

Thinkers' Lodge Climate Crisis Retreat
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Thinker's Essays

Essential Aspects of a New Economy
By Robert Cervelli

“A good community insures itself by trust, by good faith and good will, by mutual help. A good community, in other words, is a good local economy.”

-Wendell Berry from “Work of Local Culture”

Problem

The four Atlantic Canadian provinces have significant economic exposure to an increasingly fragile and unstable world economy due to climate change. These exposures will certainly could affect local community life in the mid to long term, but could also affect communities with dramatic short term shocks depending on how global economic events unfold.

In fact, there have been mild and short-lived shocks already, such as food or fuel shortages, due to weather events or supply chain disruptions, but these have been resolved within a matter of days or a week or two. Longer and more dramatic shortages will likely occur in the near term.

Atlantic Canada has a high level of economic leakage, meaning that the region runs a significant ongoing trade deficit. A study released in 2018 showed that in 2012 the region imported \$11 billion more than it exported¹. Further, the regional average leakage was 40% - that is, four out of every ten dollars spent leave the economy.

This leakage has historically come about in three primary ways.

Firstly, globalization and the rise of large multi-national corporations has created *economic homogenization* through the aggregation of most economic sectors into only a few large players. This has resulted in less shopping destination choices for consumers, especially with the advent of easy driving to large commercial retail big-box strips which all have the same major store brands. This homogenization has been further exacerbated by the relatively new phenomenon of on-line shopping, and the likes of Amazon and others. These large players have become expert at siphoning off most retail profits out of the local economy, leaving local businesses either marginalized or out of business.

The second cause of regional economic leakage is the procurement practices used by most public sector institutions. These institutions typically are anchored in their communities (e.g., hospitals, schools, colleges and municipal governments), yet are spending millions of dollars annually procuring goods and services from outside their economic regions. ‘Best’ procurement practices,

¹ <http://centreforlocalprosperity.ca/wp-content/uploads/2018/02/CLP-IR-Study-web-Feb2018-Pages.pdf>

refined over a period of decades, has moved towards lowest cost and procurement convenience, which can usually be provided by larger non-local players at the expense of local suppliers.

The third major cause of economic leakage in the region results from the natural resource extractive industries. Large non-local players dominate these natural resource sectors, especially forestry, fishery and mining, and utilize the same features in their business approach: 1. extracting of maximal value out of the resource; 2. using the lowest cost technologies to maximize profits; 3. extracting those profits, leaving little or none in the local area; 4. leaving behind the maximum allowable environmental degradation for free (also called “externalities”), constrained by local regulations; and 5. creating the least number of local jobs possible (while using inflated job numbers to sell the project at the beginning). The result is that local communities can at best hope for a limited number of hourly wage jobs (if local residents can match the skills required).

At the local community level, these causes of economic leakage can create damaging economic leakage and resulting low community wealth and social capital, where local dollars are scarce, businesses, schools and other services leave, and remaining residents have few resources or options left at a time when preparations for the effects of climate change become paramount.

In short, residents, communities and institutions in Atlantic Canada send much of their money away, and have become heavily dependent on imports through just-in-time, long-distance supply chains, at a time of increasing global fragility. The economic value received from local natural resources has been minimized with long-term degradative effects. Local economic resilience, capacity and agency may be at all time lows for some of our communities. Yet, there are ways forward, and there are amazing examples of communities who have picked themselves up by their bootstraps, and began to gain local economic agency and begin to control their own future.

New Directions

“The proper role of a government is to protect its citizens and its communities against conquest – against economic conquest just as much as conquest by overt violence.”

- Wendell Berry

A significant level of economic leakage in our region means that there are significant levels of opportunities to make gains in a new direction. To begin to explore new economic directions for any community, it is important to consider three factors.

Firstly, economies are in the process of re-localizing, and returning full circle to resemble aspects of how they functioned decades ago, but now with the capacity to use some modern technologies. The relatively brief era of globalization, earmarked by long-distance supply chains and just-in-time deliveries, which began in the 1960's and 70's is eroding and becoming more difficult to function. It has reached its peak complexity.

In many ways, localization may mean involuntary simplicity, with the departure of lifestyles that can only be supported by cheap abundant energy of the past, and a transition to much less complex and much less convenient lifestyles.

Communities are realizing that they will need to provide more of their essential needs locally, through local production. Local food and power production, local skills development and local business start-ups are all occurring at an increasing pace in Atlantic Canada.

