

Building a Resilient and Equitable Bay Area

Toward a Coordinated Strategy for Economic Localization



Contributing Organizations:

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***Redefining Progress** (RP) works with a broad array of partners to shift the economy and public policy towards sustainability. RP does this in three ways: (1) RP measures the real state of our economy, our environment, and social justice with tools like the Genuine Progress Indicator and the Ecological Footprint; (2) We design policies—like environmental tax reform—to shift behavior in these three domains (economy, environment, and equity) towards sustainability, and (3) We promote and create new frameworks—like common assets—to replace the ones that are taking us away from long-term social, economic, and environmental health.*

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***Bay Area Relocalize** is building a more self-reliant, sustainable, and socially just Bay Area. We work to catalyze a shift from a globalized, fossil-fuel-based economy that enriches a few and weakens most, to a relocalized green economy that strengthens all Bay Area communities. We develop tools that identify local opportunities, connect grassroots groups and policymakers, and advance projects that enhance regional self-reliance, sustainability, and equity.*

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***BALLE** connects 30 networks of over 5,000 locally owned businesses dedicated to building thriving local economies. BALLE networks respond to the unique needs of their communities and share ideas throughout the alliance of networks. In Bellingham, Washington, business leaders created a "Local First" campaign to encourage citizens to buy from locally owned businesses whenever possible to keep money circulating within the community. In Vermont, members of the network employ 8 percent of the state's workforce and lobby for increased support for renewable energy and healthcare. Through its Social Venture Institute, the Philadelphia network trains new social entrepreneurs in the business skills they need to be successful. In community after community, BALLE networks are proving that a coordinated group of locally owned companies can stand up to some of the harmful effects of globalization and foster the health and vitality of a region.*

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*The **International Forum on Globalization** is a North-South research and educational institution composed of leading activists, economists, scholars, and researchers providing analyses and critiques on the cultural, social, political, and environmental impacts of economic globalization. IFG programs cover local alternative initiatives, green city relations, food/agriculture, environment, global governance and indigenous communities.*

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***Post Carbon Institute** is a think, action and education tank offering research, project tools, education and information to implement proactive strategies to adapt to an energy constrained world. The development of Post Carbon Institute came out of concern for the environmental, social, political and economic ramifications of global over-reliance on cheap energy. Our main response to these concerns is the strategy of Relocalization, which aims to rebuild societies based on the local production of food and energy, and the Relocalization of currency, governance and culture. The main goals of Relocalization are to increase community energy security, strengthen local economies, and dramatically improve environmental conditions and social equity.*

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Table of Contents

Our Vision – Localization as a Tool for Sustainable Economic Development	1
What is Economic Localization?	2
Why Economic Localization Should be a Matter of Public Policy	3
What Strategies Would Be Needed to Localize the Bay Area Economy?	5
Strategy I – Multiagency coordination	5
Strategy II – Localization as overriding policy	5
Strategy III – Localization as a tool for enhancing social equity	6
Strategy IV – Develop a sound analytical basis for localization opportunities	6
Strategy V – Self reliance targets for key sectors	8
<i>Food</i>	8
<i>Energy</i>	10
<i>Transportation</i>	12
<i>Housing</i>	16
<i>Manufacturing</i>	18
<i>Finance</i>	19
Strategy VI – Specific policies and programs to achieve economic localization	20
How Can We Advance an Economic Localization Agenda for the Bay Area?	26

Our Vision – Localization as a Tool for Sustainable Economic Development

Since the close of World War II our global economic system has evolved into a highly amplified version of David Ricardo’s model of specialization and comparative advantage, which mandates that a given economy should focus on producing what it does the best and trade for all other goods and services.¹ While liberalized trade has certainly expanded markets, helped weed out inefficient operations, and kept prices of many consumer goods low, it has come at a steep price. The rusty shells of once prosperous manufacturing plants illustrate a loss of economic diversity, declining real wages and working conditions, increasing inequality, offshoring of environmental degradation and a concentration of financial capital and economic decision making in global corporations whose wealth dwarfs the gross national product of entire countries. Moreover, the increased trade inherent in such a specialized global economy assumes low transportation costs—an assumption that leaves us highly vulnerable to the rising price of oil and while fueling increasingly dramatic climate change.

