

**Grappling with Growth**   
Building a Strong Economy and Great Place to Live

**Growth? Development? What Are We Arguing About?**

Across the continent, thousands of communities are torn by controversy surrounding “growth.” Whether it’s spiteful letters to the editor, vicious public hearings, or screaming matches at the post office, the debate over “growth” seems to engulf us all.

In the heat of controversy, it’s easy to forget that, without businesspeople who are willing to take risks, the local economy and jobs wouldn’t exist. But remember too that sincere and committed residents seek to preserve the non-monetary aspects of a community that make it livable.

One important reason for the controversy surrounding growth is the word itself. It is often used to talk about two very different things. We can help cool the arguments and focus on solutions by understanding this difference and saying what we mean. For example “development” can be used to describe the things that make a community better: living wage jobs, increased income and commerce, more savings and excellent quality of life.

The second concept might be called “expansion,” the things that make a community bigger (e.g., more people, infrastructure, buildings, subdivisions, malls, etc.).

Clearly, expansion doesn’t always improve a community. In fact, depending on the particular details, some expansion options can hurt it. However, that observation doesn’t help the typical business person or the community.

Here’s where the difference between development and expansion gets exciting: what advocates on both sides of the debate often don’t realize is that there are many development options that require little or no expansion. They create more business, jobs, income, and wealth without damaging quality of life. In fact, many of these options have positive effects on both the community and its environment. But before exploring this idea of development without expansion, let’s review what communities have been doing about expansion where it has become a problem.

# Smart Growth: A Worthy But Often Incomplete Strategy

In the last few years, national attention has focused on the efforts of many communities who have been wrestling with expansion problems for decades. These communities have implemented ways to:

* Design expansion correctly by mixing land-uses, clustering development, infilling not sprawling, and by using traditional community design, multiple transportation modes and natural infrastructure (e.g. for drainage and sewage).
* Ensure that expansion pays its way: Tax revenues collected from subdivisions in previously undeveloped areas are virtually never sufficient to pay for the public services demanded by those subdivisions. As a result, taxpayers in rapidly expanding communities unknowingly subsidize sprawl unless impact or user fees are charged to those newly developing areas. Local governments that don’t know the full cost of expansion are rolling the fiscal dice.
* Restrict expansion through such means as meaningful zoning, urban growth boundaries, subdivision allotment systems (that control growth rate), community land trusts, and electing people who can actually say “No” to growth proposals that are incompatible with the community. Some suggest that this results in development by choice and not by chance.
* Build affordable housing through private, public, and nonprofit means and by requiring it as a large portion of every expansion proposal. Affordable housing is not worth building unless its affordability is permanently guaranteed through such mechanisms as deed restrictions.

Each of these four categories is an important part of any community’s response to expansion problems. Each has a rich history, including plenty of controversy, and each has been the subject of many books. However, as we see in many communities, these “smart growth” actions have to be wisely implemented or the smart growth program is just more expansion.

Though often justified by intense expansion pressures, restrictions on expansion often do little to help local businesses. As a result, businesspeople often see smart growth as an enemy.

The lesson? Smart growth as it’s currently applied is often incomplete. It repeatedly fails to achieve its own objectives, and it is unbalanced without compatible development activity. And that’s where natural capitalism comes in.

# Fostering Natural Capitalism

Natural Capitalism offers a unique way to bring a community together. It’s attractive to business people because it offers ways to strengthen competitiveness, while enhancing livability and reducing environmental impacts. Innovative businesses can lead communities in adopting these principles and setting examples.

Natural Capitalism is a powerful strategy for economic development. Outlined on the next page, the principles of Natural Capitalism are a route to increased living-wage jobs, income, commerce, savings, and community well being without necessarily requiring community expansion. Because this kind of development proceeds independent of increases in the size of a community, it’s attractive to both booming and declining communities.

