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Towards Vibrant Local Economies

Creating New Stories

Ingrid Burkett & David Engwicht

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Creating new stories

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This article is for those who dream of creating a new story about the economy in their community.

But creating truly creative economic stories requires grappling with, and changing, the inner core of the old stories. Many people think they are creating new stories when in fact all they are doing is putting new clothes on an old corpse. In what follows, we will try to unpack the central core of the old stories. At their heart we discover a range of myths. We then suggest a new paradigm for looking at 'the economy'. We will also give some hints as to what kind of stories we may be able to create using the new paradigm.

Here are a couple of typical economic stories that will help us peer below the surface to discern the underlying myths. Story 1: The Mayor of a medium sized country town announces that McDonalds are to establish an outlet in the town center. He welcomes this development as it will help stimulate the local economy and provide employment to local unemployed youth. Story 2: A government official announces, 'This new mine will add $4 billion dollars to our local economy'. Story 3: The Federal Treasurer announces to the press, 'The good news is that in the last fiscal year the GDP (Gross Domestic Product) increased by 5.6%'. What are the underlying myths that create the heart of these very typical stories?

Myth 1: The economy is about money

These stories assume that the health of an economy is measured by how much *money* is being spent. It is true that one dimension of an economy *may* be the exchange of money for goods. But 'the economy' is not about money or the exchange of money. 'The economy' existed a long time before the invention of money. And humans were not the first inventors of 'the economy'.

Most life-forms on earth learnt very early in their evolution that by working together they could improve their survivability and quality of life. For example, geese fly in V formation and rotate taking the lead, just as cyclists do in a road race. This arrangement conserves their energy, which either means they can fly further, or they are not as tired when they get to their destination. Together they have created 'an economy' – a method of creating a *social organization* which reduces the energy needed to accomplish certain goals or tasks which allows them to either extend their range of experiences (flying to new destinations) or simply enjoy the benefits of not being so tired.

The concept of 'an economy' is almost synonymous with the concept of 'community' (whether we are considering ants, bees or humans). A community consists of individuals who pool their efforts in order to increase 'utility' while reducing the energy needed to gain that utility. 'Utility' is not the same thing as consumer goods or money in the bank. Utility is the ability for some commodity or social arrangement to enhance our quality of life. A consumer good has no utility unless it enhances our life in some way. The exercise machine gathering dust in the attic may have added to the GDP, but it is not adding one ounce of value to the quality of our life. Utility is the geese being able to fly further while expending less energy.

The coffee shop in our local area is a popular place for tourists and local people. The other day we took a friend who is an astute businesswoman for a coffee there. As we ordered our coffee, Bill, who is the owner/operator personally welcomed us, and warmly spoke of our last visit and the laughs we had had. Our friend commented that his warmth was worth a million dollars. Now the coffees and cakes from this shop may cost the same as coffee from other coffee shops. But you get more than coffee at this shop. You get warmth and conversation that lifts your spirits. The good feeling you get from this is 'utility'. It is intimately bound to an economic exchange involving money, but there is a value in Bill's smile and warmth that cannot be measured in the GDP.

Take another example. You go to a concert to listen to your favorite artist. They sing and play a new song that was inspired by a conversation they had with a stranger on the street the week before. The ticket to the concert was the same price as last time you went, but the experience was richer this time. The conversation the artists had on the street inspired them to add utility or value to the concert.

And this is what the community and our cities are all about: value-adding to utility. Each exchange carries the potential to enrich other exchanges without increasing the energy costs of transacting that exchange.

Mike Greenberg underlines the fact that utility is not just related to the quantity or quality of material goods:

> It might also mean shorter or more pleasant commutes to work or shopping; cleaner, safer, more beautiful, and more diverting parks; better schools and more fully stocked libraries; more enjoyable music on the radio and more interesting exhibits at the museum; more opportunities to make new friends and keep old ones. Even in the mundane world of commodity exchange, "better off" entails more than purely quantitative improvements. It can involve intangible emotional, sensual, and intellectual rewards — the unexpected pleasure of the Indian restaurant that didn't exist last year ... (The Poetics of Cities, p.47.)

