

# SUSTAINABLE ECONOMIC DEVELOPMENT IN LANE COUNTY

A Solution-Oriented Vision  
And Practical Recommendations

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## Responding to a Time of Change

This report on sustainable economics is being given at a time in which we are being called upon to take a fresh look at our assumptions and our approach to economic development. Change is upon us, and the ways of the past will no longer serve us.

No viable policy of development can be framed without paying attention to the global crises that are impacting our local economy. Most significant among these global crises are:

- peak oil
- climate change
- economic meltdown
- environmental destruction

These crises are the most acute symptoms of a larger global metacrisis – a crisis that effects all spheres of life. As such, they are not independent from one another, but interrelated and have capacity to interact in complex ways. Thus we have recently seen that:

Limitation of oil supply (due to peak oil) brings a rise gas prices,  
. . . creating a cost of living surge  
. . . that exacerbates the mortgage crisis,  
. . . which accelerates the credit meltdown  
. . . and puts the breaks on the economy.

Slowing economic activity causes a plunge in oil demand  
. . . and a drop in gas prices,  
. . . which reduces political pressure for alternative fuels,  
. . . thereby blunting aggressive efforts to reduce carbon emissions  
. . . so that climate change continues to grow in magnitude  
. . . and to further destroy the economic potentials of the planet.

Because of the interactive and mutually exacerbating effect of the acute symptoms of the global metacrisis, it will not be wise for our local economy to continue to develop on a course that links it significantly to the increasingly unstable, crisis prone, and shrinking global economy.

Two imperatives arise from the recognition of this condition.

First, and above all, Lane County's economy must become predominantly local and regional in its control, in its resource base, in its markets, in its capital flow, and in its labor force.

Second, our local economy must focus its development around enterprises that are inherently sustainable – or that are at least making meaningful steps to bridge toward sustainability.

Change at such a fundamental level will not be easy. It is natural to expect that many people will be inclined to resist changing what they have known to work in the past.

But this is no longer an era in which cruise ship line bookings and luxury motor coach assembly can provide secure livelihoods. Change is upon us. We either resist it, at great toll to our community, or adapt to its demands and grow with the emerging new possibilities it offers.

Adopting a new modality – a decentralized and sustainable modality – of development will require an extraordinary degree of vision, engagement, unity and leadership.

These conditions do not exist in sufficient measure in our community at this time. But a shift of consciousness is occurring that mirrors the shift taking place in the national psyche. At the heart of this shift is a movement away from preoccupation with our private, largely material, lives and a growing willingness to participate, to sacrifice, and to embrace hope and bring positive change.

In many respects, our community is favorably positioned for the transition to a decentralized and sustainable economy. Lane County is rich in new models of sustainable living. It is rich in its local resource base. It is rich in its human capital and citizen awareness. And it is rich in its proclivity for citizen participation. These are assets which can be built upon to facilitate transition to a new path of development.

But, in themselves, they are not sufficient. Our community has limiting factors as well, and these must be clearly assessed and remedied. Much will be demanded of us, on many fronts.

To mobilize ourselves to meet the challenges ahead, several key requirements must be met.

- First, there is need for true leadership – leadership that can project and implement a vision commensurate with our situation, and not just aim to harmonize the diverse interests of the community.

- Second, there is need to invest heavily in the balanced development of the citizens of our community, and to give opportunity for their productive expression. It is individuals, acting personally or collectively, that are the agents of change; we are as strong as the sum of the potentialities of our citizens, as well as scope and motivation to express these potentialities and of the unity with which we express them.

- Third, there is need to be cognizant that economic development tends to follow the community's regulatory and policy frameworks. If we want to privilege local and sustainable

development, then incentives and support must flow to local, sustainable enterprises, and not to outside-based, capital-draining, life-damaging, metacorporations.

The opportunity ahead of us is huge. Working together, as we must, will build sustaining human relationships. Sacrificing for a common cause will nurture love and caring. Going green will reduce the pollutants that are harming life around us. Building a local economy will strengthen an authentic local culture and nurture our identity as a people grounded in place. Weaning ourselves from the global economy will free us from the cheap, exploited labor of others. And embracing local economic empowerment will enable us to revive democracy.

### **Recruiting Corporate Businesses to Supporting Local Enterprise**

After some two decades of promoting development through enticing outside corporate enterprises to move to Lane County, the Lane Metro Partnership has acquired a more realistic awareness of the limited success of this approach to economic growth. The focus of the Lane Metro Partnership has therefore shifted from aggressive corporate recruiting, to simply facilitating corporations interested in doing business in the County. It is commendable that this shift in focus has occurred.

However, an adequate assessment has yet to be made of the extensive externalized costs born by the community that have accrued from bringing in outside enterprise. And there remains an under-appreciation of the advantages of prioritizing allocation of business incentives for the support of local enterprise.

Further, there is little grasp of the immense potential that would unfold from directing incentives and support to those local enterprises in particular that have been identified — through a local economic planning process — as having strategic potential in the creation of a stable, abundant, local economy.

Local planning, guided by proper principles and objectives, has the following benefits: Planners can better understand the major and minor problems of their local area. Local leaders can solve problems according to local priorities. Planning will be more practical and can be more readily implemented. Local organizations can better play an active role in mobilizing human and material resources. Unemployment can be more easily prevented. And a balanced, sustainable economy can be more readily established.

## A New Vision of Economic Development

The present global economy, driven in the main by the dictates of maximizing short-term profit, is surpassing the limits of growth. As a result many non-renewable resources have reached peak production. Most important among these is oil, the energy life-blood of our industrial economy. (Data from the US Energy Information Administration show that world oil production leveled out in 2004, and reached a peak in the third quarter of 2006.)

More significantly, the production of many *renewable resources* is in decline — timber, fish and grains significant among them. And, of utmost importance, the basic requirements of life, and the fabric of life upon which the productive capacity of human economies depends, is in decline. Earth Policy Institute's Lester Brown has summarized this decline as involving "collapsing fisheries, shrinking forests, expanding deserts, rising CO<sub>2</sub> levels, eroding soils, rising temperatures, falling water tables, melting glaciers, deteriorating grasslands, rising seas, drying rivers, and disappearing species."