Over the past two decades, a burgeoning global movement of policy makers, non-governmental organizations, businesses leaders, and concerned citizens has been advancing a new paradigm of economic development based on economic localization—restoring the capacity of communities to sustainably feed, clothe, house, and power themselves with the know-how, natural resources, and financial capital inherent to their own bioregions and the people who reside there. Economic localization holds great promise as a strategy for creating a wider range of local jobs & institutions, stabilizing our economy from global shifts, increasing the diversity and quality of goods and services we consume, distributing economic benefits in a more equitable manner, and protecting our environment.

Despite these compelling benefits, economic localization has yet to become a matter of public policy formally embraced by our political representatives or emphasized in the economic development plans and programs of our municipal, county, state, and federal agencies. Instead, many Bay Area economic strategies continue to overemphasize export-led growth and subsidies to attract global corporations. For example, a key economic vision for the City of San Jose is “a cosmopolitan, international city for leading businesses and talent from around the world.”² This over-dependence on the international economy leaves our communities disproportionately vulnerable to global shocks, as evidenced by the dot-com boom and bust of the past decade and recurring energy crises.

In the spring of 2006, Redefining Progress, Bay Area Relocalize, the Business Alliance for Local Living Economies, the International Forum on Globalization, and Post Carbon Institute joined together to promote an alternative strategy to bolster the Bay Area’s economy by emphasizing small, locally owned, ecologically sustainable and equitably distributed businesses in the energy, food, transportation, housing, manufacturing, and financial sectors. We believe there is overwhelming public support for all nine Bay Area counties and their cities to work together to devise and implement an economic localization strategy for these sectors (and others) through a creative mix of both public and private sector initiatives. This paper explores the benefits of and potential components of such a strategy.

¹ David Ricardo, *Principles of Political Taxation and Economy*, reprinted in J.R. McCulloch, *The Works of David Ricardo* (London: Jon Murray, 1888), 77.

² City of San Jose, *Economic Development Strategy: Executive Summary*, November 2003, Office of the City Manager, Office of Economic Development.

What Is Economic Localization?

Economic localization is the process by which a region, county, city, or even neighborhood frees itself from an over-dependence on the global economy and invests in its own resources to produce a significant portion of the goods, services, food, and energy it consumes from its local endowment of financial, natural, and human capital. Economic localization is achieved in three dimensions: (a) localization of goods and services; (b) localization of economic decision-making, and (c) localization of the urban landscape.

Economic localization brings production of goods and services closer to their point of consumption, reducing the need to rely on long supply chains and distant markets so that communities and regions can, for the most part, provision themselves. While it is certainly not possible to produce every kind of good and service locally, economic localization seeks to restore an efficient balance between local production and imports that reduces local economic vulnerability and minimizes the negative social and environmental externalities of free trade.

In terms of decision making, economic localization is based on the fundamental principle of subsidiarity, which author Michael Shuman describes as the idea that “power should always be exercised at the level closest to the people affected by a decision.”³ Policies based on subsidiarity would assist local communities in regaining the power to determine and control their preferred economic and political paths.⁴ In this way, decisions can be tailored to better address the diversity of local resident concerns and circumstances, while allowing mistakes to be more readily identified and corrected. This level of control may focus attention on nurturing the geographic or demographic segments of a population that have been economically marginalized—as opposed to reinforcing entrenched economic, environmental, and social inequities and further marginalizing those communities.

In contrast, globalization has concentrated economic decision-making in unaccountable and undemocratic entities such as the World Trade Organization as well as global corporations that are often more powerful than many governments. In fact, of the 100 largest economies in the world, 51 are now global corporations.⁵ The WTO serves as a global government to protect the rights of these corporations, empowered with judicial, legislative, and executive powers that respectively write, adjudicate, and enforce its world trade rules at the expense of local and national democracy.⁶

Subsidiarity calls for decision-making to take place first at the community or municipal level wherever feasible, and then proceed upward to the county, regional, state, national (or federal), and then international levels. In 1993, the concept of subsidiarity became a founding basis for governance under the Maastricht Treaty of the European Union, rendering it a general principle

³ Michael H. Shuman, *Going Local: Creating Self-Reliant Communities in a Global Age* (New York: The Free Press, 1998), 125.

⁴ John Cavanagh and Jerry Mander, Eds., *Alternatives to Economic Globalization* (San Francisco: Berrett Koehler, 2005), 149.

⁵ Sarah Anderson and John Cavanagh, “Top 200: The Rise of Global Corporate Power,” Institute for Policy Studies, Washington, D.C. <http://www.globalpolicy.org/soecon/tncs/top200.htm>.