Economic strategies for communities, cities and nations must carry the same goal as transport and urban design strategies: increasing the efficiency with which diverse exchanges can be transacted while at the same time increasing the utility inherent in those exchanges. The economy is not therefore some external reality. It is intimately bound into the totality of our life. It certainly is not just the exchanging of money for goods and services. The 'economy of exchange,' facilitated by being part of a community, is an old person on a seat supervising neighborhood children playing in the street. It is the listening ear offered by the butcher. It is the street busker. It is the eccentric on the milk crate playing a tin whistle. It is the increased variety of restaurants in our district. It is the surprise we find at the second-hand shop. It is the sense of belonging we get from helping someone who has fallen down. It is the stranger who tells us tales of exotic places. It is the street wisdom we gather from our elders. The health of an economy must be measured by how well it is facilitating these diverse, life-enhancing exchanges.

Myth 2: The economy is visible and measurable

As we noted above, the economy existed long before the invention of money. The earliest form of economy, practiced by much of the animal kingdom, is 'immediate return economy'. The geese flying in V formation get an immediate return from their cooperative efforts. For early humans, forming a hunting party, capturing or gathering food, cooking it and having a meal was a form of immediate return economy. In such an economy there was no need for symbols of the utility they received from working together. Every individual shared what they needed immediately. But with the advent of agriculture and the increasing specialization of society, there was a massive growth in the sector of the economy called 'delayed return economy'. Food was stored for later. This required new areas of specialization: storage experts, people to guard the food, distributors, transportation, and accounting. So the delayed return economy needed symbols of the value inherent in the stored items or stored utility. Initially this involved using symbols such as shells or beads. This eventually gave rise to the first 'bankers' and 'economists': those who managed the symbols of the utility inherent in the stored items.

The delayed return economy bought a boom in the economy with which exchanges could be transacted. It vastly increased the diversity and inherent value of the exchanges. However, there were two potential problems in this new sector of the economy; problems that would undermine the overall efficiency of the economy.

The first potential problem was that storing, transporting and managing the utility required energy. Remember that the economy is about delivering increased utility for less energy input. There is a point at which additional investments of energy do not return a corresponding return in utility, or may even begin to undermine utility in other sectors of the economy. Blind faith in the benefits of the delayed return economy can blind us to when we have crossed this efficiency line.

The second potential problem was that because the delayed return economy was visible and the immediate return economy invisible, there was a temptation to undervalue the contribution of the immediate return economy. One can argue that the bulk of our economy is still connected to the immediate return sector. Sitting and watching people walk past and making up stories in our head about these people is immediate return economy. The conversation with a stranger at the bus stop is immediate return economy. Cooking dinner for friends is immediate return economy (although buying the ingredients for the meal was probably part of the delayed return economy unless we were part of a community garden group). The bulk of our family, friendship, neighborhood and civic life is totally dependent on the immediate return economy.

There are numerous exchanges that will always be more efficiently supplied by the immediate return economy. For example, children playing together in the street is immediate return. Both the children playing, and the adults that watch them, draw immediate utility from this arrangement. This is a far more efficient arrangement than having parents drive the same children to an organized sporting event. This relies heavily on the delayed return sector of the economy – from paying for transport to paying club fees. This requires larger amounts of energy input than if the children simply play spontaneously in the street. (Of course, if a child wishes to become an elite athlete, then being driven to an organized sporting event may be an efficient way to derive this utility.)

This leads towards a number of very important conclusions.