It is the nature of life on our planet to evolve, grow and flourish. Human cultures, and human economies, share this evolving nature. But the larger natural world maintains dynamic equilibrium in its growth; development occurs, but it is self-balancing. The global economy, driven by the flawed logic of short-term profit, cannot grow in a self-balancing manner. Its growth is in the form of an unsustainable malignancy that, in the end, drains the vitality of the society and depresses the economy.

True life-enhancing growth — growth that is enduring — bestows a richer world to succeeding generations, enriches the whole person and the whole society, and deepens the social security of all — becomes a chimera.

A trend has gained momentum in the local community to re-envision the logic underlying economic activity in such a way that sustainable, balanced development, rather than short-term profit, becomes the goal. This new economic logic is termed the "Three E's", and it seeks to balance economic vitality, equal opportunity, and environmental quality.

However much the "Three E's" have expanded the concerns of economic activity, the scope of this expansion is not as yet sufficient. To the Three E's must be added, as the Institute for Sustainability Education and Ecology (ISEE) director Mel Bankoff has observed, a fourth E — that of individual and community *empowerment*.

Without a relocalized economy that empowers the local community to determine its own economic destiny, the locus of economic power will remain in hands far away, and any meaningful attempt to implement the other Three E's is likely to remain marginalized and

compromised. The "greening" of Eugene and Lane County will remain a high-sounding promise, a slogan that does little to touch our lives and heal our planet.

Beyond the Three E's, and the added Fourth E, is a yet deeper approach to sustainable development, one that offers a fuller promise of an abundant, equitable and durable economy. This is a model of development that models the way nature works and applies design principles grounded in universals, so that sustainability and vitality of economic expression flow organically and inevitably from an economic logic derived from the naturally abundant and sustainable workings of the natural world.

There are many who fear that the future, constrained by the limits of growth, holds greatly diminished opportunities. But this fear is a function of the limits of imagination, not the limits of growth. Whatever may be the short-term setbacks (and they will be significant), the future can be abundant – beyond our imagining – should we only realign our social and economic values to embrace local economic control and authentically sustainable development. The form of this abundance may look very different from that of our current lifestyles, yet will be more enriching to the human spirit.

## City – County Economic Integration

Since the inception of Euro-American settlement of the South Willamette Valley economic development has evolved from being almost entirely local, with production of most basic commodities and amenities done as close to home as possible, to being global, with most consumer and durable goods coming from outside the local region.

Now, however, a new focus on economic localism is emerging, propelled by rising transport costs, a faltering global economy, and by recognition of the need for greater community empowerment. This new localism is most apparent in the natural and organic foods sectors and the crafts sector.

Giving preference to the purchase of local goods has been promoted through the Helios Resource Network's Local First Lane County campaign, as well as by the *Eugene Weekly's* buy local Holiday gift shopping campaign.

In an evolved vision of this new localism, there is recognition that Lane County's Eugene-Springfield urban core economy and the outlying rural economy must achieve a high degree of economic integration.

Such a model of economic development would diminish the privileged position of the urban core economy and would give balanced importance to developing the under-realized potentials of the rural economy. This rebalancing is required because the urban population would, in a relocalized economy, need to obtain much of its basic commodities from the resource and production base of the surrounding rural areas.

The importance, and possibilities, for a reintegration of City-County economic development are particularly significant in three sectors of the economy: agriculture, forest products, and energy.

### *Agriculture*

Three striking facts bring home the remarkable economic potential that is inherent in the relocalization of agricultural production and marketing:

- First, total food expenditures in Lane County are approaching *one billion dollars*.
- Second, the Lane County Food Coalition study entitled "Feeding Ourselves" concludes that Lane County agricultural land has the capacity to produce the following portions of the food consumed locally:
  - 100 percent of Lane County vegetable needs
  - 100 percent of Lane County fruit needs
  - 100 percent of Lane County grain needs
  - 83 percent of Lane County dairy needs
  - 10 percent of Lane County meat needs
- Three, only about 20 percent of the agricultural land in Lane County is currently used to produce food.

With progressive changes in agricultural practices, and with healthy adjustments in dietary habits, Lane County could be almost totally self-reliance in food production.

Were this to occur to any significant degree, the major portion of the money that presently flows out of the County for food imports (only 2-3 percent of food consumed in the county is locally grown) could circulate within the local economy.

Were most of the material inputs involved in farm operations to also be produced locally, the economic importance of the agricultural sector would become all the more significant. Other important economic multiplying effects could come from the construction, transportation, processing, etc. that would accompany a large increase in local agriculture.

It does not require careful calculations to get a sense of the impacts that would result from a couple billion or so dollars of growth in the county's annual economic output. Unemployment rates would plummet (assuming flexibility in the work force), expenditures for social services would drop, and the county's tax base would remain healthy.

Proper planning for a vibrant, relocalized agricultural sector is a complex undertaking, and beyond the scope of this paper to discuss. (The Helios Resource Network's Community Fund for Social Change has just awarded a matching grant to fund a study by the PROUT Institute that will, in part, begin to address this issue.) But two significant points should be made about the implications of properly planned decentralized agricultural development:

- First, the potential benefits would be far greater in magnitude than the above analysis suggests, as well as having beneficial effects that would extend into many other spheres of social life.
- Second, a relocalized agricultural economy would require a revaluing of the potentials of rural land. For example, Class 1 farmland would be valued much more for its potential to supply food to local markets than for its use in situating sprawling urban growth. The interests of food growers, not developers, would come to assume pride of place.

### *Forest Products*

Under decentralized development, there would also come to be a deepened commitment to ensuring sustainable management of forestry resources, as county residents would come to depend on the surrounding forests for a far great variety of commodities.

Most forests would not be designated as preservations of the wild (though many forests should be), but as a highly productive resource base for the local economy. Productivity and sustainability would, however, not be at odds; existing knowledge of sustainable forest practices would be applied in an uncompromising manner to insure that forests *both grow in productivity as well as grow in biomass and biodiversity*.

Truly sustainable forestry practices become much more difficult to put into place where forest lands are owned by outside interests and where timber harvests are primarily intended for outside markets. Therefore, to secure a healthy economic future it will become necessary for Lane County's private forest lands to be owned by local interests and to produce for local markets.