⁶ Among the WTO’s more than thirty multilateral trade agreements is the General Agreement on Trade in Services (GATS), which has become increasingly important to developed nations as their economies become more based on services, while manufacturing and agriculture move to developing nations. The aim of current GATS negotiations is to remove barriers to the trade in services, which includes every sector from architecture to education to healthcare. <http://www.ifg.org/reports/WTO-energy-services.htm>

applying to the entire range of EU policies.⁷ In the United States, the conservative notion of states rights and the progressive notion of community empowerment may find common ground through the complementary ideas of localization and subsidiarity.

A third important dimension of economic localization concerns the urban landscape. Cheap global oil supplies fuel the greater Bay Area's urban sprawl, with households ever-more dependent on unsustainably long driving distances to jobs, shopping, and social services. Hefty subsidies for urban area expansion from local, state, and federal agencies further exacerbate the outflow of resources from the urban core. Among the results are increased emissions of greenhouse gases, loss of prime farmland and natural ecosystems, loss of community, and the decline of local businesses in urban centers. Urban sprawl has become one of the nation's most pressing environmental, economic, and social issues.

Localization brings businesses and jobs to where people live. Localizing energy production requires freeing ourselves from dependence on increasingly scarce foreign oil by locating housing closer to jobs, shops, schools, and public transportation. Studies dating back as far as the 1970s show consistently that higher local densities result in lower economic, environmental, and social costs, along with dramatic reductions in natural resource consumption.⁸

Why Economic Localization Should Be a Matter of Public Policy

Economic localization offers the Bay Area a tremendous opportunity to disengage from the zero sum game of unbridled competition with other states and nations for the attention of global corporations and as a result, reap a wide array of lasting rewards for the people who live and work here. These include:

A restoration of jobs and economic linkages. Economic localization would restore high-paying, high-quality jobs that have disappeared from the local economy as production has shifted overseas and to other regions. The restoration of local manufacturing operations would amplify economic linkages among sectors and generate additional jobs as income circulates through the local economy rather than leaking out to other nations or regions.

A more rooted and stable local economy. Localization creates new ownership and employment opportunities that are geographically rooted, in stark contrast to the ineffective practice of chasing multi-national corporations with economic development incentives. Offering public assistance to multi-national corporations will continue to negatively impact the Bay Area's economy in the short and long-term. Investment in the Bay Area's own human capital will create ownership and jobs that lead to a more stable local economy.

⁷ Joseph Henri Jupille, "Sovereignty, Environment, and Subsidiarity in the European Union," in *The Greening of Sovereignty in World Politics*, Karen T. Litfin, 239 (Cambridge: MIT Press, 1998).

⁸ Real Estate Research Corporation, "The Co\$ts of Sprawl," prepared for the Council on Environmental Quality; the Office of Policy Development and Research, Department of Housing and Urban Development; the Office of Planning and Management, and the Environmental Protection Agency, U.S. Government Printing Office, Washington D.C., April 1974.

A diverse and resilient economy. It has been well established that more diverse local economies are more resilient.⁹ Localization would significantly diversify sources of income, jobs, tax revenues, goods, and services in the Bay Area and help create a balanced economy less dependent upon a handful of sectors and on the growing service economy, notorious for low wages, temporal work, and lack of growth opportunities. Localization also would also lead to diversification within sectors, ensuring that there would be many firms using many different management systems and technologies to supply our needs. Management and technological diversity, in turn, would enhance the adaptive and the internal evolutionary capacity of the Bay Area's economy.¹⁰

A secure economy. An economy highly dependent on distant sources for most of its energy, consumer goods, food, and services is subject to a number of vulnerabilities including price shocks and supply disruptions as well as diminished ability to cope with natural disasters and security threats. The imminent likelihood of oil production peaking in the next few years and an almost certain devaluation of the dollar are two pressing examples. Likewise, an economy highly dependent on a few key exports is vulnerable to sudden downturns in demand for its products or labor. Since 2000, Silicon Valley has lost 220,000 jobs, and those jobs that have remained are not keeping pace with the increased Bay Area cost of living and transportation.¹¹ An economy that derives much of what it needs from local sources is far better able to cope with the vagaries of global demand, and be responsive to on-the-ground conditions.