Listed under each principle below are several representative community activities or programs. Many are well known, others innovative. They distribute benefits widely across the community. Most require little or no community expansion. While not all apply to every community, the length of this list indicates that there is an untapped wealth-generation potential in virtually every community.

Which of these activities or programs will make sense in your community? Many of these kinds of decisions are made behind the scenes. In contrast, Natural Capitalism is most effective when people from all walks of life choose their community’s future collaboratively and base their choices on practicality and compatibility with the community and its environment.

**I. Invest in Resource Productivity by “plugging the leaks”**

A local economy might be compared to a bucket that the community would like to keep full. Business recruitment and community expansion are attempts to pour more money into the bucket. While these strategies may have succeeded in the past, today they often fail or generate more costs than benefits to the community.

Focusing entirely on more ways to fill the bucket ignores vast opportunities for “plugging leaks.” Economic buckets invariably have holes through which dollars leak every time local resources are used inefficiently. Smart communities seek profitable ways to keep the bucket full by plugging unnecessary leaks through one of more of the techniques listed below. As a result their economies are more resilient and less vulnerable to the influences of the global economy.

This strategy is good news for communities that have little hope for expansion. It’s equally encouraging for those in which expansion is creating problems. Instead of relying on the hope of continuous expansion, that is also imposing large costs, rapidly expanding communities now have many alternatives.

As you read the following examples, think about similar or quite different ways to plug your community’s leaks. (For more business examples, see Rocky Mountain Institute’s new book Natural Capitalism or its website [www.naturalcapitalism.org](http://www.naturalcapitalism.org).)

1. Energy efficiency programs create local jobs and save millions of dollars in any community. Sacramento CA, invested $59 million to save electricity. This enabled utility customers to save nearly that same amount. The program created 880 direct jobs, and increased regional income by $124 million. Though energy is a small portion of total costs, saving energy will provide a significant contribution to profits and economic progress.
2. Local ownership increases the wealth-creating power of each local transaction. Land trusts, co-ops, and employee stock ownership can ensure permanent local ownership of many businesses by buying local buildings and renting only to residents (at cost). Example: The Green Bay Packers are owned by a corporation whose majority stockholders are from Wisconsin.
3. Import substitution replaces “imports” with local products and services. Simple example: Locally bottled water in Tropic, Utah, replaced imports and established a new business.
4. Local sourcing links local-business buyers with local suppliers. An early program in Eugene, Oregon created 100 jobs in its first year without any physical expansion of the city.
5. Water efficiency: The grassroots Mothers of East Los Angeles marketed a low-flush-toilet retrofit program that installed 270,000 toilets in three years, returned $4 million to the neighborhoods in jobs, water-bill savings, and community programs, and saves over 3.4 billion gallons of water every year.
6. Downtown revitalization reduces economic leakage, builds pride, encourages infill, preserves culture, celebrates history, reuses resources, and reduces traffic.
7. Entrepreneurial training: Since 1993, the Nebraska EDGE training courses have assisted more than 1,250 individuals, entrepreneurs, small business owners and their partners start and improve their businesses.
8. Community supported agriculture: CSAs are local farms that increase productivity, reduce costs, and sell specialty crops direct to consumers and restaurants.
9. Business mentoring: Veteran business people “adopt” start-up businesses—giving rookie proprietors someone to talk with when things go wrong, helping them understand and avoid pitfalls. Such programs significantly reduce the high failure rate of start-ups.
10. Community cash flow can be captured through such community enterprise as locally based credit cards, debit cards and phone service. South Orange, New Jersey’s municipal credit card funds downtown revitalization.
11. Local currency: Ithaca, New York’s currency is accepted by 1,200 business and can’t be spent out of town.
12. Microcredit: Many low-income or impoverished people have the skills, but lack the credit to start a business. Tailored to very small, often home-based, start-up businesses, micro-loans are too small for conventional banks. Usually offered by nonprofit organizations in conjunction with basic business training, microcredit often provides a way out of poverty and off of welfare.
13. Business "visitation" programs enlist local leaders to visit businesses to determine needs and concerns. Proprietors get the chance to offer suggestions to local governments and organizations regarding changes that could benefit local business.