Second, it is important to understand the principle of *primary wealth*. Primary wealth is direct ownership of valuable physical resources, such as water from a clear spring, fertile farmland, a woodlot, a wine cellar or gold bullion. This is simple direct wealth. Secondary wealth is wealth that is generated from the ability to produce of more physical resources and more primary wealth. Examples include a dairy farm that utilizes the fertile land, a sawmill creating value from the woodlot, a vineyard to produce wine for the cellar, a fishing boat or tool-stocked workshop, and other means of production. Tertiary wealth is only a claim to wealth, and includes money, stocks, bonds and mutual funds, which in and of themselves have no value. In other words, you can't eat your money. Most tertiary wealth exists only digitally in computer systems, and could just as easily not exist if these systems went down.

Atlantic Canada remains rich in primary wealth due to our plentiful clean air, fresh water, arable land, diverse forests and valuable fisheries. From this point of view, we live in an inherently wealthy region of the planet. These assets are becoming increasingly rare in a crowded planet, and we need to safeguard them for the future. There are more and more outside forces looking with greedy eyes at Atlantic Canada's natural resources.

Thirdly, successful communities of the future are those that understand the importance of community conversations. We will need to reach out, trust, connect, and collaborate with each other. We already know how to do that in Atlantic Canada – it is part of our cultural DNA.

Community conversations are the first important step to build community agency and self-empowerment, as the foundation for building community wealth. It is the basis for educating ourselves about what really matters for the future. It is a way to find, connect with and learn from other inspirational communities, and foster the process of inter-community support. Learning and respecting each other creates a shift in focus from individual to community wealth. Prosperity can be defined as personal and social fulfillment instead of the accumulation of material goods. A clear relationship begins between trust and economic success. Trust is the critical supportive base at the family and community levels for the future.

What is your community's vision for the future? People within communities find that they share the same desires to increase community capacity and well-being, regardless of any differing political or cultural views. It is important to bring together all interested people, groups and organizations into a common vision. One study commissioned by the London borough of Lambeth found that to create success, regular engagement is needed by 10-15% of the residents of a community².

Features of vibrant local economies

² https://issuu.com/participatorycity/docs/designed_to_scale_v.1

Let's examine the features of successful local economies. These features are all well know ways to build community wealth, and are described by numerous authors who specialize on these topics.

A culture of entrepreneurship at all levels

Entrepreneurship happens at all levels within communities. It is not just the visible storefront businesses, local campground, newly opened restaurant or start-up tech firm. Home businesses of all shapes and sizes can have a significant influence on local economic resilience. In fact, many large corporations in our region started on the farm or in the kitchen.

Local entrepreneurship is evidenced by the small sign at the roadside mailbox advertising dressmaking and alterations, or smoked mackerel, or kindling for sale. It is the neighbour's ability to repair cars and trucks, sometimes in exchange for firewood or venison. It can be the iconic lemonade stand staffed by two or three friends after elementary school classes. Entrepreneurship even extends to Christmas cookie swaps, a neighbour's math tutoring for school kids, and numerous other ways where a community shares its wealth. This is what local economy looks like in action, and is powered by trust and cooperation. It is also the wellspring for larger businesses that begin to provide their goods and services not only to the local community, but then begin to export these down the road into other communities, into the larger region and across a province. Exporting is driven best by first viably meeting local needs with local production, and expansion then occurs naturally.

What can you produce that is valuable to others in your community? It can be just about anything that others value and appreciate. Everyone has something to offer. Perhaps singing in the local choir, baking cookies, making a favorite jam, whittling figurines, or volunteering time at the library. Any act of making something of value available to your community stimulates the local economy. Community economic development is everyone's role, and not just the purview of a few paid professionals.

Many of our communities still have a history as a 'one-industry' town with one major employer. Residents in these towns tend to become dependent on 'working at the plant' as the major driver for their economy. As a result, it may be necessary to build more entrepreneurial culture and capacity in these communities in order to begin a process of weaning the economy off one main source of income, creating more home-growth diversification, and building community self-determination. This process can begin best by educating, supporting and encouraging younger generations and building a cooperative support base between them and older mentors. There always exist local successes, no matter how small, to build upon.

Local retention of profits

There are an increasing number of examples around the world and in our region of locally-owned businesses, socially-responsible businesses, worker-owned businesses, community-owned businesses and cooperatives, which retain profits locally and have a mandate to benefit their community in some way. The primary operating purpose and goals of these businesses can actually be to increase the number of jobs in a community and reinvest the profits locally.

