

Coping with Economic Meltdown

by Gwendolyn Hallsmith

You are sitting in a public hearing about the zoning changes you have been preparing for the past year, fighting a sense of despair and futility. More projects have been abandoned than have been started. Money is tight – at least one of the cancelled projects lost its financing at the last minute. More than ever, it feels as if the title “Planning Commissioner” doesn’t reflect your role – shouldn’t planners be able to offer a path forward, even through dark times?

The local economic development authority has been working as hard as they can to attract new businesses. They spend money, even in the downturn, on trips to distant places to try and find the next big new enterprise to bring to town. They often return empty-handed. The economy elsewhere suffers the same sluggishness as here at home they say. Maybe when things pick up they’ll have better luck.

Is this search for external investment the best strategy for strengthening the local economy? Consider this:

1. The vast majority of new jobs are created by small and medium sized firms, not large employers.¹

2. New markets, jobs, capital, technology, and economic expansion are generated when cities start to produce goods and services that were previously provided by distant exporters.

3. Start-up, innovative, entrepreneurial enterprises are on the increase in the 21st Century, while the large manufacturers that dominated the economies of the 19th and 20th Centuries are declining.

4. Local long-term wealth creation and economic security are dependent on local ownership of productive capacity; simply receiving wages for employment while the profits are exported to distant corporate centers robs the local economy

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of the capital it needs to succeed.

5. An over-reliance on export-led development can undermine the long-term economic health of a community. More attention needs to be paid to local needs and markets. Similarly, communities that develop local exchange systems and reduce reliance on the national currency will also enhance long-term local wealth creation.

6. Companies that are locally owned are much more sensitive to community needs and environmental conditions, and can lessen a city or town’s vulnerability to job losses when economic downturns occur.

If the solution to your economic problems can be solved through local action, then perhaps there is more of a role for planning commissioners than you have been taking. If the traditional strategy of attracting direct investment from outside the community leads to a dead end, mobilizing local resources for local economic renewal will test the ability of local leaders to create conditions where new local enterprises can take root and succeed. It requires tenacity, flexibility, open-mindedness, and a willingness to take risks and try new things. It also requires understanding some basic points about economics.

How do you build real wealth? How does the local economic system work? Are there policies and practices you can introduce as a leader that will either foster wealth creation or block it? The term “economic system” is used so frequently that we often lose sight of its meaning.

Systems have certain characteristics, and by understanding more about how they work we gain valuable insights into how to improve our local economy.

All local economies run on four main sources of energy – money, water, food, and energy itself – oil, gas, solar, wind, etc. If you consider the health of your local economy, you need to regularly take the vital signs of these critical flows.

- Do you take steps to prevent money from flowing out of your local economy?
- Do you have enough water for all your needs, or do you need to import it from other regions?
- Do you produce enough food and energy for people and the economy, or does most of what you consume come from distant places?

One way to start to build real local wealth is to understand all the outflows, and to try and start producing locally whatever you are buying from other places. Gathering the data, identifying the most promising strategies and alternatives, setting priorities, all of these activities are exactly what planning commissioners do best. ♦

Gwendolyn Hallsmith is Director of Planning & Community Development for the City of Montpelier, Vermont. In our Summer issue, Hallsmith will continue with a look at steps communities can take to put together a local economic development plan.



¹ The first study that documented this fact was David Birch’s *The Job Generation Process* (M.I.T. Program on Neighborhood and Regional Change, 1979). This was followed by “Tracking Job Growth in Private Industry,” by Richard Greene of the Bureau of Labor Statistics, published in the September 1982 *Monthly Labor Review* (available online at: www.bls.gov/opub/mlr/1982/09/art1exc.htm). For readers interested in learning more about the importance of local economies, please take a look at Jane Jacobs’ landmark book, *Cities and the Wealth of Nations*.