

# Real World Models for Creating Stability in the New Economy

**D**riven by local entrepreneurs and based on relationships and real values, a New Economy is emerging. Today more than 100 local, interdependent networks have emerged in communities across North America, organized by local businesses, farmers and entrepreneurs—the people who grow and distribute our food, build our buildings, provide our power and manufacture many of the goods and services we need. They are supporting each other and addressing the economic, environmental and societal challenges in their own home regions. At the Business Alliance for Local Living Economies (BALLE), our goal is to galvanize an alliance of these local community business networks and to connect them to spread best practices and engage in fair trade.

Michelle Long  
Business Alliance for  
Local Living Economies



## The New Economy Is Built on Local Ownership

Local living economies ensure that economic power resides locally to the greatest extent possible, and that local entrepreneurs have the capacity to produce their communities' basic needs. Abraham Lincoln said, "I like to see a man proud of the place in which he lives. I like to see a man live so that his place is proud of him." This idea of local reciprocity and accountability is crucial to sustaining vibrant, livable communities and healthy local ecosystems.

The New Economy will be made up of businesses like Zingerman's Deli in Ann Arbor, Michigan. The founders started with the goal of creating the world's best delicatessen. When they were ready for a new challenge and a chance to provide development opportunities for staff, they decided to scale up by "growing deep." Rather than franchise nationally and "spend the rest of their lives flying around visiting second-rate versions of their own business," they chose to vertically integrate and bring in new partner-owners with each new business.

Today, 17 co-owners have created a creamery to supply the deli and other local markets, a bakery, a candy company, a farm, a non-profit food bank, a consulting company, a publishing company and a full-service restaurant. Now the Zingerman community of businesses is a \$30 million company with 500 employees in a town of fewer than 100,000 residents. Local non-profits erected a billboard thanking Zingerman's for being in their town.

## The New Economy Invests in Relationships

Founded in 1905 as an independent community bank, The Mechanics Bank has become one of the largest

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➤ Eddie Downer, former chairman of The Mechanics Bank



banks headquartered in the San Francisco Bay Area. A key tenet is that the bank’s money must be spent within the communities it serves. The founder, a former weekly newspaper publisher, postmaster, chairman of the school board for 25 years and a small-town mayor, understood the needs of local communities, and believed a community bank’s justification for being was to serve those needs.

“We firmly believe that a community bank’s activities, whether commercial or philanthropic, should benefit the people in the areas we serve,” said Eddie Downer, former chairman and third-generation member of the founding family. “Being principally family-owned has given us the freedom to do things that large publicly traded companies cannot.”

Socially responsible investing (SRI) is another proactive way to manage money. With an SRI approach, investors put their money to work building a more just and

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Eddie Downer (left of center) is the former chairman and third generation member of the founding family of The Mechanics Bank.

sustainable world while earning financial returns. Portfolio 21 Investments has been a pioneer in the field since 1982. This SRI fund only invests in companies that recognize environmental sustainability as a fundamental human challenge and a tremendous business opportunity. Their companies “design ecologically superior products, use renewable energy and develop efficient production methods for prospering in the 21st century.”<sup>1</sup> They also are proud to note their independent ownership, which “gives us the autonomy to think for ourselves without the influence of outside shareholders or a parent company.”

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transactions that are complex, opaque and anonymous to those that are direct, transparent and personal.”

Community banks, credit unions and local financial institutions do more lending to small businesses and family farmers. Non-profit organizations receive 2.5 times more support per employee from small businesses, and most new jobs are created by small businesses.<sup>2</sup> This interdependence means that the vitality of any one is linked to the health of the others.

## The New Economy Is Connected

Interconnected networks, because they show rich, deep models of what communities can be, are like Petri dishes or incubators. People say, “Aha! I see how!” and then they share ideas, learn from each other and create huge cultural momentum.

The northwest Washington BALLE network, Sustainable Connections, is one example of this momentum. Founded in 2002 in Bellingham, Sustainable Connections is today a non-profit network of local independently owned businesses that facilitates sustainable economic development by providing education, connections and market development. The network now has 700 member businesses, representing every sector of the local economy, including farmers,

manufacturers, builders, non-profit organizations, service providers and retailers.

Sustainable Connections members are committed to sustainability and thinking local first. Their efforts in green building, renewable energy, sustainable agriculture and local manufacturing have led the National Resources Defense Council (NRDC) to name the community the nation’s “number one in progress toward urban sustainability,” and American Public Media’s Marketplace to call the community the “epicenter of a new economic model.”

Business members display the “Think Local, Buy Local, Be Local” logo on their storefronts and include it in articles and newsletters, invoices and advertisements. Businesses now get phone calls from people asking if they are local. Recent studies show that 60 percent of households in Bellingham choose independent retailers and services whenever possible.