The great forests of Lane County have a wide range of potential value to the local economy. It is therefore important that their productivity not be focused primarily around dimensional softwood lumber and pulp, but for there to be ongoing diversification of forest products. For

this to occur, expenditures for research and development and for improved infrastructure systems will become important.

In making use of the diverse materials supplied by healthy forests, a wide variety of secondary processing industries could be established. These industries should not be located in the Eugene-Springfield urban core but, so much as possible, be located in forest communities, close to the source of materials.

Establishing value-added forest industries on a viable basis would vitalize presently depressed rural forest communities. These communities are situated amidst a rich resource base; with proper development, in a relocalized economy, they would thrive.

Rural forest communities would no longer be characterized by depressed economies that are highly dependent on the urban core for jobs and culture. They would instead become vital communities in their own right. And, under proper conditions, they could prove better suited to absorb County population growth than would occur through an expansion of the Eugene-Springfield urban growth boundary.

In addition to developing the diversified economic potentials of forests, the importance of healthy forests to flood control, landslide prevention, species protection, clean water supply, and climate change mitigation must be fully appreciated.

### *Energy Resources*

Few, if any, economic development objectives hold more importance than that of developing local, sustainable, non-polluting, renewable sources of energy.

Rural Lane County has exceptional potential for developing such sources of energy. At minimum, it should be possible for rural areas of the county to become relatively energy independent, and perhaps even supply significant amounts of energy to the Eugene-Springfield urban core.

Were there to be aggressive development of local energy sources, along with an aggressive redesign of the built environment and of transportation systems, it is not difficult to envision Lane County becoming energy independent.

This diversified, local approach to energy generation — known as *distributed generation*, *distributed energy*, or *dispersed generation* — offers a great efficiency advantage over producing energy in large centralized facilities. This is so because distributed generation

reduces the amount of energy lost in transmission because the electricity is generated very near where it is used; it also reduces the size and number of power lines that must be constructed.

At present, very large flows of capital leave our local economy for the purchase of energy supplies from outside sources. In addition to this immediate drainage of capital, there are significant expenditures for the externalized costs of imported energy. This is all capital that could, instead, remain in and circulate through the local economy. Were this to occur, the benefits would be immense.

What are some renewable energy sources that could be developed locally? While energy production planning requires professional analysis beyond the scope of this paper, the following are examples of energy sources that hold promise for Lane County:

- methane gas captured from dairy and livestock wastes
- biofuel from methane reactors using silage or straw feedstock
- wave energy generated electricity
- high-lipid content algae-produced biofuels using mill heat and waste CO<sub>2</sub>
- electricity from micro-hydro generators located on small creeks
- electricity from biomass generators fueled by select coppiced hardwoods
- charcoal-fueled generators
- PV solar arrays [which can now be incorporated in skins of office buildings]
- parabolic solar steam generators
- cogeneration electric generators and cogenerated heat
- biodiesel fuel from crops such as silkweed and meadow foam grown on Class 3 soils
- hydrogen fuel generated by electricity from parabolic reflectors during summer
- alcohol fuel generated using the heat of parabolic reflectors in summer months

While much of the production of fuel and electricity would occur in rural areas of the county, the manufacture of energy production equipment could be located in the urban core, as could manufacture of energy conservation products.

### ***Balancing Relocalization and Inter-regional Commerce***

While it is true that Lane County is endowed with a uniquely abundant resource base from which to grow a vibrant urban-rural relocalized economy, it is equally true that attainment of a self-sufficient local economy is impossible — as well as undesirable.

So, while Lane County should strive to create a locally resilient and adaptable economy, its economic development needs to be properly coordinated with the economic development of

the larger Cascadia bioregion. The development of Cascadia, in turn, requires coordination with that of neighboring bioregions, and beyond to the economies of the Pacific Rim and to the planet as a whole. We would still import California grapefruit, Guatemalan bananas, and Jamaican aluminum; and we would still export filbert butter, local wines, and, hopefully in the near future, solar water heaters and rapid transit buses.

### *Local Developmental Planning*

For there to be an effective integration of urban and rural economic potentials, and for economic relocalization to produce basic commodities and services for the local population as efficiently as possible, there is need for economic planning. County level developmental planning, properly conducted, could greatly expand the economic potential of Lane County and do much to insure that development occurs sustainably.

Local level planning should be coordinated by a public body that can give balanced representation to the interests of all sectors of the community. All stakeholders must have a say; planning cannot privilege the interests of a few.

Local developmental planning must be guided by a set of principles that brings balanced development that meets people's needs, while at the same time sustaining the health of the environment. To achieve these ends, local planners should take into consideration the following factors:

- **Cost of production.** Unit costs of production — including all environmental and externalized costs — should be determined in pricing commodities. The cost of producing a particular commodity should not exceed its market value.
- **Purchasing capacity.** A major objective of planning should be to increase people's capacity to obtain their basic necessities and amenities. For this there must be the availability of commodities according to local demand, stable prices, periodic increases in wages, and an increase in collective assets (energy generating systems, communications infrastructure, transit lines, etc).
- **Productivity.** The economy should be developed in a manner that gives it capacity to increase productivity. There should be efficient production to meet collective needs, and full utilization of all production units. Also, money should be properly invested, and not hoarded or squandered in unproductive ways.
- **Collective necessity.** Planners should determine the current needs and the projected needs of the community and formulate their developmental plan according to this assessment of collective necessity.
- **Sustainability.** There must be continual monitoring of current resource use and ongoing projection of future availability of resources. The stock of resources must not be

diminished unless substitute resources become available, and they should never be depleted if doing so brings harm to the environment.

## Green Jobs and Transitions for Fading Industries

Detroit is not the only community in which there has been inadequate foresight by business leaders about adapting to oil depletion, climate change, environmental pollution, and bursting investment bubbles. Lane County has its own industries that will be in crisis should they not adapt appropriately. The luxury motor coach industry, for example, is already in rapid decline.

Not all Lane County business leaders have failed to anticipate the long predicted onset of limits to growth under the dominant paradigm of development. Our community is relatively rich with entrepreneurs who have had the foresight to begin making the transition to sustainable development. This can be seen in Eugene's Sustainability Commission, in the progressive business group Green Lane, and in the SustainLane Sustainability Guide.

