

# RMI's Economic Renewal Program: An Introduction

by Michael J. Kinsley

For many years, economic development has meant a process where business-at-any-cost was preached by a small elite, where civic discord replaced civil discussion, where families made more money but had less to spend, where residents learned to lock their doors, where communities changed from the unique to commonplace and a thousand towns came to look alike. But now, scores of communities are saying no to old, worn-out approaches and embracing a new kind of development that respects the community and the environment. Created collaboratively by people from all walks of community life, this new approach is called sustainable community economic development.

Sustainable development stands in sharp contrast to conventional economic development strategies. It:

- Redefines prosperity, weighing community values, quality of life, and the environment alongside economic considerations.
- Seeks true development, in the sense of getting better, instead of expansion, which is merely getting bigger.
- Advocates the long-term stewardship of community resources, ensuring that present actions don't erode the basis for future prosperity.
- Pursues self-reliance and a more democratic approach to decision-making, representing community-wide interests over those of an elite few.
- Stresses diversity, resilience, and a conviction that many small efforts work better than a single one-size-fits-all solution.

You may be saying to yourself, "Sure, sustainable development sounds like a fine idea, but how do I translate it into something useful for my own community?" This paper answers that question. It introduces a practical way to achieve sustainability, called Economic Renewal. Created by Rocky Mountain Institute, a Colorado-based research and educational foun-

ation, Economic Renewal (ER) has been successfully implemented in dozens of communities throughout North America.

Although Economic Renewal refers to a particular process for bringing about sustainable development at the community level, it's based on set of guiding principles and tools that many communities are already using, even if they don't use the term sustainable. The principles, described in the first section of this paper, will help guide you in identifying specific projects to strengthen your community and its economy. The tools, explored in the second section, can be applied in every stage and aspect of your economic development effort. Together, they offer new perspectives on old problems, revealing opportunities that might otherwise be overlooked.

The third section of the paper gives an overview of the eight-step ER process, which is designed to get practical results in communities experiencing real-life problems. Based on the concept of collaborative decision-making, the process is an approach to community problem-solving that meaningfully involves all different kinds of people, many of whom seldom talk to one another. With ER, they're no longer passive observers who can only briefly comment at some long, dreary public meeting. Instead, they become active participants who may even lead fun and creative problem-solving sessions.

The fourth and fifth sections will help you determine when to start the process in your community and suggest the kinds of results you can expect when you do so.

## Four Principles of Economic Renewal

Think, for a moment, about the economy of your community. What makes it work? In many ways a local economy is like a bucket that the community would like to keep full. However, economic buckets invariably have holes in them.

*Economic Renewal offers a practical process for achieving sustainable economic development.*



*Before trying to pour more money into a leaky economic bucket, a town should simply plug some of its leaks.*

Every time someone buys something from outside the community, dollars leak out.

To balance the dollar drain, money must flow in from outside the local economy. Money comes in when people in other places buy products or services created by local people. Extracted raw materials, harvested crops, or manufactured goods are “exported”; many communities also earn income from tourists and other visitors. However they do it, communities must bring in at least as much money as they spend or they will wither and die. When income falls short of outgoings, communities typically react by trying to recruit outside businesses—a risky and expensive strategy. Even if its accounts balance, a local economy that’s heavily reliant on only one or two industries may be vulnerable to swings in the national or global economy. To achieve greater diversity, the usual response, again, is business recruitment.

Recruitment is an attempt to find new ways to pour more money into the community’s economic bucket. Though it can be useful in many circumstances, this strategy rests on the often unquestioned assumption that new business from outside the community offers the best—or the only—solution to local economic problems.

Economic Renewal focuses on easier, cheaper, and less risky means to achieve the same end. And while this approach may lack the fanfare and ribbon-cuttings of a business-recruitment campaign, it typically fosters a deeper kind of community spirit and self-reliance that comes from solving problems locally instead of waiting for salvation to come from outside.

The Economic Renewal path to sustainable development is based on four principles. Although they’re described separately here for clarity, in practice they’re interrelated and often overlap. For instance, many things done in a community to pursue the first principle (plug the leaks) will assist in the second (support existing business). A smart community integrates all four, but it takes them in order, since the earlier strategies, as a rule, give more bang for the buck than the later ones. Going for the surer bets first gives a community momentum and puts it in a stronger position to reap the benefits of the subsequent strategies.

## Plug the Leaks

The lively interchange of commerce is an important part of community vitality. Your days may begin with coffee grown in Africa, Latin America, or Hawaii. You may drive to work in a car bought from Detroit, Japan, or Europe, made from metals mined in dozens of countries. Television brings you news, culture, and sports events from different continents. Almost no part of your life stands alone without commerce from outside your community.

These products of international trade enrich our lives. However, many other imports—notably such necessities as energy, food, water, health care, and housing—can often be supplied locally at no extra cost, and sometimes at a saving. In our analogy of the community bucket, these expenditures are leaks; before trying to pour more money into a leaky bucket, a town should simply plug some of its leaks. Economists call this strategy “import substitution,” but it’s little more than practicing the old adage, “a penny saved is a penny earned,” at the community level.

Leak-plugging is an important, but all too often overlooked, economic opportunity. When a community plugs an unnecessary leak, it puts money back into the local economy just as surely as if it had earned it through new industry. Likewise, as individual residents spend and respend the money they’ve saved, the local economic benefit multiplies in the same way it does with new income: more money in circulation creates more value, pays more wages, finances more investments, and ultimately creates more jobs. Unlike income, however, savings are inflation-proof—once you’ve cut out an expense, you no longer need to worry about its price going up. Further, money spent on local goods and services often goes to small businesses, the backbone of most local economies.