- In many cases the immediate return sector of the economy is the most efficient way to deliver certain types of utility.
- Yet it is impossible to measure this sector of the economy. It defies quantification. How can you measure the worth of elderly people being able to sit in the street and share their street wisdom?
- The immediate return sector of the economy is often centred on intangible utility, such as friendship, inspiration, sense of home.
- This sector of the economy is not represented in the figures associated with the delayed return sector of the economy.
- An increasing GDP (a measure of the activity in the delayed return sector of the economy) may actually reflect a *declining* economy. It may reflect a breakdown of community and the immediate return economy. The so called health of the visible part of the economy may reflect disease in the invisible sector of the economy.
- Even if we reduce 'the economy' to just the delayed return sector of the economy, the movement of symbols within this sector tells us nothing about the degree of utility individuals are gaining from the activity within this sector. The utility gained remains invisible and unquantifiable.

Mike Greenberg helps debunks this myth that the economy is measurable and visible:

> Noneconomic exchange is as important to the creation of value as economic exchange; such noneconomic places as parks and sidewalks are as essential to the marketplace as shops and offices and factories. While "the economy" of the economists inhabits an abstract number-space, the economy of the real world happens in physical space, in the places where you and I and our neighbors interact (*The Poetics of Cities*, p.53.)

Myth 3: The economy is about the movement of money

The GDP measures how much is spent in the economy. Bombing innocent people is good for the GDP, especially now that 'smart bombs' cost a lot more than the old 'dumb bombs'. It doesn't matter why money is moving as long as it is moving.

This underlines a major absurdity at the heart of current economic stories. If *movement of money* were the indication of a healthy economy, then all the government needs to do is put two people in a government office. To one they give a million dollars. To the other they give a useless document. The person with the money buys the document for a million dollars. Then decides they want to sell it. The person with the million dollars buys it back. They repeat this as many times a day as they can. In a month they could easily add a billion dollars to the GDP. (Of course the government would give them a 100% tax break because of their contribution to the national economy.)

This notion that movement of money is the basis for judging the health of an economy actually betrays the central notion of what an economy is: the economy with which value-laden exchanges are transacted. Movement of any kind requires energy consumption which reduces the economy of the exchange.

This explains one of the fatal flaws in the story told by the Mayor about the McDonald's store coming to town. Most of the profits will migrate out of town and then even overseas. Money that moves over vast distances is not as 'economic' as money that moves in small circles at the local level. This is dramatically illustrated by a story told by a shoe shop owner in Adelaide, South Australia. He closed down his chain of six neighborhood shoe stores to set up a large outlet in a regional shopping center. The income from the one big store was roughly the same as from the six local stores. His profits were also largely the same. The major difference was in what constituted his expenses. The smaller stores required higher levels of staffing. The bigger store allowed him to dramatically reduce staff, but required he spend more on rent and more on fulfilling his duties to the center management such as replacing the carpet every 12 months whether it needed it or not. For a long time he thought that he had neither won or lost anything by moving to the centralized store. Until he realized that by cutting his staff needs by six, he now had six less customers to buy his shoes.

It does matter *how* money moves in the economy – in particular, how far it moves. Excessive movement can be a strong indicator of an unhealthy economy, not vice versa.

Myth 4: It doesn't matter what the money is spent on… just as long as it is spent

In the story told by the Treasurer about the increase in GDP there was a fundamental assumption that it doesn't matter what money is spent on as long as it is spent. Any spending is good spending.

As we have already discussed, there is no way of discerning how much utility people got from the movement of all this money. Is increased spending on cigarettes, alcohol, or a fertilizer that pollutes an entire river really delivering higher levels of value and utility? James Kunstler in *The Geography of Nowhere* discusses the 'boom years' when American cities spread out into the countryside:

> The distinction between the booming economy and what that boom yielded can't be stressed enough. The great suburban build-out generated huge volumes of business. The farther apart things spread, the more cars were needed to link up the separate

> things, the more asphalt and cement were needed for roads, bridges and parking lots, the more copper for electric cables, et cetera. Each home needed its own washing machine... In a culture with no other values, this could easily be construed as a good thing. Indeed, the relentless expansion of consumer goodies became increasingly identified with our national character as the American Way of Life. Yet not everyone failed to notice that the end product of all this furious commerce-for-its-own-sake was a trashy and preposterous human habitat with no future (p.107-8.)