**II. Shift to Biologically Inspired Economic Models (Biomimicry)**

In the economic climate of the 21st Century, competitiveness requires lean business practices that, like biological systems, reduce and eventually eliminate waste. To be competitive, communities must pursue development strategies that analyze local material, energy, and waste streams; identify business opportunities; and match those opportunities with local businesses. Multiple benefits include more businesses and jobs, reduced resource inputs (and, therefore, lower costs), prolonged life of the local landfill, and reduced pollution. The transition to bio-entrepreneurship has begun:

1. Waste matching (or industrial symbiosis): Computer networks can make virtual industrial ecosystems by matching waste with potential buyers; examples under development include numerous state programs such as New Hampshire and Michigan. ReMaDe in Essex, England is a five-year project to create new markets and secondary uses for recycled materials.
2. Building salvage—Rather than demolish a building, dismantle and reuse its components. Southern California Gas saved $3.2 million or 30% of construction costs on an office and education building by partly dismantling and reusing an existing building. The finished building was 80% made of recycled materials, keeping 350 tons of material out of the landfill.
3. Remanufacturing creates businesses and jobs and reduces resource inputs. This new “industry” is now larger than the steel industry. In Telford, England, old Ricoh photocopiers are reconditioned instead of being dumped in landfill sites. 90% of parts are reused.
4. Advanced business retention and expansion programs mimic biological systems by enhancing adaptation, competition, inter-relationships, and information flow. Littleton, Colorado’s program created jobs at six times the rate of its earlier recruitment efforts by offering such services as problem research, competitor analysis, industry trend monitoring, video conferencing, training, and market mapping. Such local policies enhance quality of life and intellectual infrastructure.
5. Flexible business networks: Several small businesses partner on contracts too big for any one of them, not unlike coyotes who usually hunt on their own, but run in packs when seeking larger game.
6. Storm-water capture saves money, recharges groundwater, and reduces pollution by helping rain soak in the ground where it falls rather than collecting it into expensive centralized systems, which, in some areas, overwhelms sanitary sewage systems resulting in significant pollution. (Example: Permeable parking lot material.) .

**III. Reinvest in Natural Capital**

Everyone knows that living systems provide us with *products*—such apparently essential resources as oil, water, trees, fish, soil, and air. Living systems also provide us with equally essential *services*. These ecosystem services include:

* Cooling (shade trees)
* Flood control (root systems)
* Purification of water and air (wetlands)
* Storage and recycling of nutrients (roots)
* Sequestration and detoxification of human and industrial waste (wetlands and ground filtration)
* Pest and disease control (by insects, birds, bats, and other organisms)
* Production of grasslands, fertilizers, and food
* Storage and cycling of fresh water
* Formation of topsoil and maintenance of soil fertility

These services are essential to doing business (and maintaining human life). Worldwide, however, these services are declining. Many of them have no known substitutes at any price. The future’s strongest competitors will be businesses and communities that recognize these facts and invest accordingly:

1. Restore natural ecosystems: In Port Angeles, Washington, an estuary restoration project is saving the local lumber mill $150,000 yearly through more efficient logistics. It created space for expanding the mill and improved the town’s tourism.
2. Create urban ecosystems: Supported by these systems, birds, bats, and frogs eat pesky insects. Also, property values increase, for example near San Francisco's Golden Gate Park, by $500 million to $1 billion, which generates an additional $5-$10 million in property taxes. In inner city South Central Los Angeles, a park restored from an old industrial site is “like a grain of sand in an oyster, creating an economic development pearl.”
3. Foster Eco-tourism to create local jobs while protecting important environmental values.
4. Maintain wetlands for waste treatment, storm-water retention, and wildlife habitat. Arcata CA restored 154 acres of wetlands and used it to treat City wastewater. The resulting marsh is now a wildlife habitat in which salmon are reared. The cost was a fraction of the costs for a conventional energy-intensive wastewater treatment system.