In every community, many goods and services that are purchased from out of town are, or could be, produced or marketed locally. Food, for instance. A study by students and faculty of Hendrix College in Fox, Arkansas revealed that the college was buying most of its food from distant suppliers, even though the majority of those food items were, or could be, produced locally. In 1987 the college changed its purchasing policy and is now committed to buying locally, and area

farmers have learned how to produce for the college's specific food needs.

Leak-plugging can turn a town's whole attitude around. For instance, in the early '90s the future looked bleak to many residents of Tropic, Utah. The timber mill had closed and ranching was part-time for most. But some made a living serving tourists visiting nearby Bryce Canyon National Park, and high school students in an entrepreneurship class noticed that tourists were buying a lot of bottled water. In 1995, with the help of their teacher, Kaylyn Neilson, they started producing and selling Bryce Canyon Mist, local spring water bottled with an attractive label depicting the national park's red and yellow cliffs rising out of the morning fog. The new product hasn't single-handedly saved the town, but it has demonstrated to residents that they can improve their local economy by replacing imports with local products. By late 1995, there was talk of Bryce Canyon beef jerky (using local beef), lollipops, and crafts.

Even when a commodity can't be produced locally, it can often be used more efficiently to achieve the same net result. Indeed, this is probably the most reliable economic development strategy of all. Energy is a case in point. According to energy analyst Amory Lovins, a typical community spends more than 20 percent of its gross income on energy—and 80 percent of those dollars immediately leave the local area. Plugging this leak through efficiency is typically much easier (and cheaper, as it turns out) than trying to produce more energy locally. For example, the University of Northern Iowa spent \$7,000 once in 1994 to install efficient showerheads, and is now saving \$67,000 each year on water heating. Osage, Iowa (population 3,800) plowed \$7.8 million back into its local economy between 1974 and 1991, thanks to a series of weatherization and energy-efficiency projects that continue today through the efforts of the local utility and service groups. As a result of efficiency, 1995 electric rates were 50 percent lower than the state average. Much of the saved money is respent locally.

The untapped economic potential of energy efficiency is enormous. It has been calculated that the United States could save \$200 billion worth of energy annually—and create millions of jobs in the process—simply by being as efficient as

Western Europe or Japan. Since those countries aren't as energy-efficient as they could be either, the savings potential is probably much greater still. It's as if every town in America had an invisible, clean-burning, maintenance-free power plant just waiting to be hooked up to the grid.

To promote a spirit of leak-plugging, some communities have encouraged residents to buy locally by creating their own currency. "Ithaca Hours" are a currency that "entitles bearer to receive one hour labor or its negotiated value in goods or services." In Ithaca, New York, that's equivalent to about \$10 an hour, the average local wage. Twelve hundred local individuals and businesses of all kinds accept Ithaca Hours, approximately 4,600 of which are in circulation.

Of course it doesn't necessarily take an official program to plug a leak. Most towns have some sort of barter, or "informal," economy that enables local goods and services to replace imports. While the informal economy is virtually ignored by economic-development experts, its importance was quantified by Shanna Ratner of Yellowood Associates of Vermont, who estimated its economic value in Crown Point, New York to be equal to approximately 100 jobs. In a town of less than 2,000, that's a lot of jobs.

Leak-plugging—through import substitution, resource efficiency, buy-local programs, and a stronger informal economy—is an important step toward greater self-reliance, and a crucial aspect of any community's development strategy in an increasingly globalized and unpredictable economy. The more efficiently resources can be used, and the more local purchases (especially necessities) can be produced locally at reasonable prices, the more resilient the local economy will be, and the more able it will be to withstand externally created shocks and changes.

### **Support Existing Businesses**

The economic heart of a community is its small businesses. Many development experts are convinced that the fastest way to increase jobs and strengthen a community's economy is to encourage existing businesses to become more efficient and successful. A 1991 report by the National Conference of State Legislatures notes that smaller businesses—those that are most likely to start up in your community—"while not providing the windfall of jobs promised by a

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Saturn plant...are the largest source of new job creation and tend to be less mobile and more committed and loyal to the...community over time and more willing to endure economic hard times.” Yet, caught up in the dream of high-tech industrial recruitment, many communities overlook local opportunities.

The Ithaca and Osage examples demonstrate that one way to support existing businesses is to plug the leaks. Ithaca Hours are a substantial incentive to patronize local small businesses. And, though Osage residents started their energy-saving effort to save money, they also found that lower electric rates strengthened local businesses. Fox River Mills, a major employer in Osage, was able to cut its production costs by 29 percent thanks to lower electric rates and more efficient electric motors, making possible a plant expansion that nearly tripled jobs.

Though these and other innovative ideas can be powerful ways to support local business, any community’s development effort must deal with the two most important causes of failure: inexperienced management and inadequate financing. Federally supported small business development centers (SBDCs) are often a big help, offering classes in such basic business skills as management and accounting. Central to many communities’ development efforts, SBDCs are easily accessed in colleges throughout the United States.

Community development corporations (CDCs), which lend to businesses, develop commercial and industrial space, and create housing, are also crucial to many towns. Nationally, there are more than 2,000 of these community-owned corporations, usually targeting services to lower-income people. An excellent example is the Mountain Association for Community Economic Development: operating statewide from Berea, Kentucky, it works on issues of forest products, micro-enterprise, displaced workers, affordable housing, water quality, and access to local government.

A CDC in Eugene, Oregon was the birthplace for a simple but extraordinary idea in the early ’80s. One of its board members, Alana Probst, asked ten local businesses each to list forty items purchased out of state. She then called other local businesses that might be interested in bidding on items from the list of 400. In its first year,

“Oregon Marketplace” created 100 new jobs and \$2.5 million in new contracts. In 1987, this simple program blossomed into a statewide computer-based service that now matches all interested purchasers with Oregon suppliers. The concept works both at the local and state levels.