There are, as well, prominent elected officials and municipal and county administrators who have embraced an interest in reorienting local enterprise toward a more sustainable path.

As a result, Lane County is in a comparatively advantaged position to move forward in a timely and ambitious fashion, advancing more viable options at a time of accelerated crises for many industries. However, while some in Lane County have taken steps in the right direction, to date these have been baby steps, and soon giant steps will be required.

What initiatives should be undertaken to accelerate movement toward progressive adaptation of the local economy to the changes that are upon us? While there are a good many initiatives that could have positive benefit, certain approaches will have comparatively greater impacts and are therefore deserving of special support. Some promising, high-impact approaches that should be considered include the following:

- Efforts should be made to maximize employment in local enterprises that are producing goods or offering services for local and regional markets and that are using local resources in a sustainable manner. This approach will help stabilize markets, assure a sustainable supply of raw materials, and minimize the impact of rising energy costs.
- Displaced workers should be retrained primarily for jobs in stable or growing industries that offer family-supporting wages. Such jobs are likely to be concentrated in the green collar sector.

- Rapid, proactive efforts should be made to retool and change product lines in declining industries that have potential to produce products in demand in a green economy. A possible example is transforming the luxury coach industry to production of transit buses using renewable fuel.

- Legal structures and public support services should be created that assist workers in purchasing and bringing under cooperative management industries that are closing simply because they are not deemed profitable ENOUGH, or that are owned by outside corporations undergoing bankruptcy or reorganization. (When Argentina underwent financial crisis in the 1990s, closed factories were taken over by their workers, which helped many people to weather the hard times.)

- Lane County possesses attractive features for attracting green industries. If green industries are attracted to coming here, public policy should be created that gives incentives to corporations that agree to establish operations on a BOT — Build-Operate-Transfer — arrangement. Under this approach, local workers and managers are trained to take over operation of the concerned industry once that industry has generated an agreed upon profit for the parent company.

- Both private institutes and higher education institutions should be engaged, where appropriate, to increase their efforts to research and develop new, sustainable technologies that could be manufactured and marketed by local enterprises. Public and private funding should also be directed to support these R&D efforts. Particular importance should be given to developing and producing appropriate technologies, such as those pioneered by Aprovecho Institute outside Cottage Grove.

- High profile green development initiatives should be provided extensive citizen, governmental and business support to facilitate their rapid construction. Some particularly important projects of this sort that are now under conception — all of which have good potential for replication elsewhere — include:

- Lane County Fairgrounds Repair project — which would convert the Fairgrounds into a world-class showcase of sustainable design and green economics, as well as become an important hub for a relocalized county food system.

- GloryBee Foods sustainable business park — designed with the help of SOLARC, this complex would not only minimize environmental impacts but also support local food production.

- SunOp Green Housing Project — a complex of low cost, high performing, sustainable housing that incorporates renewable, grid neutral energy systems, cohousing, advanced rainwater catchment/retention, organic food and flower gardens, sophisticated recycling, and a central education-conference center.

## Reconceptualizing Tax Policies and Corporate Incentives

For Lane County to create a vital and sustainable economy, there is a long range need to reconceptualize tax policies and policies concerning publicly allotted business incentives.

### *Taxing as if Citizens and the Earth Mattered*

Present tax revenue in the county and state is generated, in the main, from sources that are either unstable or that have undesirable impacts on the social fabric of the community. These defects in taxation become particularly problematic in economic hard times, as they either place added financial stress on struggling families, or they create need for added social expenditures at a time when tax revenue is in decline.

An in-depth review of taxation policy is beyond the scope of this paper. Yet, some broad observations about the defects of current state, county and city tax sources can be made:

- Revenue from tobacco, alcohol and gambling create a public dependency on habits that have detrimental social and personal costs.
- Revenue from property taxes creates added stress on home-owners who experience a loss of income from retirement, unemployment, or increased family expenses.
- Gas taxes create a disincentive to transition away from gas fueled, low MPG vehicles.
- Revenue from resource extraction creates a dependence on the unsustainable harvest of natural resources.
- Personal income tax revenue, due in the main to the disparities of political power:
  - falls increasingly to individuals and decreasingly to corporations;
  - it creates incentive for – and makes illegal – under-the-table labor payments;
  - it becomes an increasingly less progressive tax over time;
  - it evolves more and more loopholes that predominantly benefit the wealthy;
  - it is expensive to administer;
  - and it privileges illegal sources of income. In sum, income tax has increasingly become unequal and regressive.
- Corporate income tax revenue typically puts a disproportionate burden on small, local enterprises that enjoy fewer tax loopholes than do the large corporations – and yet these smaller enterprises create a proportionately larger share of jobs.

*Tax on Net Profits.* The preferable primary source of public revenues is from taxes on the net profits of enterprises. Such a tax causes no harm to enterprises facing financial difficulty and which are unable in a given year to produce a profit.

This form of tax is most equitable and viable in an economy in which workers share in the equity of their company and in which enterprises are locally controlled.

The taxing of enterprise profits should be accompanied by strong civic and governmental support for local enterprise. This should include, among other things:

- adequate access to developmental capital
- well planned development of infrastructure systems
- developmental planning that supports local production and local markets
- assistance in acquiring business skills and assistance in training the workforce

***Tax on Externalized Costs.*** In a society where producers are allowed to externalize their costs of production onto society or the environment, taxes should be imposed that ensure compensation for those costs – rather than having the general society bear the burden. Such taxes on externalized costs should be applied directly to the costs incurred. So, taxes assessed on farmers who apply toxic chemicals that impact public health should go for public health. And taxes assessed on timber companies that spray herbicides that fowl public water supplies should compensate the costs of water purification.

The externalized costs of production should not fall to the public to bear anymore than should the general society have to pay for the System Development Costs (SDCs) that are assessed to by developers when new public services and infrastructure has to be built to accommodate growing population.

***Tax on Luxuries.*** Another form of tax that has minimal detrimental social effects, and that does not jeopardize social equity, is luxury taxes. In some instances, luxury taxes can be applied in a manner that furthers social policy.

For example, luxury taxes could be applied on the purchase of new vehicles that get low mileage for their class, or on McMansion sized dwellings that consume greatly disproportionate amounts of energy.