The second disturbing thing about this myth is that it counts costs as benefits. Imagine someone in the community buying an object for $900 and spending another $100 dressing it up. They sell the object for $1000 then brag that they had a turnover of $2000 so must be doing very well. Yet this is what the Treasurer does every time he or she brags about increasing GDP. It is a totally meaningless measure because it simply adds costs and return together. The GDP includes both the money spent on lots of fatty junk food, *and* the costs of the heart operation and medication needed to deal with the consequences. It includes the milk we put on our cereal *and* the cost of transporting the milk to the store and the cost of the fuel we used driving to the store to buy it. The operation, medicine and fuel are all costs, not benefits.

Myth 5: Without a growing economy we will return to the dark ages

In all of the three stories we told at the start of this article there is an underlying myth; a growth economy is intimately connected to cultural and social sustainability. If the economy is not growing then we will go backwards as a society and culture. This points to a very worrying trend; seeing the symbols associated with the delayed return economy as synonymous with culture. In past societies, it was the immediate return economy that was almost synonymous with culture. Culture revolved around the collective enterprise of building a system that delivered increasing levels of utility for everyone. This gave rise to the whole notion of civics and citizenship. It is rather ironic that by identifying our culture more and more with the symbols of the delayed return economy we have undermined the culture that was the backbone of the immediate return economy. As already noted, destroy this sector of the economy and you no longer have a real economy. Neither do you have much community left.

Myth 6: The benefits of a growing economy 'trickle down'

This myth says that the opening of the new McDonalds in town or the spending of $4billion on a new mine will create local employment that will have benefits that 'trickle down' to the poorest of the poor. It is true that if you equate 'the economy' with 'money' then some *may* trickle down. But the real issue is what else trickles down with the money. Usually what also trickles down is dependency and a crushing of local culture. For example, farmers in a 'poor' village (poor only in terms of access to the symbols of the delayed economy) are convinced to replace their traditional crops (a combination of immediate and delayed return) with a cash crop such as cotton (entirely delayed return). The government even helps a large overseas firm set up a cotton mill. With the money the villagers now earn selling the cotton or working in the cotton factory, they buy food (transported from elsewhere) and some new cultural artifacts (like tobacco and alcohol). However, the real danger lies in the dependency and vulnerability created by the new arrangement. The new mono-cultural crop is susceptible to diseases. Because the village is dependent on the mill owners, wages or the price paid for the cotton can be driven down. The mill may even mechanize or close altogether.

Myth 7: Lack of money equals poverty

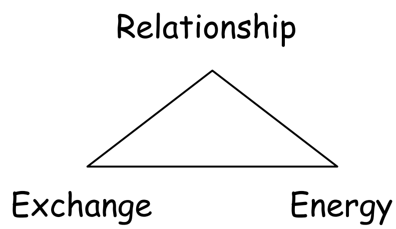
The previous myth is built on another myth: lack of money equals poverty. Yet we have defined a healthy economy as increasing utility while reducing energy input. The health of an economy is determined, in part, by the extent of utility people get out of being part of a community. But this is not a case of 'any utility will do as long as it is utility'. This is about providing *appropriate* utility for each unique individual in the community, utility that moves each person closer to reaching their fullest potential. This utility not only comes from having access to certain tools. It also involves access to friendship, relaxation, inspiration, love, human touch, etc. Poverty can take many forms. It can involve a lack of access to any of the following; tools, resources, time, culture, friends, family, community, self-confidence, self-reliance, knowledge, wisdom, or joy. As King Midas discovered, material wealth can equal 'utility poverty'. 'Prosperity' is having access to an *exchange rich environment.* Simply having access to the symbols associated with the delayed economy does not mean you have access to 'the real thing' – the utility that the symbol is meant to represent. This is akin to arguing that if you have a signed picture of a pop-star, you have an intimate relationship with the person in the picture.