Oregon Marketplace not only boosted local businesses, in some cases it even created whole new markets. For example, an airline meal company had imported processed chickens all the way from Arkansas, despite a host of chicken growers just outside its home base in Eugene. Oregon Marketplace secured a commitment from the airline meal company so that a local bank would lend the growers enough money to build a processing facility.

Some might suggest that Oregon Marketplace is an attempt to isolate the area from the national economy; on the contrary, equipment for the facility, unavailable in Oregon, came from a Chicago firm that in turn bought its steel from an Indiana company. Therefore, buying locally made Eugene a stronger trading partner in the national economy, supporting jobs in Eugene, Chicago, and Indiana.

Other successful efforts to strengthen local enterprises have focused on business networks. A bright light in the troubled wood-products industry of Washington state is WoodNet, a loose-knit network of small- to medium-sized wood-products manufacturers that helps members help each other. It finds markets, connects suppliers with buyers, encourages the use of waste products, pursues joint manufacturing and purchasing opportunities, creates forums for sharing business ideas, and seeks to stretch the region’s dwindling wood supply. In an otherwise fiercely competitive industry, WoodNet members routinely communicate with each other, tour each other’s shops, and enter into flexible business relationships. Acting together, members reduce costs for materials, professional services, and marketing. They gain access to larger markets by jointly manufacturing products no small firm could supply alone.

The business relationships nurtured by Oregon Marketplace and WoodNet can evolve into practical “flexible manufacturing networks.” In Eugene, a group of cottage manufacturers joined together to secure a contract to make band uniforms for a local school. Similarly, small busi-



nesses within WoodNet partner to bid on wood products contracts.

Farms are businesses, too. A way to support farms that's spreading rapidly throughout the country is community-supported agriculture (CSA), which generates up-front capital for farmers and secures markets for their products. Farmers sell "shares" of their crops in the fall and winter, when farm income is typically lowest. For their investment, customers are assured a supply of fresh fruits and vegetables. Everyone benefits: the farmers get winter cash, consumers get summer discounts, and the community strengthens its local food supply and agricultural economy. In addition, members share in the satisfaction, as well as the risks, of agriculture. Rural Action, an Ohio-based nonprofit organization, found that ranchers participating in this approach to agriculture made at least \$1,000 more per animal by processing and selling their livestock themselves.

Another source of support for family farming is community land trusts. Communities use CLTs to preserve the availability and affordability of land to low-income residents, farmers, and others to whom rising property values can mean dislocation or bankruptcy. One example is the Wisconsin Farmland Trust, which helps farmers withstand development pressures, encourages stewardship of the land, invigorates local agriculture activity, and stimulates farmer-to-farmer cooperation.

City-dwellers are also taking action to support existing business. According to the publication *ZPG Reporter*, residents of Washington, DC's Marshall Heights neighborhood decided in the early 1980s to do something to stem the exodus of neighborhood businesses. They conducted a study that showed retailers how much pent-up purchasing power existed in the area, then persuaded the DC government to pave their unpaved and gravel streets. They established the Marshall Heights Community Development Organization, which now provides a 90,000-square-foot space for start-up businesses and co-manages a shopping center that it bought and renovated. Which brings us to the third principle of Economic Renewal...

### **Encourage New Local Enterprise**

In any dynamic economy, businesses are constantly folding and being created. In most com-

munities this process goes largely unnoticed unless business failures outnumber start-ups. However, your community can do a lot to tip the balance toward success by encouraging new local enterprise. Pursuing the previous two steps will lay a firm foundation for this effort. They create an exciting business climate: a town that's plugging leaks and supporting existing businesses is a great place to start a new one. And plugging leaks will often lead automatically to opportunities for creating new businesses—such as the water-bottling plant in Tropic, Utah, mentioned earlier.

Many communities whose industries are based on limited resources can create new businesses and jobs by adding more value to the products they export. A classic example is the logging town with its own timber mill: by shipping milled lumber instead of raw logs, the town creates more jobs per trees cut down than a town without a mill. Some troubled logging communities are taking this concept a step further by processing milled lumber further into furniture or other finished goods, thus supporting even more jobs with a limited resource base.

Whether the resource is timber, grain, cattle, or coal, adding value is a powerful strategy for stimulating a local economy. A group of organic farmers in Saskatchewan has harnessed this principle both to support their own businesses and create a new one. In 1995, in a project that grew out of their participation in Economic Renewal, they built a facility to process their grain products instead of shipping them unprocessed. Similarly, corn farmers in Marshall, Minnesota, formed a co-op in the 1980s that built a plant to process local grain into syrups, oils, and meal.

Another well-tested method for encouraging new local enterprise is the business incubator. Developed by private businesses, local governments, and colleges and universities, these facilities vary widely from place to place, but generally provide affordable (sometimes subsidized) space, business services, and consulting under one roof. A typical incubator is a cluster of small offices or shops around central secretarial and computer services. Businesses are often required to move on to other conventional space after a specified period of time.

Encouraging new business activity often requires creative financing. For example, many local start-ups are so small or risky that conven-

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tional banks won't lend to them. Based on the overwhelming success of "micro-enterprise" loan funds in developing countries, the Good Faith Community Loan Fund of Pine Bluff, Arkansas, was created by a public-spirited foundation to provide financing to very small local businesses. Because the mostly low-income borrowers stand little chance of getting conventional bank loans for their fledgling businesses, the nonprofit fund is putting needed money behind self-employment and new economic activity in depressed regions of rural Arkansas.

Some communities are developing their own creative ways to finance local enterprise. Residents of Oberlin, Kansas gathered risk capital from current and past residents at no more than \$1,000 per person—very patient capital that no one expected to get back—and invested in a feedlot, which later went private. Ivanhoe, Virginia sells deeds to square feet of land in a town park to raise money for sustainable development projects. They have land owners from all over the world! The project creates community pride, develops community capacity, and raises money.