One researcher estimated the economic benefits generated by single acre of wetland: at $150,000 to $200,000. Barns Elms reservoirs near London, England, have been transformed from 43 hectares of concrete reservoirs into a diverse wetlands, which attract visitors.

1. Maintain watersheds for flood control and drinking water.
2. Reduce carbon dioxide emissions: Through energy and water efficiency in city operations, Regina, Saskatchewan reduced its CO2 emissions by 10% while saving $393,000.

*Note: The list of ecosystem services on the previous page does not include such services as noise abatement and peaceful sanctuary because some may regard them as non-essential.*

*Neither does it include such services as climate stabilization, protection against harmful cosmic radiation, distribution of fresh water, and regulation of the chemical composition of the atmosphere because some may argue that the depletion of these services is caused by factors too distant for community action. However, an increasing number of communities and businesses are implementing policies to make themselves “climate neutral” because doing so will save money and enhance shareholder value.*

**Growth, Throughput,**

**and Practical Solutions**

Throughput is an important, but little-understood concept used in examining such large systems as companies, communities, or ecosystems. To help understand how it informs a community’s growth dilemma, consider the story of the recently unemployed engineer: Undaunted by downsizing, he buys a truck and a load of vegetables to sell beside the highway. After a terrific day, he’s sold out. Back home, he gushes to his wife about his success.

"How much," she asks, "did you earn?"

"Eighteen hundred bucks," he crows.

"And how much did you pay for the veggies?"

Punching his calculator, he hesitantly announces, "Two thousand."

"Hmm," she says, "there seems to be a problem."

Dreamily, he says, "Yeah, *I need a bigger truck*."

He’s intoxicated by revenue growth. But veteran businesspeople know what counts is profit. Increasing revenue is fine, until it’s outweighed by costs.

Ironically, the same smart businesspeople often neglect to calculate net gain when promoting economic development. They seek to spin the economy as fast as possible—harvesting more grain or trees, making more widgets, building more subdivisions, attracting more tourists. These are ways to increase throughput, the rate at which goods and services flow through an economy, and the rate at which resources are turned into waste. But increasing throughput does not necessarily lead to community prosperity or quality of life.

The growth debate should focus on whether increased throughput provides a net gain—that is, does it increase the well being of citizens and strengthen the community? And does continuously increasing throughput leave a viable economy for our children, or is it an illusion that, like selling more veggies, feels good in the short term but hurts later on? These are not simple questions. But answers can be found by soberly comparing the economic, community and environmental costs and benefits of specific growth proposals.

Unfortunately, community and environmental factors are seldom considered. Intoxicated by the prospect of an increase in throughput, growth boosters often ignore such costs as traffic congestion, declining schools, depleted soils or forests, increasing taxes, housing that residents can no longer afford, and groundwater pollution from chemicals that industrial agriculture substitutes for healthy soils. In a mature economy, each extra bushel, tree or tourist can create a net loss that boosters assume will be made up in volume.

"Smart growth" offers a valuable context for discussing this issue. But watch out, many unsustainable developments are dubbed "smart" in an attempt to “greenwash” projects that are not compatible with the community and its environment. In contrast, genuinely smart communities are using the strategies described in this paper to respond to growth. Communities develop more sustainably when they seek ways to create jobs, income and savings by doing more with what they already have, in addition to seeking to expand their export capacity. In these smart communities, the economy develops, the environment stays healthy, and the town remains a place where its residents want to live… and nobody needs a “bigger truck.”

# Building Community Capacity

How can a community implement Natural Capitalism? How does it start on the road to a more sustainable development strategy? These and other questions will be answered in the companion text, “Framework for Community Sustainability.” You can find it and other related materials at www.rmi.org/sitepages/pid177.php.

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