A greater base of local skills and know-how. Because a localized economy requires a more diverse array of goods and services to be provided by local entrepreneurs, manufacturers, and producers, entrepreneurial know-how and the skill sets required is necessarily much broader. Nurturing an expanded base of such know-how, in turn, makes it far more likely that firms will find local talent to fill new jobs rather than be forced to recruit skilled employees from other parts of the globe. This, in turn, reduces local unemployment and underemployment as well as pressure on housing markets, all issues that plague the Bay Area.

A more sustainable urban environment. Economic localization reduces the need for long distance work commutes and transport of goods, thereby reducing greenhouse gas emissions. Increasing local production makes it far more likely that such production will incorporate sustainable technologies and practices prioritized by nearby communities. Socially conscious reinvestment in inner-city cores deflates pressure to build sprawling new commercial and residential developments in environmentally sensitive areas on the urban fringe.

A larger pool of local capital. Reducing the amount of money leaving the economy to pay for imports and redirecting both public and private investments makes more capital available to jumpstart local production ventures. For example, the state's nearly 26 million registered vehicles consume more than 18 billion gallons of gasoline and diesel each year, making California the second

⁹ See e.g. John E. Wagner and Steven C. Deller, "A Measure of Economic Diversity: An Input-Output Approach," USDA Forest Service and the University of Wisconsin Extension, Research Paper 93.3, September 1993.

¹⁰ Gisela Aigner, "Diversity, Competition, and Technological Progress," International Buchenbach Workshop for Young Evolutionary Economists, Buchenbach, Germany October 04-08, 2005.

¹¹ Joint Venture, Silicon Valley Network, "2006 Index of Silicon Valley," <http://www.jointventure.org/PDF/Index%202006.pdf>

largest global consumer of gasoline.¹² Much of what we spend on gas and diesel is exported to pay for oil. At current oil prices, Californians export nearly \$40 billion a year through their fuel purchases.

What Strategies Would Be Needed to Localize the Bay Area Economy?

Strategy I – Multi-agency coordination

Within the Bay Area are dozens of federal, state, and local public agencies influencing economic development. At the federal level, examples include the Small Business Administration, Economic Development Administration, Department of Housing and Urban Development, Federal Communications Commission, Department of Commerce, and the Department of Agriculture. At the state level these include the Department of Economic Development, the Trade and Commerce Agency, California Department of Industrial Relations, California Business Investment Services, and the Commerce & Economic Development Program. At the local level, each Bay Area county and municipality has an economic development department and land use and planning department that directly and indirectly influences economic policy.

With so many agencies at work, coordination is key for the success of an overriding strategy such as economic localization. Otherwise, agencies or programs within a single agency may work at cross purposes. For example, within the U.S. Department of Agriculture are programs such as the Market Access Program that promote export-led agriculture as well as programs such as the Community Foods Project that promote community-supported agriculture and local provisioning.¹³ In fact, with respect to economic development, Drabenstott (2005) concludes that “[t]here is little if any coordination across the legion of federal programs.”¹⁴

The Association of Bay Area Government’s (ABAG) Bay Area Alliance for Sustainable Communities is a ready-made framework for such coordination. For example, after an extensive planning process with government leaders, businesses, and non-profits the Alliance developed a Smart Growth Strategy that contains recommendations for incentives and regulatory changes that can be implemented by local governments throughout the Bay Area.¹⁵ This model can be used to develop a planning process, framework document, and package of incentives and regulatory changes addressing economic localization.

Strategy II – Localization as overriding policy

For economic localization to be a matter of public policy in the Bay Area, all federal, state, and local agencies influencing economic development (either directly or indirectly) must commit to the overriding principle of subsidiarity and reformulate economic development goals, objectives,

¹² James D. Boyd, *Sustainable Transportation Fuels: A 2005 California Policy Perspective* (San Diego: California Energy Commission, September 2005), <http://www.energy.ca.gov/2005publications/CEC-999-2005-025/CEC-999-2005-025.PDF> (accessed July 29, 2006).

¹³ For information about the Market Access Program see <http://www.fas.usda.gov/mos/programs/map.asp>. For information about policy initiatives supporting CSA and food security see <http://www.worldhungeryear.org/fslc>.

¹⁴ Mark Drabenstott, “A Review of the Federal Role in Regional Economic Development,” Federal Reserve Bank of Kansas, City, May 2005.

¹⁵ Bay Area Alliance, Smart Growth Strategy/Regional Livability Footprint Project (2003), “Making Vision Reality: Incentives and Regulatory Change.”