After establishing Oregon Marketplace, Alana Probst moved on to yet another groundbreaking idea, helping found the ShoreTrust Trading Group in 1995. The nonprofit organization offers business support, marketing assistance, and high-risk, non-bank credit to businesses in the lower Columbia River region that reduce waste, save energy, limit chemicals use, add value locally, or improve fishing, farming, and forestry practices.

### **Recruit Compatible New Business**

Having pursued the first three steps, your town will be in a much better position to recruit new business. A community that's plugging leaks, supporting existing business, and encouraging new local enterprises won't be desperate for any economic activity, regardless of the harm it may cause. Businesses looking to relocate will be more attracted to a community with vibrant local enterprise and a high quality of life. Government agencies and foundations will also be more likely to direct their resources toward a community that's working hard to improve itself.

Business recruitment can bring significant rewards, especially if undertaken in a sophisticated way. It can attract new enterprises to develop underutilized resources and meet needs unful-

filled by existing businesses. Incoming companies can bring fresh capital, new jobs, economies of scale, technical expertise, and participation in national or international networks. If these characteristics complement local resources, the new company can bring renewed vigor to your community.

However, business recruitment pursued without regard for community and environmental values can also create serious problems that outweigh benefits. Many communities have sought new industry at any cost, believing that any economic expansion is better than none. However, a community should add up whether a proposed new business will bring a *net* benefit. Will the advantages outweigh the costs? Will it be compatible with the community's goals? Residents of sleepy Cripple Creek, Colorado, assumed nothing but benefits would accrue from the gambling casinos that moved into town in 1993. Many spent a lot of personal time and money to ensure success of a state ballot question to allow gambling in their town. Within two years, demands for new public services to the new industry had resulted in a 350-percent increase in property taxes, forcing many residents to leave their own community.

If you decide to offer incentives to entice a new business to relocate to your town, understand that they usually don't work and often backfire. Incentives should play only a limited role within a larger development effort. They should be used very cautiously, only with strict safeguards in place, and only when there are solid guarantees of net new jobs.

A cautious approach is the most cost-effective way to attract new business. By choosing the most promising and compatible development for your community, you'll be able to take your best shot at a range of possibilities, and make the best use of limited resources and time. Where industrial recruitment seems appropriate, make it work on your terms. A responsible company will be confident moving to a place where community values and goals are clearly stated, and local government and businesses collaborate to achieve those goals. It won't mind firm local rules if they're clearly stated and fairly enforced.

Taken together, these four principles offer an important message to every community: do better with what you have, instead of seeking "sav-

iors” from outside the community such as foot-loose companies and government programs. It’s not unlike the advice you might offer a good friend who’s having problems at work or home. You might say, “Don’t expect them to change—work on yourself.” Similarly, a community that attempts to strengthen itself by knocking on government and corporate-boardroom doors would be well advised to acknowledge its weaknesses, work to change them, and build on its strengths. Whatever direction your community chooses, taking care of what you already have will give your economy the strength to multiply the benefits of any later economic development.

## Nine Tools of Economic Renewal

The preceding four principles are the foundation of a smart community’s development efforts—they offer a framework for thinking about how to approach development sustainably. But case studies of successful community development efforts compiled by Rocky Mountain Institute reveal a number of other specific tools you can employ as your community considers ways to strengthen itself.

### Ask Why

In any community development effort, one of your most important tools is the question “why.” Asking why helps strip away unfounded assumptions and establish what’s really needed. It shifts the focus from particular proposals, which may divide the community by appealing to entrenched positions, to the underlying goals that unite the community. Having asked why, you can then choose the best way to achieve those goals rather than narrowly focusing on one-size-fits-all solutions.

This simple technique helps identify the most creative, sensible solutions to community problems. It can be applied to virtually any issue. For instance, during one community’s meeting on development, one participant repeatedly insisted that the community needed a big arch over Main Street. Though most participants rolled their eyes or ignored his idea, someone finally asked why he wanted the arch. “We have no pride,” he said. “We need something to make people feel good about this community.” Another participant said, “I agree, we need to build our sense of community. So let’s say *that’s* what we need to do.

Maybe then we can find additional ways to build pride, including the arch.”

The second participant illustrated the point: when discussing a possible solution, ask why it’s being considered. Maybe it’s only one of several possibilities. Others may be more attractive, less controversial, and less expensive. One may appeal to the whole community, including the guy who wanted the arch.

Asking why can help reveal alternative paths through many thorny dilemmas. Struggling with economic problems, many earnest town leaders assume that a new industry is the solution. If they discover later that their chosen new industry will cause big problems, they may forge ahead anyway, blinded by their original assumption. But when an assumption leads to a painful conclusion, the sensible response is to question it: Why new industry? The answer may be increased income, more jobs, or more savings. New industry is only one of many ways to fulfill these needs.

Assumptions about how to achieve the community’s goals are very different from the values that underlie those goals. Therefore, challenging the assumptions doesn’t threaten community values. On the contrary, it’s the most effective way to achieve the goals that support the community’s values.

Old assumptions blind communities to new opportunities. As your community’s development effort proceeds, notice and respectfully question the assumptions—your own as well as others’—that underlie particular ideas. Are they limiting the community’s possibilities? Are they leading the community down an unwise path? Continually asking why will expose limiting or damaging assumptions and clear the way for more productive problem-solving.

### Manage Demand

The conventional response to running out of something is to look for more of it. For instance, facing burgeoning demand in the 1980s, many electric utilities invested in new power plants. They assumed that consumers would pay for this new supply, whatever it cost. But the new power plants were so expensive that electric rates soared. In response, consumers reduced their demand, eventually bankrupting several major utilities.