Myth 8: To grow an economy you must appeal to selfishness

Current economic thinking is largely built on the myth that the best way to grow an economy is to appeal to people's self-interest. This myth assumes that people are driven more by greed than altruism (doing good without looking for an immediate return). But as we have argued on numerous other issues (e.g. transport), we all hold contradictory values and desires in our head. Which one we give voice to is often determined by the psychological, physical and cultural space we occupy at any point in time. Numerous experiments have shown that the 'environment' is crucial in determining which of our contradictory values will dominate at any point in time. Create an 'every dog for himself' type environment and people will act this way. Create an environment in which people share and care and the people will tend to follow this social norm. By centering our culture on the delayed return economy and encouraging competition for the symbols associated with this sector of the economy we create a culture that actually chokes the very values that feed the immediate return economy. Ironically, the best way to build the economy is to create an environment in which people give away things for free.

Tying it altogether

From what we have discussed above, there are three dimensions of an economy:



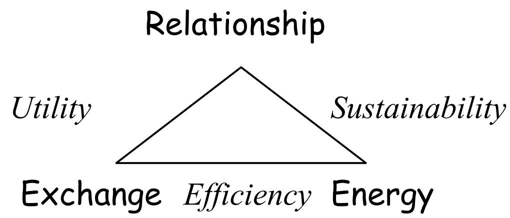
Relationship is at the apex of an economy. Economies are based on *social organization* – that is, an economy cannot exist unless there are two or more people in relationship with one another. An economy is the geese flying in V formation.

> The bottom line was this: When the car industry commenced its long, slow death — still in progress — and the economy of Detroit failed, the community failed with it. For the situation in a big city is the same as in a small town: the economy is the community. Without one, you cannot have the other.
>
> *James Howard Kunstler,* The Geography of Nowhere

Second, economies involve **energy** – human energy, natural energy, physical, mental and emotional energy. Whether this energy is in the form of producing, foraging, hunting or creating, fundamentally an economy is about engaging with energy. There may be direct engagement with energy, or there may be symbols of energy, such as money. As we have seen, the central notion of 'economy' is to increase utility while reducing the energy cost of getting that utility.

Third, economies are about **exchange**. These exchanges are not just about exchanging physical goods or the exchange of money. They are about the exchange of ideas, inspiration, friendship, stories, humor, wisdom and passion.

If we analyze the relationship between these three elements of an economy we see the issues involved in creating a healthy economy.



Exchange → Relationship Axis: It is through participating in a community that we do more than just facilitate exchanges: we add utility to those exchanges. 'Prosperity' is having access to an *exchange rich environment.* Community is the key to providing such an environment.

Exchange → Energy Axis: The relationship between exchanges and energy is crucial as it leads to the notion of *exchange efficiency*. The goal of an economy is to maximize exchanges while minimizing the energy costs. Unlike most current economic thinking, this concept does not confuse *benefits* and *costs*. Transporting people and goods is a cost rather than a benefit. So is fixing life-style diseases. The goal of the way we manage our community life is to minimize these costs. This has real implications for every aspect of community life, from the design of public spaces to the way we run government. For example, the Western trend to corporatize government departments and have them make decisions based on minimizing their own internal costs makes no sense if by reducing their own costs they impose greater costs on another government department or on the broader community. Amalgamating two schools may save costs for the education department. But it externalizes these costs onto the transport department and the families that are now forced to drive their kids further to school. This is clearly a decision that improves the bottom line for the education department but reduces overall exchange efficiency.

Energy → Relationship Axis: It is only within the context of the mutual obligations inherent in a community that we can make decisions about a sustainable use of energy. This does not just mean a sustainable use of natural energy such as fuel and food. It also means a sustainable use of human energy; physical, emotional and spiritual. It is no use enriching the value of exchanges if in the process we bankrupt ourselves emotionally or spiritually.