In the '70s, '80s and '90s, the county unemployment rate was higher than Washington State and national figures. Since Sustainable Connections’ inception, the county has experienced lower unemployment rates than state and nation rates. Plus, purchasing from local farmers is up five times over the rate of growth in other parts of the state, and businesses that start here are more likely to succeed than if they start elsewhere.



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Photo courtesy of Sustainable Connections

Sustainable Connections hosts a Farm to Table Trade meeting in Northwest Washington, gathering buyers, producers, processors and distributors from multiple counties.

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### The New Economy Is Green

In the New Economy, local businesses are connecting the dots between emerging sustainable industries including sustainable agriculture, green building, energy efficiency and renewables, community capital and local zero-waste manufacturing. With a focus on their unique place, they are building innovative and diverse local economies that are community-based, green and fair.

An example of this place-based business model is the Energy Cooperative that started in 1979 when some Philadelphia residents wanted to use the concept of group buying power to get lower prices on heating oil. The Energy Cooperative now provides their members renewable electricity and biodiesel from sources as local as possible. They buy their solar power from the rooftops of their members and buy wind power from wind farms in Pennsylvania and neighboring states. When they were unable to find a source of renewable heating oil, the co-op spun off a new company to produce biofuels from local restaurants' waste grease. Today the co-op's annual sales are about \$5 million.

### The New Economy Has More Opportunity

In 1965, the ratio between CEO pay and average company pay was 24-to-1 in the US. Since the mid-90s, CEOs of major corporations have been earning more than 200 times the average compensation of workers.<sup>3</sup> Compare that to Japan, a country with one of the lowest pay gaps, where CEOs earn on average 10 times more than the average worker.<sup>4</sup>

The Cleveland Foundation, as part of its Greater University Circle Initiative, is spearheading a new strategy for democratizing wealth creation through the Evergreen Cooperatives. The cooperatives, based on the Mondragon model in Spain, give individuals who

would normally be excluded from ownership opportunities the chance both to gain stable employment and to become equity owners in the businesses where they are employed. To date, four new businesses have launched: a commercial green laundry facility, a solar and weatherization installation service, a food production greenhouse and a community newspaper. Within five years, the organization hopes to have ten businesses that provide 500 living-wage jobs.<sup>5</sup>

The worker cooperative and democratic workplace models continue to spread. For example, six worker-owned bakeries in San Francisco employ 125 workers and generate \$12 million in sales annually. In the industrial sector, the United Steelworkers, with over a million members, has plans to develop manufacturing cooperatives in the US and Canada.<sup>6</sup>

### Shifting to the New Economy

The vision of the New Economy is audacious, but, to become a reality, it must be. Researchers who study complex human organizations and ecosystems have found that once a large complex system becomes corrupted it has almost an impossible time fixing itself. It can play at the edges, the equivalent of "business as usual plus a little recycling," but it simply can't imagine

an entirely new way to do things. Instead, researchers have found that what does work is creating a safe space outside the dominant system for something truly new to be created from the ground up. We need Petri dishes. We need to catalyze, connect and strengthen local networks of independent business owners who have the autonomy to re-imagine their industries and who are collaborating in their particular place to create community-based, green, fair economies.

We are now seeing transformational successes led by local BALLE networks of entrepreneurs in small towns, large cities and rural areas, even in regions of high unemployment. There is nowhere we can say it won't work, only that with more resources we could go further, faster.

We are seeing the bright lights of transformation. We need more pinpoints of light coming forward, and we are committed to connecting these lights into a luminous tapestry of national and international action.

### Advancing the New Economy:

- 1 Find a BALLE network near you and patronize the locally owned businesses in your community.  
[www.livingeconomies.org](http://www.livingeconomies.org)
- 2 Move your money to a community bank or credit union:  
[www.moveyourmoney.info/find-a-bank](http://www.moveyourmoney.info/find-a-bank)
- 3 If you have money to invest, learn more about socially responsible investing:  
[www.socialinvest.org](http://www.socialinvest.org)

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*Michelle Long, BALLE's first executive director, sat on the board between 2003 and 2009, and is currently once again the executive director of the Business Alliance for Local Living Economies ([www.livingeconomies.org](http://www.livingeconomies.org)). BALLE, an alliance of 80 community business networks comprising 22,000 independent businesses, is the nation's fastest-growing network of socially responsible businesses. Long was the co-founder and executive director of Sustainable Connections in Bellingham, Washington, one of BALLE's oldest networks. She is also the author of Local First: A How-to Guide, and of the how-to manual, Building a Community of Businesses.*



Arizmendi Bakery (below) and the Cheeseboard Pizza Cooperative (above) are two of the six worker-owned bakeries in San Francisco that together employ 125 workers and generate \$12 million in sales annually