Such “supply-side” solutions often overlook the true nature of demand. It isn’t electricity that

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people want, it's the services that electricity makes possible: refrigeration, lighting, hot water, home heating. But it's typically cheaper to find more efficient ways to provide these services than simply to increase the supply of electricity. That's why utilities like the one in Osage, Iowa have learned that they can often meet customer demand more effectively by investing in weatherization and appliance-rebate programs rather than in new power plants. It sounds counterintuitive, but the utility can actually make more profit by paying its customers to use less of its product. The customers, for their part, still have hot showers, cold beer, and so on—and they have more money left over, which filters back into the local economy.

The solutions to many problems are often far less expensive when they address demand rather than simply adding new supply. "Demand management," as this approach is called, starts by asking what job the user wants done, and then determining the most efficient way to do it. It usually turns out that no kind of new supply can compete with the more efficient use of what you've already got.

Some community organizations have found they can play a vital—and lucrative—role in managing demand. In Southern California, for example, a group called the Mothers of East Los Angeles teamed up with water utilities to implement a toilet rebate program. The utilities were willing to pay customers \$100 to trade in their old toilets for new, water-saving models, but the program was failing in low-income neighborhoods because many residents simply couldn't afford to shell out \$100 and wait weeks to be reimbursed. The "Mothers," backed by a private consulting firm, bought the new toilets up-front, hired local people to install them, recouped their expenses with the utility rebate, and had money left over to fund a child-care program. The utilities saved money on distribution costs in the long run, and residents who took advantage of the offer benefited from lower water bills.

Demand-management solutions are not only better for the economy, they're better for the environment. For example, some cities are realizing that widening roads and highways doesn't solve traffic problems. "Traffic demand management" programs, such as ride-sharing, can accomplish the same objective much more

cheaply. Lester Prairie, Minnesota reduces demand on roadways while supporting local businesses with "Rideshare Bucks," which commuters earn by giving rides to fellow residents. Funded by a state energy grant, the bucks can be redeemed at local retail outlets. In the program's first two years, Lester Prairie commuters saved \$600,000 in travel and fuel costs (and in the process prevented 100 tons of carbon dioxide from polluting the atmosphere).

### **Pursue Development, Not Necessarily Expansion**

Growth and development aren't the same. Growth, in the sense of expansion, is an increase in *quantity*, while development is an increase in *quality*. This distinction is particularly important to the many communities that are learning the hard way that growth is not the solution to their economic woes. While they enjoy the benefits of growth, they're also vexed by the problems it causes: higher taxes, traffic congestion, crime, long commutes, air pollution, increasing intolerance, disrespect for traditional leadership, increasingly cutthroat business competition, higher rents, housing shortages, spiraling costs, and demands for higher wages to meet the higher cost of living.

Fortunately, communities have many opportunities to develop that don't require them to get bigger. They can create jobs, increase income, improve conditions, save money, and provide opportunities for subsistence (non-cash) activities—all of which strengthen the local economy without necessarily requiring its expansion. It's true that expansion creates jobs in a community; but sustainable development puts people to work, too, without the problems often associated with physical expansion.

Successful communities confronting important decisions about proposed development should ask hard questions: Is this particular kind of development sustainable? Is it something that will support or detract from the ability of our grandchildren to make a living? Will it create problems that the community cannot adequately deal with? Is it compatible with the traditional values of the community? Sustainability can be difficult to determine. Some development ideas are clearly unsustainable; others are less clear. However, it's worth asking questions early to save



yourself the grief of unintended consequences.

### Seek Small Solutions

Communities with big problems often seek big solutions. But the bigger the solution, the harder it is to pull off, and the greater the risks. When a community puts all its eggs in one basket and someone drops the basket, the community's development effort cracks.

Consider the community that puts its hopes in attracting a particular industry. It usually takes a couple of years before the new company makes the final decision to move in. As time passes, unhappy news may come to light. Local leaders hear that the new company will buy (in some cases, take) water from local farmers. "That's unfortunate, but we need new industry," say the overburdened leaders. Then they discover that the industry can't afford to avoid dumping chemical effluents that may seep into the ground water. Leaders, who have already committed themselves beyond the point of no return, say, "There's no proof that it'll end up in the ground water and, anyway, we need the jobs." Later, distressing news: the company will import most of its workers. "Well," say local leaders, "that's too bad, but we're committed now."

In contrast, small solutions are usually more flexible, less expensive, and more manageable than large ones. When a community embarks on a diverse effort that includes many small projects, each of which can produce results, then the potential for success is high. If a few projects turn out to be duds, no problem. Others will succeed, making the overall effort a success—the kind of success that builds toward a better future.

In 1995–96, Snowflake, Arizona used the Economic Renewal process to select several projects intended to strengthen the community: historic tours for tourists, business education and mentoring, and niche marketing and cooperation among local farmers. Even if one of these projects doesn't succeed, others will thrive and provide a big win for Snowflake. Better, each of Snowflake's three projects is diverse by itself. Some parts can fail while others flourish. If Snowflake instead had sought one big solution, it could have netted one big failure. By pursuing many solutions, its strategy was resilient and durable.

This is not to say that your community shouldn't attempt a large project—just don't *rely*

on that big project as the sole basis for your community's success.

### Find Problem-Solvers Who Care

Many communities pursuing development seek saviors—a big corporation, government, or maybe a foundation—someone from outside the community who'll wave a magic money wand and save the community from disaster.

It may happen. But the success of this approach depends entirely on an important decision made by people with no direct stake in the community. They may be terrific people who love their children, but their personal goals probably don't include ensuring the success of your community. They've got other responsibilities, other needs, other demands on them. Entrusting your community's future to such disinterested outsiders is likely to lead to delay, disappointment, and an unacceptable loss of control over the outcome.

