

## Chapter 5 – The Local Economy

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When a developer plans a local suburban subdivision, little consideration is given to the local economy. The thriving urban or regional economy drives the decision to provide more housing – more jobs means demand for more bedrooms, more roads, more shopping centres, bigger public schools. The developer responds to the economy. In contrast, the fundamentals for a Village are entirely different. Planning for a local economy in the Village is essential to its success.

The fundamental economic principal that distinguishes the Village is its internally dependent, functional local economy. It is for this reason that a Village can be placed as much as two hours from a city (more than that and it may become too isolated with difficulty connecting to major transport and freight links essential to its local economy). A local economy is one that generates wealth and then *turns* that wealth internally – at least five times before it goes back out. In today's global economy, the local economy will sell to the global and at least 20% of the Village income needs to come in from the outside. The local economy is layered, built on a foundation that provides the basic needs independent of the global economy – if it melts down the Villagers will survive. The local economy is diversified. It shuns monocultures. A one company town is a bad idea, especially in these modern times when owners and investors have little loyalty to the workers and families dependent on the company's jobs. The local economy must provide conditions that encourage a wide diversity of businesses and offices to operate. Then when some collapse or move away, the local economy only suffers a bit – it remains healthy.

In providing for these local economic conditions, the late 20th century measurement of profits-profits-profits is toxic. We say *late 20th century* because before then businessmen had a strong ethical foundation, predominantly set out by the Church, which expected they made decisions that were good for people. While much predation occurred, it was not until the late 20th century that new generations of businessmen and businesswomen were trained by business schools that the sole measure was profit. We are finding this is proving to be a very bad instruction as poverty, pollution and predation wreak havoc. Some fear catastrophic damage may be pending because of how we have conducted our business affairs. As a friend asked the other day, "How's it been going now that businessmen have been running the world for 400 years?"

To properly evaluate business decision making and action, we hear of the 3-P's:

**People:** how decisions impact people – their employees, their subcontractors and suppliers, their customers

**Planet:** how actions impact the planet – global warming, pollution and ecosystems

**Profits:** is the business healthy? Are its investors getting a good return? Is it rewarding initiative and hard work?

To this, we suggest three more "P's" need to be added:

**Public:** More than just the workers and the customers. How does a business impact the public, the community?

**Place:** More than the impact on the planet, what impacts our common locality? In this, we need to do more than just avoid or mitigate adverse effects. How does business success enhance our place, make our Village better, more beautiful?

**Prosperity:** how the outcomes create wealth, in contrast to converting wealth from others. Is the business contributing to the common wealth of the Village and its surrounding region? When a place has a large divide between abject poverty and affluence, the community cannot be healthy. The wealthy must imprison themselves behind security gates and video surveillance. In extreme cases, they employ armed guards and the freedom of their children to be normal kids having the run of the community and nature beyond is utterly curtailed. If it doesn't work for the rich, how can it work for the poor?

### **New economic conditions are supportive of village economies**

In the late 19th century, with the rise of industrialisation and concentration of business in the cities, the economy of villages weakened. In many places villages went into decline as the young moved away to find work in the factories and offices

which required many people in one office or factory building in order to pay for the massive machinery required to make profits. Some villages became ghost towns; others remained home to the elderly and the weak, struggling to get by.

With the onset of global telecommunications and transportation, with the invention of automated systems that no longer require people live near their work, for many the opportunity to return to village life becomes a viable economic proposition. For this to happen, one cannot simply set out roads and buildings. A well thought out local economy plan is a necessity.

### **The fundamentals of a strong local economy**

- In normal economies, at least 20% of the income should come from outside.
- Each dollar should turn at least 5 times before leaving, 10 is better – develop systems to track number of turns
- It cost far less to save a dollar than it does to earn a dollar – design for savings
- Make decisions that are good for the local economy, people and community
- Provide for substantial diversity in local businesses and jobs
- Provide for the basics locally, especially food and energy
- Plan for three economic conditions – bad, normal, boom
- Pay attention to unanticipated negative side effects

### **The Theory of Unanticipated Negative Side Effects**

Side effects are omnidirectional, but evaluation tends to unidirectional – think bomb versus rifle shot. Evaluators focus attention on the target, not on the side effects. This is also called tunnel vision or wearing blinkers (blinders in USA).

Side effects range from very good to very bad. The evaluator concentrates on the good direct effects to justify the product or process. The somewhat good side-effects are typically picked up by marketing departments seeking to create good press. The very bad effects (like a hand grenade with a 100 meter/yard lethal range) are observed by the experts and if not mitigated, the product or service is not introduced into the marketplace. The danger comes in the middle, the marginally negative side effects; the ones that:

- Take longer than normal human observation to have an obvious effect
- Involve complex interaction with other forces, so the cause is not obvious
- The not-noticeable ones, and/or
- The noticeable but inconvenient ones that have adverse effects on the career or earnings of the evaluator or expert if they speak up.

Unanticipated negative side effects are cumulative – slowly corroding quality of life. Communities and nations that seem worn out, damaged, tired or suffering malaise are often victims of unanticipated negative side effects.

Before introducing any technology or processes into the Village or its local economy, pay careful attention to any and all negative side effects that will have an adverse impact on the wellbeing of the Village and its people. The side effects will not be printed on the package.

### ***Outside Income and Earnings***

Sell local to global. At least 20% of the gross income and earnings in the Village should come from outside the Village. This includes earnings from telecommuting employees, “lone eagles” and independent contractors using technology to communicate, retired persons on pensions, businesses that buy in raw materials and resell them as finished goods and other normal participants in the wider economy. The Village plan cannot dictate such income producing activities, but it can provide the design to attract such people. As my grandfather said “build a birdhouse and the birds will come; if you want bluebirds build a bluebird house.”

Pay careful attention to the kinds of activities you seek to attract. Do not overly depend on the global economy – it is too volatile and often does things that are good for some of its proponents but bad for the Village and its people.