Such a mandate can even extend to protecting, restoring and rebuilding local natural resources such as a forest or fishery. Local ownership means there is a locally vested interest in restoring and maintaining the health of the resource for the benefits of local residents, and acts as a safe guard for the long term health of the businesses that use the resource. These business models stand in stark contrast to those of foreign or non-local businesses that seek to extract maximum value to their head offices with little regard for the long-term health of the resource.

The retention of business profits back into a community is a guaranteed means of building community wealth over time, especially if these profits are reinvested to provide additional profits back into the community. In this way, the primary wealth assets of a community can be used to continually build secondary wealth, or the means of further wealth generation. Over time, a community becomes increasingly wealthy because it has stopped the economic leakage of profits to non-local businesses and is using it to build for its future. There are communities in our region doing just this, and over the coming years, they could become the economic powerhouses in our region.

Examples in our region and elsewhere include:

- There are a number of community-owned enterprises in many of the First Nations in our region. These include hotels, casinos, aquaculture facilities and other businesses. Since they are community owned, the communities then decide on how best to utilize the resulting profits for their common benefit. One example is the We'koqma'q (Waycobah) First Nation, Cape Breton, which in just over 5 years have created over 70 jobs in their steelhead trout aquaculture operations and have expanded their supply chain into fish processing and a hatchery. Profits are used for community services and programs.
- The residents of Fogo Island, Newfoundland, have created the Shorefast Foundation, a community organization, which owns the Fogo Island Inn and several other businesses. Their tagline states: "Our mission is to build cultural and economic resilience on Fogo Island. We believe in a world where all business is community business." The fishermen formed the Fogo Island Co-operative Society Limited, a community based enterprise, with the purpose of building the economy of the island. They build boats, took over processing facilities abandoned by private enterprise or built new plants, and sought new markets.
- There are numerous examples of worker or producer owned co-operatives in our region. In Nova Scotia alone, some co-ops include Farmworks Investment Co-op (investment co-op), Justus! Coffee (worker co-op), Acadia Cinema Co-op (consumer co-op), Scotian Gold (producer co-op), and Abilities Wood Products (producer co-op). These co-ops are able to make local decisions by the local stakeholders for theirs and the businesses long-term benefits.
- Community land trusts (CLT's) are a land tenure mechanism whereby ownership is given over to a community managed trust, and is effectively removed from the real estate marketplace as a privately-owned speculative asset. The inherent value of the land is kept for community benefit in perpetuity. CLT's can allow private construction on the land, with individual ownership, usually through 99 year leases of the land.

- Community supported industry initiatives are similar to the well known CSA's (community supported agriculture programs, where consumers purchase weekly produce boxes from local farmers) by many in our region, but extend into other types of businesses. They flourish when multiple partner organizations develop a path for the community to co-imagine, co-develop, co-finance, and patronize "import-replacing" businesses³.

Local production first to meet local needs, and only then export

Many community residents in our region are asking how local needs might be supplied from local sources, including the mutual help of neighbours. Economies have more resilience and are better buffered from outside global forces when local needs can be met locally. It is good to supply local needs first and only then think of using the excess for exporting – first to nearby community, regional cities and then to outside of the region. This basic principle can plug significant economic leakage if incorporated into the mindset of communities and incubate further community wealth over time.

Our traditional focus for economic development is on exporting. Exporting brings needed money into the economy (if it is not first siphoned off by a non-local business). But conversely, that money may be needed to import essential goods and services. In some extreme cases, locals may not be able to gain access to the goods being exported, such as lumber and seafood, and need to purchase imported variations.

Local financing

Proper, timely and sufficient financing is required to move most community projects forward for climate readiness. There are an increasing number of innovative solutions being developed in Atlantic Canada for community self-financing.

Community-led investment pools, such as Community Economic Development Investment Fund's (CEDIF) in Nova Scotia, or the Community Economic Development Corporation (CEDC) in New Brunswick are unique vehicles to aggregate community investment in important capital projects. Many residents can invest relatively small amounts that can add up to a significant sum. In Nova Scotia, over \$100 million has been raised in 76 CEDIF projects up to 2017.

Some communities have started community foundations or community investment funds. These can be lead by one or more high net worth individuals, as is the case with the Fogo Island Shorefast Foundation and the Annapolis Royal AIRO Fund. In other cases, one or more community residents seeds a community fund with a modest amount and creates an inspirational challenge for other to join in, as is the case with the Wolfville Dandelion Community Business Investment Co-op.

Community lotteries of several kinds have become one means of raising community funds for valuable non-profit purposes. These include the 'chase the ace' style lotteries or the weekly toonie draws used in Montague PEI Gold Mine), the St Margarets Bay Treasure Chest, or other communities.