This not to say that a community shouldn't fully use outside resources; on the contrary, an effective development strategy taps outside resources. But don't rely on them for your sole support. Depending on outsiders is worse than putting all your eggs in one basket—it's handing the basket to someone who doesn't care if the eggs break.

The people who found and provided the fledgling solutions in Tropic, Utah lived there and by all accounts cared about the community. All understood that a stronger local economy was in their interest—they didn't need to be altruistic to understand that the community's success would make them more successful.

When looking for problem-solvers, don't overlook local business people. They, as much as anybody, have an interest in seeing your community thrive. Many care so much about the community that they started a business to remain in it. They're in it for the long haul. In contrast, outside businesses might be induced to move in, but they'll move out just as easily if they're offered a better deal elsewhere. Locals don't move to Asia to save labor costs.

### Increase the 'Multiplier Effect'

When a dollar enters a community and is then spent outside the community, its benefit is felt only once. If that same dollar is respent within

*Small solutions are usually more flexible, less expensive, and more manageable than large ones.*

*A community's most important strength is the capacity of its people to work together.*

the community, its benefit is multiplied: it adds more value, pays more wages, finances more investments, and ultimately creates more jobs. Thanks to this “multiplier effect,” each additional transaction in which the dollar is involved creates just as much wealth as a new dollar from the outside, but relies on local decisions made by people who care about the community.

Let's say you sell your particular product outside the community (or you provide a service to a visitor from outside the community) and receive new dollars for it. After you pay your business's operating costs, you spend some of your new dollars to buy a jacket from a catalog. A tiny fraction of your expenditure returns to the community to pay the driver or postal worker who delivers the jacket. If you buy the jacket from a local factory outlet or superstore, more of your dollars return to pay salaries of the store's staff. But if you buy the jacket from a locally owned dry goods store, even more of your dollars stay in the community. Its owners spend some of their profits and a much larger share of their operating costs locally. They may even buy one of your products. It's unlikely the superstore owners or the catalog company would do the same. The greatest multiplier effect, and thus the greatest benefit to the community, is achieved when you buy the jacket from a locally owned business that made the jacket itself.

Your community can increase its multiplier effect by plugging leaks, supporting existing businesses, and creating new local businesses—especially if those new businesses supply locals with things that had previously been imported.

#### **Find Hidden Local Skills and Assets**

Colquitt, Georgia was a community that appeared to have nothing much to work with. In fact, it had an asset whose importance had, for a long time, gone unrecognized. The mayhaw berry had grown around Colquitt since before the town was settled, but no one thought of it as having any “economic development” value. They thought of the berry simply as something that families canned for their own use.

But one autumn, a small group of creative women canned more mayhaw jelly than their families could eat. They made labels and tried selling small jars of the jelly to specialty stores. The stores thought the product was great and wanted

more. The women created a business that went on to employ 50 people who prepared mayhaw jelly and a dozen other products for sale in 36 states.

The women of Colquitt put to work an asset that was literally growing on trees. Though the mayhaw business has since been purchased and moved to another town, it demonstrated that virtually every community has some unique asset or skill that can be put to work creating wealth. It could be a raw material, a recreational opportunity, perhaps a traditional craft or a historical affinity for a certain industry. Hidden opportunities can even be found in waste: in Rifle, Colorado and Hazleton, Pennsylvania, huge greenhouses are kept warm with the waste heat from local power plants. The trick is to examine your community with a fresh eye.

What asset or skill is hidden in your community? As you consider this question, think beyond those that are literally hidden. Opportunities may be right there for everyone to see but waiting for someone like you to recognize and put to work. After all, some of the best ideas are those that, once you hear them, seem obvious.

#### **Build Social Capital**

A community's most important strength is the capacity of its people to work together for the common good. This capacity is often referred to as “social capital.” Like more conventional forms of capital, it's essential to successful development. Unlike other forms of capital, the more you give away, the more you get back.

According to Harvard political scientist Robert Putnam, social capital is indicated by such things as voter turnout, newspaper readership, participation in community decision-making, and membership in arts, sports, and service organizations. Many people regard these things as not very important, just something you do because it's fun or necessary. But Putnam's twenty-odd years of research indicates that each of these activities is an important thread in the fabric of a community. The stronger the fabric, the better residents feel about living there, and the better a place it is in which to do business. In other words, a community's economic success is based on its social capital rather than the other way around.

Towns succeed because they're communities, not just collections of buildings and people. This

is not to say that residents all agree with one another. On the contrary, they have important disagreements, but they deal with those disagreements in a civil way. They solve problems instead of attacking one another. They know that they can't just sit back and wait for prosperity; they must work together to seize it.

Successful communities have committed volunteers who serve in many ways, some organized, some quietly individualistic. They have lots of organizations, meetings, events, festivals, and parties. There's not a night in the week that something isn't going on. Though one of these activities alone may seem insignificant, together they create the foundation for a community and its economy.

Successful development can result from one person's great idea, but a community that sits back and waits for that person to come forward is likely to drift in complacency, hoping things will get better. In contrast, a proactive community sails to success by gathering residents to examine where the community wants to go and how best to get there. That gathering is the place where many ideas, including that one person's great idea, can be offered, considered, and improved upon.

At each step in the Economic Renewal process, you'll add another building block of social capital to serve as the foundation upon which your community will succeed.

### **Organize Regionally**

Though prosperity for your own community must be the ultimate aim of your development effort, your community is not an island. Taken too far, community-centeredness can crush creativity ("We're gonna do it this way because we've always done it this way"), provoke petty rivalries with neighboring towns or neighborhoods, or, worse, cause residents to retreat into narrow-minded hostility toward anyone from the outside.