### ***Business Incentives that Work for Our Community***

Business incentives can be very useful in stimulating the development of a vibrant and sustainable local economy. But, to do so, they must be awarded on the basis of a very different set of criteria than has been the case in Lane County to date.

Qualification for the various forms of publicly awarded business incentives that might prove useful should be done on the basis of criteria such as the following:

- Virtually all workers employed should come from the local work force.
- The concerned enterprise must not generate any externalized costs that would fall to the general society or be paid by affected individuals.
- Strong preference should be given to awarding incentives to enterprises that produce products for sale to a stable local or regional market.
- Enterprises that receive incentives should develop business facilities that model high standards of sustainable design and that produce little if any unrecyclable waste.
- The concerned enterprise should make effective use of skills existing in the local work force or fosters development of desired new job skills.
- Businesses based outside the region that receive incentives should be required to establish operations on a Build-Operate-Transfer ("BOT") basis. Under this arrangement, production capacity would be built and operated by the outside business until it has received an agreed upon return on its investment, then control of the enterprise would be transferred to a local workers and managers who will have become fully trained in the operations of the enterprise.

### *Promoting Enterprises that Serve Community Values*

It should be recognized that taxation and business incentives policies can be effectively used to promote select enterprises that are economically sound and that support community values. Should this be done, it would have a very beneficial effect on the quality of life of the community.

As is now well-recognized by most, there is now compelling evidence that the net effect on a community such as Eugene-Springfield of big box stores and outside corporate industry is detrimental in many respects. The history of the effects of outside industries that have located here strongly supports this general conclusion.

*There is no longer sound reason for not awarding business incentives almost solely to local or regional enterprises.*

Business incentive awards should also privilege green enterprises, and in particular those that make use of local skills or resources to produce and distribute common amenities to local markets.

Incentives can also be used to privilege forms of enterprise that maximally enhance worker productivity and that best support community and environmental interests.

In general, worker productivity is best enhanced by four kinds of incentives:

- giving workers a participatory role in appropriate level decision-making
- giving workers a share of profits
- giving workers equity in the enterprise
- creating a humanistic work environment

Each of these kinds of incentives has found use in progressively managed enterprises, but it is in cooperative enterprises that of these factors tend to be optimized. Properly structured and properly managed, with workers and staff having the proper skills, cooperatives have often been found to out-perform comparable private enterprises. Cooperative enterprises also tend to be highly supportive of community interests, as they are locally based.

In the interests of a vital Lane County economy, due efforts should be made to nurture and support the development of a healthy cooperative enterprise sector.

### **Diversified Approach to Increasing Purchasing Capacity**

In a time of economic hard times and high unemployment, there is special need to increase purchasing capacity for all citizens. Those who are without the financial resources to meet their basic needs and to acquire their basic amenities either will require public expenditures for social services or resort to desperate anti-social means for their livelihood. Further, their meager resources can do little to help revive the economy.

There is a diversity of means available to create or enhance purchasing capacity. Most of the non-welfare means fall into the following categories:

- make goods and services more affordable, thus extending the purchasing capacity of money
- arrange to make jobs more accessible, giving more people access to earned income
- establish means that are outside of the money economy for acquiring income, goods and capital
  - create opportunities for citizen-based access to credit
  - keep capital within the local community where it can circulate and enhance opportunities for people to earn sufficient livelihoods

Each of these approaches to increasing purchasing capacity has both strengths and limitations. Each has a niche to fill; each has capacity to complement other approaches. In the interest of maximizing community resiliency in the face of economic hard times, it is therefore important to engage a full spectrum of approaches to create, augment and provide equitable means for acquiring purchasing capacity.

It should be remembered that most people who are unemployed and without purchasing capacity are still capable of work and still possess skills. That is, the labor and skills are still there, in the community, and could be put to work.

It should also be remembered that not all labor needs to flow through the money economy. To a certain extent, both civil society and the public sector have the capacity to facilitate acquisition of purchasing capacity outside of the money economy. And, especially in times when the flow of dollars is constricted, the need for alternatives to federal currency becomes more prominent.

Given below are some practical approaches that could function in the context of a multi-faceted strategy for increasing access to purchasing capacity. It is beyond the scope of this paper, however, to evaluate the potential benefits and limitations of each of the approaches, to assess their capacity to enhance purchasing capacity, or to provide an overall framework and strategy for coordinating their implementation.

In considering the diverse approaches to enhancing purchasing capacity presented below it should be appreciated that the primary approach to insuring purchasing power must be to create a vital and stable economy that can provide meaningful employment to all who are able to work, and fund a sound social service net capable of supporting those unable to work.

### ***Make Goods and Services More Affordable or Accessible***

Informal buy and sale networks, which extend people's purchasing capacity through access to more affordable goods, are quite healthy in Lane County. These exist in such forms as yard/estate sales, Nickel Ads / Money Saver, Piccadilly Market, and craigslist, among others.

### ***Make Jobs More Accessible***

- **Buy local.** Money spent in local enterprises will circulate further in the local community. Efforts such as the *Eugene Weekly's* campaign to promote a buy-local approach to Holiday gift shopping should be greatly expanded.
- **Public purchases from local enterprise.** So much as may be practical, expenditures by public bodies should be made at local enterprises.
- **Better distribute available employment.** Overtime pay should be discouraged and job sharing, shortened work-weeks, and part time work positions should be encouraged. A number of Lane businesses deserve recognition for equitably adjusting the work available.

## *Income, Goods and Capital Outside the Money Economy*

- **SCALE free-cycle exchange.** A “free-cycle” local exchange system creates opportunities for person-to-person exchange of goods and services without need for money or traditional forms of credit. A neighborhood location serves as an exchange center and warehouse, providing people a place to take items they no longer need and to receive credit that can be used to obtain other items in the exchange center. This reduces waste and provides people access to goods and services without need for using money or credit.

- **Barter exchange.** Barter exchange listings allow people to advertise goods, skills and services for exchange within the community. Barter exchange listings have come and gone in Lane County.