³ <https://centerforneweconomics.org/apply/community-supported-industry/white-paper/>

Local currencies and other exchange systems

Historically, local or alternative currencies have arisen during times of economic stagnation. The great depression of the 1930's produced numerous local scripts and currencies issued by banks, businesses and communities simply as a mean to create more local economic liquidity as a time of a scarcity of dollars. Local currencies are legal as long as taxes are collected and incomes reported.

Some currency systems have resulted in a dramatic turn-around of economically depressed regions. One example is the Sardex⁴ interest-free digital credit system on the island of Sardinia, which was set up by 5 youth in 2009. By 2015, the system had 4,000 businesses involved, with 25,000 transactions per month valued at 0.5 million Euro. Other examples include the Berkshares⁵, a circulating paper currency in Berkshire region of Massachusetts with 400 participating businesses, and the well developed TimeBank⁶ systems, in which members agree to give and receive time-based credits for service.

There are numerous other ways to 'share the wealth' within a community. These can include toy or tool libraries, community wood and metal fabrication shops, repair-cafes, swap clubs, bartering networks, and other means of trading and helping each other. Life.School.House.⁷ is a valuable model of skills learning and bartering at the neighbourhood level, and is based on folk school models out of Denmark.

Local institutional procurement and local consumer purchasing

Public sector anchor institutions (schools, colleges, universities, hospitals, nursing homes, municipal governments and others) are located in many communities. These institutions may spend tens of millions of dollars annually on their operating budgets. Over time, in the interest of cost cutting and convenience, much of their procurement practices have resulted in spending outside the local economy. Many of these institutions are interested in exploring ways to bring some of this spending back into the local economy as a way to act as an economic engine for their community.

Linking public-sector anchor institutions to supporting local businesses can be done within the framework of trade agreements and procurement policies in several ways. One means is to include criteria in the request for proposals (RFP) tendering process which score for local social, economic or environmental benefit.

The purchasing patterns of local community residents can have one of the most profound impacts on the local economy. Buying local is a direct vote for the community's future. One community in the region may begin asking – what's your 25 mile footprint?

Buy-local campaigns can be significantly scaled so that they are not just a reminder by the local chamber at Christmas time. A "*Think Local First*" year round effort can include taglines such as

⁴ <https://www.sardex.net/>

⁵ <https://www.berkshares.org/>

⁶ <https://timebanks.org/what-is-timebanking/>

⁷ <https://www.lifeschoolhouse.com/>

"Think Local. Buy Local. Be Local." Labeling locally produced goods and locally offered services, and clear window signage for local owned shops with a local-logo have been successful in other communities. Other communities have used a '10% local challenge', where residents commit to purchasing 10% of their foods and other needs locally.

Public banks.

In the US, several cities and states are actively pursuing the formation of public banks. Historically, there were many public banks, but these were slowly closed down in favour of the private banking system of today. North Dakota is the only state in the US which still has a public bank, and which is also the only US state without debt. California is currently a leader in legislation providing for regional establishment of non-profit community development banks.

Public banks can issue debt without the interest-usury of private banking, and can either charge a low interest rate or use a fee basis only. In that way, public banks can focus on community development and provide affordable loans for capital projects, business start-ups and other developments. There have been early explorations into the feasibility of establishing public banks in Atlantic Canada.

Integration

Finally, it is important to integrate aspects of community economic development into a cohesive whole with all the other aspects of community development to inspire further energy of local residents and amplify efforts at climate crisis readiness. These include other initiatives that encourage renewable energy, zero waste, ecological restoration, organic farming, sustainable forestry and habitat protection.

Addendum

Judy Wicks' 2004 E. F. Schumacher Lecture

"Let me capsulize the local-living-economy movement for you by contrasting what it is and what it is not, what it does and what it does not do:

- maximization of relationships, not of profits;
- growth of consciousness and creativity, not brands and market share;
- democracy and decentralized ownership, not concentrated wealth;
- a living return, not the highest return;
- a living wage, not the minimum wage;
- a fair price, not the lowest price;
- sharing, not hoarding;
- simplicity, not luxury;
- life-serving, not self-serving;
- partnership, not domination;
- cooperation, not competition;
- win-win exchange, not win-lose exploitation;
- family farms, not factory farms;
- biodiversity, not monocrops;
- cultural diversity, not monoculture;
- creativity, not conformity;
- slow food, not fast food;
- our bucks, not Starbucks;
- our mart, not Wal-Mart;
- a love of life, not a love of money."