Just as your family needs the community, the community needs its connections to neighboring towns, the region, the nation, and the world. The human scale of a community—which is its strength on a social level—can make for limited economic options and few opportunities to make business connections. A smart development effort looks for ways to tie in more fully to the regional economy.

Regional cooperation may take many forms. Perhaps the most common is the regional development organization, formed by neighboring rural towns to provide staff support and assistance for members. These partnerships may be public (local governments), private (for example, chambers of commerce), or both. Leaders from 20 isolated and fiercely independent towns in the far-flung Alexander Archipelago of Alaska created the Southeast Conference in 1956 to start a ferry system that today is essential to the region's commerce. In other cases, businesses may lead the way by initiating cooperative marketing to regional urban centers. Organic farmers in Saskatchewan reached beyond their individual communities to other farmers over a wide region to build a cooperative processing facility for their products. In 1993, the Arkansas Rural Enterprise Center created WoodWorks, Inc., which markets Arkansas wood products to support businesses, create jobs, and promote sustainable forestry practices. The center helps wood-products businesses of all sizes work together and make sales regardless of what town they're in. The result is stronger, more diversified towns.

### **Eight Steps to Economic Renewal**

Economic Renewal is a process by which community residents from all walks of life work together to find and develop projects to strengthen their community and its economy. With the exception of the first preparatory step, it's a series of town meetings, each designed to build on the results of the previous session. At first, this community-based approach may appear long and cumbersome, but because it develops sound decisions, builds trust, and diminishes opposition, it saves time in the long run.

The Economic Renewal process is carried out by a small team of residents with the help of larger group of volunteers and sometimes a professional facilitator. While many factors can affect the length of time required to organize and conduct the eight-step process, most communities find it takes two to six months. The process culminates in the development of project action plans; actually carrying out the chosen projects, which is beyond the scope of Economic Renewal, can take as little as a few weeks or as long as several years, depending on their size and complexi-

*A smart development effort looks for ways to tie in more fully to the regional economy.*

*By envisioning the community's "preferred future," residents itemize what they want to preserve and what they want to create anew.*

ty. The number of participants in the process varies widely from town to town, from as few as 25 to more than 200.

The eight steps summarized below are described in full detail in Rocky Mountain Institute's *Economic Renewal Guide*.

### **Step 1: Mobilize the Community**

The first step in the ER process is to mobilize a broad cross-section of community residents to participate in the rest of the process. This preliminary step is arguably the most important of all because, unless it's done well, the rest of the process may not be worth doing. If an important decision that will shape a community's future is made by an elite group of insiders or by outside experts, community residents who are left out may not stand for it. The result can be delay, distrust, controversy, litigation, or inaction. In contrast, when decisions are developed by all different kinds of people in the community, they're likely to enjoy broad support.

Mobilization usually starts with a small group of people who, having decided that ER sounds appropriate and worth pursuing, schedule the first town meeting (Step 2) and try to generate as much interest in it as possible. This is done in a systematic manner, initially by personally contacting representatives of every organization and interest group in the community, whether official or not. Every possible viewpoint should be represented, including those that are typically ignored in local public processes. Having enlisted the support of key representatives, organizers publicize the process and the upcoming meeting through media announcements and, optionally, special presentations.

### **Step 2: Envision the Community's Future**

This is the first town meeting of the Economic Renewal process. It assembles residents who use worksheets to identify their values, goals, and perceptions, and from them project the community's "preferred future." The effect of this exercise is to itemize what the community wants to preserve and what it wants to create anew. Unlike many economic development efforts that begin with a narrow focus on jobs and business, this meeting gives participants the opportunity to say what's important to them. They're assured that these things, in addition to

business and jobs, will be the basis for the community's development effort.

In the course of discussing what they care about, participants often are amazed that others—even people they regard as adversaries—value most of the same things. This realization begins to build the trust that's crucial to the success of the program. The information generated by this session is useful later on when, in Step 6, participants refer back to the preferred future to ensure that prospective projects are compatible with it.

Because many people who attend this first meeting haven't been thoroughly briefed on the ideas of Economic Renewal, the session usually includes an introduction to sustainable development, the ER process, and the people who are conducting it.

### **Step 3: Identify What You Have to Work With**

The serious work begins with this meeting, in which participants inventory the community and its economy. This provides a sound and factual basis for the community's subsequent development effort. Without it, many opportunities would be lost.

Participants break up into smaller groups to discuss seven important aspects, or factors, of the local economy: business environment, access to capital, infrastructure, quality of life, the informal economy, natural resources, and human resources. Each group then itemizes community problems, needs, and assets specific to its factor. The product of the session—worksheets listing problems, needs, and assets—becomes the raw data for the next step. If available, other economic and demographic data can be offered at this point in the process.

### **Step 4: Discover New Opportunities**

Now the community's inventory from Step 3 is displayed so that everyone can see it as a whole and find opportunities that might otherwise be obscure or hidden among innumerable everyday details. Prior to the meeting, the Step 3 worksheets are transcribed onto large sheets of paper and attached to the walls of a large meeting space such as a high-school gym. The visual effect is a huge map of community conditions. The task is to make connections—literally—between community problems, needs, and assets.



In addition to being challenging and creative, this exercise is also fun: lots of people milling around in front of the lists, pointing at items, comparing notes, and making connections. In the course of the evening, participants list dozens or even hundreds of actions that might be pursued to strengthen the community.

### Step 5: Generate Project Ideas

Freewheeling and creative, this step concentrates on identifying more projects the community might pursue to strengthen itself. Participants brainstorm project ideas based on what they learned in Step 4 and on ideas gleaned from case studies of other towns.

Some communities find they've already generated so many project ideas that they need very little time to complete this step, and are able to combine it in the same meeting with Step 6.