- **LETS network.** Local exchange and trading systems (LETS) offer a sophisticated accounting of goods and services exchange within the community of people participating in the network. Members of a LETS network earn interest-free local credit through their labor, and these credits can then be used like currency in exchanges with any other member of the network. The LETS system has been successful in a number of communities in giving people significant opportunities to acquire value for their labor outside the money economy.

- **Community currency.** Community (or "local") currencies offer an alternative medium of exchange to US Bank Notes. These currencies are in use in a number of communities, the closest to Lane County being in Benton County. Community currencies are reported to have three times the rate of transactional exchange as do US dollars, making them comparatively more effective in stimulating local economic activity. Their main limitation is lack of universal exchange value, which creates unevenness of their use value among the different individuals possessing them.

- **Citizen minted currency.** The Liberty Dollar, the main citizen minted currency, is a voluntary barter currency that protects purchasing power. Because the Liberty Dollar is minted from silver, it has proven to be inflation proof. In the past five years, while the US Dollar has lost about 50 percent of its value, Liberty Dollars have seen a 500 percent increase in value.

- **Stamp script.** Stamp script is local currency with a negative interest rate — that is, its value declines at a set rate of, for example, one percent per month. This creates strong incentive to make use of the stamp script currency as quickly as possible, which maximizes the velocity of its movement in the local economy, thereby stimulating economic development. During the Great Depression, stamp script had phenomenal, almost miraculous, success in reviving local economies in places where it was put into use.

## *Micro-Credit*

A number of developing economies have made successful use of micro-credit systems. The most famous micro-credit program is the Grameen Bank in Bangladesh, recipient of the 2006 Noble Peace Prize. Micro-credit is a proven and effective community based method for stimulating start-up economic activity and creating purchasing capacity in depressed economies.

## *Fencing Capital*

The more money is circulated in the local economy, and the less it is drained out of the local economy, the greater will be its availability – and the greater will be its value – in promoting demand for goods and labor, and thereby increasing local purchasing capacity. It is therefore essential that appropriate measures be taken to keep money maximally circulating in Lane County and to prevent its drainage by outside financial interests. This strategy has been called "fencing capital." Some approaches to fencing capital might include:

- vigorously promote buy local campaigns
- arrange preferential treatment or an incentive structure for banks that loan their assets primarily within Lane County
- make no incentives or grants available to outside chain stores, franchises, or manufacturing corporations locating in Lane County unless they credibly demonstrate through full cost accounting that their operation will result in an increase in local capital circulation

## Rebuilding Capital

In the natural world, when a plant community gets destroyed, life reestablishes its full abundance by going through a succession of plant assemblages, each stage building nutrients and creating conditions for succeeding stages. Pioneer lichens and weeds make the soil that can support scrub bushes, which in turn provide richer soils and protective shading for pioneering trees, which are then succeeded by the plants of a mature forest.

This retrenchment of life, from barren soils to lush old growth forest, is achieved with great efficiency. The revitalization of a devastated economy is best achieved in a similar manner.

For its recovery, a devastated plant community must build up the "5 Ms" – available minerals, symbiotic microorganisms, fungal mycelia, retained moisture, and organic mulch. For the

revival of a collapsed economy, the "5 Capitals" (financial, social, natural, human and infrastructural) must be built up and utilized, in an efficient and balanced manner.

Capital is the assets or accumulated wealth that is used to further production. It is the investment that enables the materialization of the productive potentialities of a society.

When an economy is in crisis, efficient strategies must be employed to rebuild and redirect capital. The capacity for, and speed of, economic recovery depends upon this. Priority must be given, first of all, to capital investments aimed at stimulating basic economic activities – activities that do most to get money moving and people working, and to get basic needs met and essential infrastructure erected.

This is not a time to lavish public money on superfluous freeway projects, on world-class sports arenas, on new governmental office buildings, on generous giveaways to recruited corporate industries, or on spendy urban renewal projects.

An integrated, coordinated developmental strategy needs to be put in place to achieve efficiency in the accumulation and allocation of the Five Capitals. Although too big of a topic to treat in-depth in this paper, some illustrative strategies are offered below.

### *Finance Capital*

Financial capital is the funds provided to enterprises by lenders and investors, or obtained from savings, to purchase what they need to produce goods or provide services.

Severe stagnation in the flow of finance capital – which is now occurring – is one of the two major causes of economic depression. Therefore, it is vitally important to assure the availability of entrepreneurial financing. Some approaches to further this objective include:

- **Fencing capital.** A healthy local economy requires that policies and practices be put in place to prevent the drainage of capital from the local community. The more that credit goes to finance local enterprises, the more this money will move – and do work – in the local economy. The two main sources of capital drainage are (1) franchised retail stores, which distribute their profits to outside investors, and (2) banks which direct their customer deposits to investments made outside the local economy.
- **Micro-loans.** The more that credit is directed to smaller scale enterprises, the more broadly can its distribution be extended and the more broadly will the economy be stimulated. For this reason, the availability of micro-loans (see discussion in section above) has particular efficacy.

- **Dependence on local sources of capital.** Except for larger scale developmental projects, the local economy should mobilize its own capacity to generate finance capital. Savings accounts should be encouraged, particularly in credit unions and saving banks which invest locally. And incentives should be provided to banks to invest locally.

- **Stimulating the movement of capital.** As recounted above, the introduction during the Great Depression of stamp scripts, which had negative interest rates, brought dramatic economic recovery to the communities that used them. There must be movement of capital, though not in speculative markets or for high-risk loans. Incentives might be awarded to investors who, let us say, provide investment capital to finance local agricultural development, or renewable energy projects, etc.

### *Natural Capital*

Natural capital is the assets provided by natural ecosystems that yield valuable goods (such as trees) or services (such as water retention/erosion control) to the human society. Since the flow of services from ecosystems typically requires that they function as whole systems, the overall health of the natural systems is an important component of natural capital.

Lane County has historically had a wealth of natural capital, and this capital has been a key element of our prosperity. But there is no denying that this natural capital has been significantly degraded, and this degradation is now diminishing our collective economic potentials. The primary manifestations of the County's diminishing natural capital include: depleted soils, over-cut forests, degraded waterways, and diminishing fish stocks. Important initiatives to rebuild natural capital in these areas include:

- **Soils.** The structure, tilth and nutrient content of our agricultural soils have been heavily impacted by chemical-based farming practices. In these soils grows the life that feeds us. Scarce oil will make prohibitively expensive the chemical IVs that pump nutrients into these depleted soils. The best of organic and permaculture practices need to be applied in a concerted effort to revitalize our agricultural soils.

