?
• What tools would you recommend to meet that need?

Non-Securities
• What are some of the best ways of avoiding securities laws altogether?
• What are promising strategies for preselling and donating?

Local Stock & Stock Markets
• How have U.S. securities markets been reformed for crowdfunding? What are the prospects for similar reforms in Canada?
• What would virtual local stock markets look like? How can the abuses in today’s stock markets be avoided in local exchanges?

Local Investment Funds
• Why is diversification important?
• What are models for creating pools of local securities?
• What can an individual do, through a stock club or self-directed portfolio, to create his or her own pool?

Final Discussion
• Does the afternoon’s discussion change your top priority capital tools from lunch’s small-group exercise?
• What will you do differently when you get back to work next Monday?
• Any other remaining questions?