### Step 6: Evaluate Project Ideas

Steps 4 and 5 generate more project ideas than any community can deal with. Many will be impractical, incompatible with the community, or too difficult or risky. The worksheets employed in this step provide a framework for evaluating how well project ideas fit the community's needs.

Participants form committees to evaluate project ideas. Each committee starts by clarifying and adding details to the idea, which may originally have been stated in general or vague terms, then evaluates the idea for its practicality, sustainability, compatibility with the community's preferred future, and other appropriate criteria. Projects that aren't chosen for evaluation are set aside for future consideration.

### Step 7: Select Project Ideas

Though Step 6 reduces the number of prospective projects, there usually remain too many ideas for the community to implement at once. In this step, participants compare project ideas to one another to select the few that are most promising for the community at this time. Depending on the number of project ideas, this step may require more than one meeting.

Committees present the results of their project evaluations, which, tempered by comments from all participants, are summarized on a wall-sized "project menu." When the presentations have all

been made and the project menu filled in, participants discuss the comparative merits of each project and agree by consensus which projects should proceed.

Finally, participants form project development committees and a committee to create a permanent organization to carry on the Economic Renewal work after Step 8.

### Step 8: Develop Project Action Plans

This final step is a bridge from the Economic Renewal process to specific project implementation. It begins with a public meeting, which ensures that the committees get off on the right foot, but after that they work independently.

The committees' task is to create a written action plan for each project. In the process of developing their plans, they'll refine project concepts, recruit technical assistance, analyze alternatives, identify barriers to implementation, create budgets, secure financial support, and deal with resistance.

### When to Do ER

The timing of your Economic Renewal effort is crucial to its success. Choosing the right time to start requires intuition and a knowledge of the inner workings of the community. In general, though, a community is probably ready to work toward bettering itself when one or more of the following conditions exist:

- Residents recognize that something must be done and no one else is doing it.
- A crisis (e.g., a natural disaster, closure of a major business) brings the community together.
- A few people have begun talking seriously about organizing some effort to seek a better future. Where a few are acting, many others are thinking.
- One or more people are committed to take action.

It will be more difficult to conduct ER when there is:

- Overwhelming apathy or lack of recognition that something should be done.
- A belief that something is coming that will save the town: "We don't need to do anything, we'll just wait till..."
- A crisis so deeply divides the community that people on opposing sides of the issue

*In Steps 4 and 5, communities typically generate more project ideas than they can deal with.*

can't be in the same room together.

Though these are useful thoughts about timing, don't regard them as rules. Many communities have achieved success despite apparently bad timing. Some have accomplished results even in the face of rampant controversy. Others that appeared to be drifting aimlessly have taken dramatic action to improve themselves. Even a relatively apathetic community can be galvanized to action by a few credible and assertive people. However, your effort will have the best potential for getting off to a good start when at least one influential resident is actively enthusiastic about the idea.

### The Measure of ER's Success

The outcome of the Economic Renewal process will be a few realistic projects chosen by participants—projects that will build toward a more sustainable future. Because many residents will have participated in selecting the projects, or at least followed and understood the process, they'll feel some ownership in and commitment to them. To enhance community support and enthusiasm, participants will choose at least one project that can be implemented quickly and easily to achieve a short-term, measurable success.

Many community residents and leaders, especially those who participated, will better understand the community economy; they'll be more comfortable with economic development. Participants will have experienced a genuinely collaborative process, which, if your community is like most, will be much more creative and less contentious than the usual ways of getting things done. They'll better understand each other and be more willing to work together. This experience may lead to more effective decisions in the future.

Each community that has used Economic Renewal has created and chosen development ideas compatible with its particular circumstances. A few examples:

- **Alamosa, Colorado.** Residents dramatically revitalized their downtown, launched alternative crop and fish-farming initiatives, started a community recreation program, conducted a business-needs analysis, planned a community/conference center, and instituted a flood-control program that saves \$115,000 in insurance each year.

Moreover, Economic Renewal “helped bring the town together” and “fired up the people,” according to town manager Mike Hackett.

- **Kentucky.** The Mountain Association for Community Economic Development used Economic Renewal in three economically distressed counties. Participants selected a variety of development projects including a farmer's market, a co-op art gallery, a tourism committee, a small-business assistance effort, a value-added wood products business, and downtown improvements.
- **Plateau Valley, Colorado.** Residents of this rural area started a local newspaper, upgraded their fairground, and inventoried historic structures. They're now investigating alternative local crops.
- **Snowflake, Arizona.** Economic Renewal participants decided to support local business with a mentoring program, improve tourism by training local tour guides, and support local farmers with a co-op for specialty produce.
- **Saskatchewan, Canada.** Farmers built a value-added processing facility and started a marketing campaign for their organic products.

Some people may shrug off these successes as flukes, or assume that they resulted from some lucky break. However, though each received some help from the outside, these communities didn't score any big government grants or industrial sitings, nor were they particularly lucky. They created their successes largely on their own.

Like you, the residents of these successful communities were trying to make a living and didn't have a lot of time for meetings. But they balanced their commitment to their community with their family obligations, juggled their schedules, goaded their neighbors. After false starts and a few dead ends, they pulled it off.

These are ordinary folks who chose an extraordinary path, the steady and deliberate course to a sustainable future. It's a path that's yours for the taking. It relies on your understanding that a prosperous future for you, your children, and your grandchildren is based on stewardship of your community, its environment, and its economy. It starts with your commitment to act.

*Each community that has used Economic Renewal has created and chosen development ideas compatible with its particular circumstances.*

## Want to Know More?

This text is excerpted from *The Economic Renewal Guide* (3rd ed., 1997), a manual for citizens and practitioners who are looking for specific, practical ways to make development in their communities more sustainable and collaborative.

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#### Appendix

Explaining Economic Renewal to Others  
Resources: Nonprofit Organizations,  
Government Agencies, Internet  
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