- **Waterways.** Lane County enjoys some of the highest quality public utility water in the country. But our major waterway, the Willamette, is now highly polluted. And even the water quality of the McKenzie River, which provides Eugene's world-class water, is under threat. EWEB's Carl Morgenstern has initiated visionary programs to protect the McKenzie. Such programs need to be strengthened and expanded. In the main, this means the elimination of non-point source pollutants. Public policy must be unambiguous in its prohibition of forestry and agricultural practices that foul our waters.

- **Forests.** A healthy forest ecosystem provides many benefits to the society. Among them is their great capacity for absorbing atmospheric carbon. It is a simple fact that Lane

County's immense forests have not only been over-logged, but logged in ways that are destructive to streams, soils, species diversity, and, as mentioned, climate stability. The short-term economic benefits that may be derived from "getting out the cut" only impoverish our future. Forests that are sustainably managed have proven to be more productive in the long run, and they have also enhanced the rich natural capital that forests provide.

- **Marine resources.** The Oregon Coast seafood industry has been very productive. Yet, as in much of the rest of the world, these harvests are in decline — rather severely in some instances. The changing pH levels of ocean waters, the rapid spread of the Humboldt Squid, changing ocean temperatures, and other trends spell even greater alarm for the future of our coastal marine ecology. While Lane County's portion of the Oregon Coast has comparatively less seafood harvesting than other Coastal counties, it needs to contribute its share to rebuilding the natural abundance of Oregon sea life. The establishment of marine sanctuaries, if done properly, holds promise in this cause. And harvest quotas must be conservatively set.

It is important, however, to recognize that many of Lane County's citizens earn their livelihood from the over exploitation of the natural capital of the County, so the idea of rebuilding our natural capital appears to threaten their capacity to provide for their families.

It is therefore necessary to establish as public policy the following principle: *If a job is lost in the course of ecosystem protection and restoration, that there must be a public guarantee that new employment at living wages will be provided.* Rebuilding natural capital cannot be put in competition with people's livelihoods. This not only risks harm to families, but the political tensions that result only serves the interests of those who would plunder our natural resources for their short term gain.

### *Human Capital*

Human capital is the skills and knowledge people possess that are used to perform work and create products or services having economic value.

Due to such factors as excellent school systems, a legacy of enterprising spirit, a forward looking spirit, an attractive physical and cultural setting, and a diversity of opportunities, Lane County enjoys a particularly well-developed stock of human capital. The point might even be argued that the County's human capital exceeds its expression of economic potential, as an unusual number of workers are overqualified for the jobs they perform.

But this apparent excess of human capital does not mean that the undertaking of new skill-building initiatives is of little concern. An adaptive response to the gathering metacrisis will require new job skill sets. New niches of opportunity are opening up — in green collar jobs in

particular. Many who do not adapt to changing conditions may find that their job skills have become obsolete. And the local economy as a whole could lose out on new opportunities.

In taking a forward approach to the development of the County's human capital, particular attention should be given to creating educational opportunities in the following skill areas:

- **Renewable energy and energy management.** Lane Community College deserves much credit for its energy management and renewable energy related programs. And the University of Oregon's architectural program has taken commendable steps in giving its students good awareness of energy performance in the built environment. These programs need to grow; public funding to assist this growth would be well spent. Further, opportunities for training in renewable energy related skills should be brought to the high school level.

- **Industrial skills.** The loss of industrial skills due to product obsolescence (luxury mobile homes) and, more significantly, due to industry flight to the developing world, acts to impoverish human capital in the manufacturing sector. This loss of industrial skills will prove to be a detriment. Dependence on imports drains capital from the local economy, and rising transport costs will exacerbate this drainage. Secondary schools should be called upon to revive the role they once played in offering basic industrial skills.

- **Agricultural skills.** As stated earlier, Lane County's economy could be greatly strengthened through growing and processing foods for local consumption and inter-regional export. But the aging of farmers – who now average nearly 60 years old – presents a serious constraint to this developmental path. It is critical that agricultural skills, opportunities and incentives be provided to a new generation of farmers.

It should be kept in mind that the accumulation of human capital involves not only giving people skills and knowledge, but retaining the people whose skills have been cultivated – and in particular those people who have competencies of special value: engineers, physicians, teachers, agronomists, artists, etc.

Though Eugene may not experience a net loss of competent people, rural communities in the County do experience brain drain. Children go away to college and do not return. An increase in opportunities and in cultural amenities is required to retain these meritorious workers.

### ***Social Capital***

Social capital is the connections within and between social networks, and the connections among individuals, that facilitate the productivity of individuals and groups.

The early period of Euro-American settlement of the South Willamette Valley was known to be rich in social capital. The rigors of life on the Oregon Trail and in opening new lands compelled the pioneers to forge strong communities. This legacy has had a positive residual impact on social life in Lane County. But more modern social forces have dissipated our community cohesiveness, our working unity.

In times of economic stress, the strength of a community's social capital assumes heightened importance. Hardships can be better endured where there is sufficient community cohesion and support; where there is greater rootlessness, alienation and anomie, suffering from want gets exacerbated.

Lane County is rich in worthy programs that are strengthening families and building community, and thus building social capital on this front. But there are some broad areas of social development that should be added to these existing initiatives.

- **Promote local culture.** Our community, particularly the youth of the community, are disproportionately exposed to mass cultural influences — as opposed to local culture that is authentically grounded in our shared, collective experience of place. The Oregon Country Fair is an exceptional example of the enriching potential of local cultural experience. The human psyche is strengthened by positive cultural identification with a place and with the community that lives in that place.

- **Empower civil society.** Society has three sectors: the private sector (enterprise), the public sector (government) and the civil sector (community and non-governmental projects and organizations). Governmental and business sectors have grown in influence, while civil society has become increasingly disempowered. That is, the capacity of common people to contribute to socioeconomic development has weakened, and at a time when grassroots citizen participation is of such importance.