Telling new stories

Debunking the heart of current economic stories will not only influence the stories we tell about our current economic realities – it will also influence the stories we tell about the economic future. What will be the shape of these stories? We have suggested they will not be centered on money or the movement of money. And they will not count costs as a benefit. The will see building the immediate return sector of the economy as crucial to building a healthy economy. This will require rebuilding a sense of civic and citizenship and creating environments in which altruism is the norm rather than selfish actions. It will mean reducing the movement of money to a minimum (keeping it circulating in the local economy). We have suggested that the new stories will concentrate on creating exchange-rich environments and that this will be done efficiently and in a sustainable way. But this is just the 'plot framework'. What will be the ingredients of the stories that have the most chances of becoming reality?

They will start with small changes not big

Most great stories start with an event (usually small) that causes a chain of events that gradually escalates the drama. This small beginning is often very mundane. The intrigue of the story is how this small mundane event – which could happen to any of us -- sets off a chain reaction. In the economic stories we have told in the past, we have written unrealistic scripts that start with a big event that is highly unlikely to ever happen.

> ***Key question:*** What is the smallest change *I can imagine* that can escalate into major change?

They will start with us, not someone else

The new stories will not start with governments changing their approach or multi-nationals suddenly having a change of heart. The only person we have any control over is us. If we are to write new stories that have some possibility of becoming reality, then they must start with us.

> ***Key question:*** What is the smallest change *I can make* that can escalate into major change?

They will be neighborhood and community centered

The stories will be centered in neighborhoods. Certainly they may have national and international ramifications. But they will start in your neighborhood. As Mike Greenberg observed, 'The neighborhood is potentially the most efficient nexus of social, cultural and economic exchange'. The stories will concentrate on new forms of relating to our community and our physical environment. They may include issues of money and income, but these will be secondary rather than primary.

> ***Key question:*** What changes could I seed in my neighborhood that would improve our economy in terms of adding utility, improving exchange

efficiency and creating a sustainable use of energy (including my energy to create change)?

They will have little to do with money

The stories at first glance will have little to do with money or the economy as most people conceive it. The stories may be as simple as enriching the public domain by saying good morning to everyone as you get on the bus, or putting a couple of chairs on the footpath outside your house so people walking past can rest.

Key Question: What things can I do in my daily life to enrich the immediate return economy (building utility for others)?

They will struggle with our addiction to symbols

The new stories will deal with the economy, not as an exercise in numbers, but as an exercise in understanding the human psyche. They will ask: 'If money is only a symbol of the utility gained from an exchange, why has our culture become totally focused on the symbol rather than that which it symbolizes?' They will struggle with why we as humans often mistake symbols for that which they symbolize.

In so doing these stories may even struggle with the fear of our own mortality. Is it the inability to deal with uncertainty and the mystery surrounding our inevitable death that causes us to grasp for anchor points -- symbols of certainty? Is this why we do not trust the vagaries of an immediate return economy and instead prefer the symbols and 'certainty' delivered by the delayed return economy?

At its heart of hearts, the economic issue may well be a 'spiritual' issue.

Key Question: What things in my attitude to life and death need to change in order for me to contribute to building a healthier economy?

They will start with current reality

The new stories must start with current reality, not with a future dream. While it is possible to build any future we can imagine, that future must be built on the realities of today. This should in no wise limit where the story goes. Current reality is just the starting point.

Our analysis of what constitutes the economy is likely to draw strong criticism from some quarters. It will be argued that it is all well and good for us to talk of the immediate return economy, utility, exchange-rich environments, and community when people don't have enough money to buy their next meal. In response we would be very tempted to argue that it all well and good for others to talk about a growing GDP and wealth trickling down when people don't have enough money to buy their next meal. No matter how complex our analysis of 'the economy' the analysis will not feed a single hungry person. What is needed is imaginative ways of providing these hungry people with a meal *tomorrow*. What we have argued is that no matter how we dress the current economic myths, they are incapable of building a bridge from today's reality to tomorrow's dream. To do that we need new stories. And to be truly creative, the new stories must have a new heart.

> ***Key question:*** Using current reality as a starting point, what chain of events may lead to a future which is very different from today?