- **Inspire people with a common vision.** Social capital (like all capital) has heightened value if directed toward a common purpose, a common vision. The Obama presidential campaign illustrated the power of projecting a timely and inspiring vision. Lane County does not have a strong vision for its path of development. This is in part because of conflicting values over resource use, land use, and the path of growth. But such long-standing, deep divides are losing relevance. Rapidly changing conditions are creating an opportunity for an increasing alignment of collective purpose. To seize this opportunity will require, among other things, leadership that is capable of stepping away from worn-out paths and orthodox political alignments.

- **Sustainability education.** It is imperative that we change the way we live so that our way of life becomes sustainable. If this is not achieved, we will face severe and imposed limitations (which in some ways are already setting in). Living sustainably involves, most fundamentally, a change of culture. This is a social undertaking as much, if not more, than it

is a governmental or business concern. As with many deep changes, it is the youth who are better able to adapt sustainable awareness and consciousness. So it may be particularly important to introduce sustainable lifestyle education in schools, which has been the intention, in particular, of the Eugene-based Institute for Sustainability Education and Ecology (ISEE).

### *Infrastructural Capital*

Infrastructural capital is the fixed, physical means of production or public works, such as irrigation systems, dams, roads, ports, factories, energy grids, or communications networks.

Lane County has a comparatively sound infrastructure. And its public utilities and transit system have been forward looking in many respects. There are water-system and energy planners at EWEB, in particular, who have remarkably clear understanding of the long-term trends that must be planned for (though they may not always get the support they deserve from administrators).

Yet, there certain aspects of the County's infrastructural capital that will require new direction or special attention if the County's economy is to adapt and thrive.

- **Distributed energy.** As mentioned earlier in this paper, there is compelling logic for shifting in our energy system from dependence on distant, centralized sources of energy to more reliance on diverse, local sources of energy, using new distributed energy technologies for its transmission.

- **Public transportation.** The need for an advanced regional train system and an expanded, renewable powered, county transport system is far greater than the need for new highway expansion projects. As a large portion of people living in rural areas commute to the urban core, there is a particular need to develop an approach to public transit that is suited to serving rural communities – perhaps a *jeepney* type system, as suggested by Pleasant Hill's Don Schneider. Certainly our public transit system needs a quick weaning from fossil fuels, perhaps using locally produced biofuels, as suggested by Warren Weisman.

- **Local agricultural infrastructure.** If Lane County is to capitalize on its untapped capacity to expand local food production for local markets, there will be need to expand aspects of the agricultural infrastructure: grain mills, canneries, food processing and packaging plants, distribution centers, nut dryers, all-year farmers markets, etc., as is advocated by the Willamette Farm and Food Coalition.

## *Spiritual Capital*

Another form of capital has been proposed, that of spiritual capital – though its status is presently controversial within economics.

What relevance does the accumulation of love, compassion, reverence for the sacred, universal outlook, and other spiritual attributes have to eliciting economic potentialities?

There are many thoughtful observers who believe that for there to be an economics as if people and planet matters, there must be a shift in human consciousness, and that this shift must be fundamentally spiritual in nature.

Humanity must come to recognize the interdependency and interconnectedness of all existence, namely that the fundamental nature of reality is one of unity of being. From this proto-spiritual realization, if deeply internalized, there naturally arise pervasive feelings of compassion and respect for all life. And from these feelings, in turn, a natural interest comes to work and create in a spirit of coordinated cooperation for the common welfare.

The potentialities of a united community, bound in love and acting in service to the common good, are immense. Spirituality is that which uplifts the human spirit, so that the accumulation of spiritual capital in our community will not only help us become rich in the amenities of life, but also rich in our inner wealth and in our fulfillment.

## Our Duty

During the revolution that gave birth to our nation, John Adams wrote to his wife Abigail, "I must study politics and war so that my sons may have the liberty to study mathematics and philosophy. My sons ought to study mathematics and philosophy . . . to give their children a right to study painting, poetry, music, architecture, and tapestry."

At this defining moment – with metacrisis upon us, on the one hand, and the abundant and sustainable potential of a local, green economy on the other – the world that will get bequeathed to our children hangs in the balance. We are called upon to think and act like John Adams. Not that we must study politics and war, but that we must build up a reinvigorated ground of potentialities from which a prosperous, wholesome and durable future society can emerge.

## About this Report

This report, *Sustainable Economic Development in Lane County*, was initiated at the request of a co-organizer of the Citizens State of the City and County forum, held at Harris Hall on January 12<sup>th</sup>. This report was not included in the Harris Hall proceedings or on the web site that contains other reports given at this event. The main reason for its exclusion is that it was deemed by some to present an incorrect vision of the possibilities for developmental growth.

Sponsorship of the report then came under the PROUT Institute, with which the author is an associate director. Information about the PROUT Institute can be found at [www.proutinstitute.org](http://www.proutinstitute.org).

In some respects, this report previews a PROUT Institute project that is being undertaken with grant support from the Helios Resource Network. This larger study will provide a sort of blueprint for a relocalized, community-based economy in Lane County. It will focus in particular on the food, timber and energy sectors of the local economy. It will also outline an approach to mobilizing community engagement in the challenging task of building a green, community-based, prosperous economy.

Many of the ideas presented in this report, as well as the conceptual tools and organizing methodology that will be outlined in the relocalization blueprint, are being offered in a PROUT Institute seminar titled *Enlightened Local Solutions to Global Economic Problems*. This seminar will debut in May in Eugene, and will later be presented nationally and internationally. To request information, please contact [info@proutinstitute.org](mailto:info@proutinstitute.org).

The PROUT Institute is in contact with the University of Oregon Cultural Forum events coordinator about presenting a forum in early May that will explore the very controversial question raised by this report as to the degree of abundance the future offers. This question has much significance for all who are attempting to envision the proper path to guide our community through crisis to a new viability.

The PROUT Institute's reply to this question is strongly optimistic (in the long run), and is asserted with reasoned confidence — though with the caveat that a new paradigm of development will be required, and that people must be given opportunity to concretely manifest this paradigm. This new paradigm must free the economy from the narrow logic of short-term profits and centralized control by moneyed interests, and in its stead foster a more balanced, solution-oriented approach grounded in local empowerment, social equity, ecological sustainability, economic profitability, and enlightened consciousness.