OPEN FOR BUSINESS
BUILDING LOCAL ECONOMIES THROUGH PLACE-BASED INVESTING

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As the field of impact investing evolves, many domestically-focused foundations are turning to place-based investing. Since 2013 Confluence Philanthropy’s members have launched regionally collaborative initiatives in the Pacific Northwest, New Mexico, and New England—and interest is growing! This tangible investment strategy generates important financial, social, and environmental returns consistent with philanthropic missions, delivering many of the benefits that foundations seek to achieve. Place-based investment typically involves committing capital to local financial institutions, community projects, or municipal bonds, and—importantly—to locally-owned businesses. Place-based investing can spur job creation, social mobility, and community resilience, mitigating intractable and complex social conditions.

“Open for Business: Building Local Economies through Place-Based Investing” is a resource guide for foundations, individual donors, and investment managers. Written for Confluence Philanthropy by Michael H. Shuman, author of The Local Economy Solution: How Innovative, Self-Financing Pollinator Enterprises Can Grow Jobs and Prosperity, this guide is an introduction to place-based investing, its benefits and risks, the state of the field, and entry points for foundations.

Philanthropy has a critical role to play in the future of place-based investing. “Open for Business: Building Local Economies through Place-Based Investing” illuminates the ways in which this investment strategy can enrich your foundation’s mission and investing practices.
IN THE 1980S RURAL MINNESOTA WAS IN CRISIS.
The critically important farming and mining industries were threatened, and unemployment was in the double digits. When the Minnesota-based McKnight Foundation went out into the field and asked community members what they needed most, the answer was simple: food on the table and jobs. McKnight listened to the community’s needs and set up six regional community foundations focused on economic development across the state. These foundations made not only grants but also loans to local businesses. They provided donor services and undertook community development work, including leadership training, technical assistance, and resource referral.

Kathy Gaalswyk is the president of the Initiative Foundation, one of the six foundations McKnight created. She says that in the 1980s it was novel to find a foundation focusing on economic development. “The premise,” she says, “was that local people are the key resource to building back community and economic development. The approach is to put tools in the toolbox for community leaders.”

The investment paid off handsomely. “I think this region is a different region since we’ve been here,” says Gaalswyk. The six regional foundations have lent out many millions to local businesses and have collectively created more than 40,000 jobs. “The broad theme,” she says, “is that there’s a sense of hope. When you empower people to develop and carry out a local plan, there’s a shift from despair to hope.”

That’s the promise of philanthropy investing in place. And the opportunities for doing this have never been greater.

WHAT IS PLACE-BASED INVESTING?
The rapid rise of the “local economy movement,” propelled by organizations such as the American Independent Business Alliance (AMIBA), the Business Alliance for Local Living Economies (BALLE), and the Main Street Program of the National Trust for Historic Preservation, has spawned a “local investment movement.” In the last few years, for example, Slow Money has developed chapters in twenty cities, and moved $38 million into more than 350 small farms and local food businesses. Crowdfunding—where large numbers of people make small donations, loans, or investments—has become commonplace. At the federal level, President Obama signed a revolutionary crowdfunding law in 2012, the so-called JOBS Act, that may soon open the floodgates to local investment (full implementation is expected by late 2015).

Place-based investing means committing capital to local businesses, financial institutions, infrastructure, or nonprofits, with an expectation of financial return.

The word “local” in this definition has two meanings. The first is that the recipients of the capital are themselves locally owned and controlled. Locally owned businesses are those where the majority of owners live in the same geographic community where the business is based. Local ownership can come in many forms, including local corporations, nonprofits, and co-ops. Regional chains can be local, but national chains cannot. Franchises that allow the owner lots of latitude over an outlet’s design and supplies could be considered local (say certain gas stations), but those with encyclopedic top-down requirements (such as McDonald’s) would not. Whatever the uncertainty that remains in this definition, one distinction is absolutely clear: public companies traded on the NASDAQ or New York Stock Exchanges cannot be considered local.

“Local” also means that the recipients of place-based investment are proximate to the investors—usually resident in the same neighborhood, city, state, or region. It’s worth noting, however, that in the absence of local investment alternatives, some place-based investors, such as RSF Social Finance, have created national pools of capital that benefit locally owned businesses nationwide. But even these local investment practitioners ultimately would like to make it

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possible for their investors to put money into enterprises in their own backyards.

Place-based investment is not charity. The investor typically expects a financial return or, at the very least, funds given to be paid back. Additionally, place-based investment can generate important social and environmental returns consistent with a funder’s mission. For example, a foundation promoting community resilience might invest in local energy-efficiency initiatives.

**WHY UNDERTAKE PLACE-BASED INVESTING?**

By law, a foundation must give away at least 5% of its assets in grants each year. The vast majority of investment officers place the other 95% in globally traded stocks and bonds, with the objective of maximizing their institutions’ financial returns. The investment advisers of individual donors (who in theory have more discretion with their grant-giving and investing than do foundations) usually insist that their clients also invest in this way.

Deborah Frieze, of The Boston Impact Initiative, makes an impassioned case for the importance of place-based investing when trying to mitigate the effects of our beleaguered economic system: “Somehow, you have to address the conditions that created this problem. One way to deal with that, one way we can try and wrap our arms around the whole system, is to shrink the geography. Maybe you can’t deal with a problem this complex at the level of the nation or the state, but it’s a little easier to deal with at the level of the neighborhood.”

Those philanthropists who are choosing place-based investment are compelled by two different arguments:

1. **Place-based investment can increase philanthropists’ ability to benefit their communities, in a manner consistent with their missions.**

2. **Place-based investments can potentially deliver rates of return that equal those of global markets, often with lower risks.**

We will look briefly at each of these points.

**HOW DOES PLACE-BASED INVESTING BENEFIT A COMMUNITY?**

Place-based investment can mean investing in local real estate, community projects, municipal bonds, or financial institutions, but ultimately the most important recipients are local businesses. Slightly more than half the existing jobs in the United States are in firms with fewer than 500 employees, which the Small Business Administration defines as small business, and 99.9% of these small businesses are locally owned.

Place-based investment typically triggers new activity—a local business expansion or startup. Global investment, in contrast, usually involves purchasing existing securities in secondary markets, where trading is all about betting on nonlocal business decisions. Place-based investment directly facilitates new impact investing.

Local businesses deliver many of the other benefits that philanthropists, particularly community-focused foundations, seek to achieve:

- **JOBS**
  Local businesses are now the most important creators of new jobs and new wealth in communities.

- **PROSPERITY**
  Because local businesses spend more of their money locally than do chains or other businesses with absentee owners, they generate a stronger “multiplier effect.” More local expenditure means more local economic activity. Studies show that every dollar a consumer spends at a local business tends to generate two to four times the jobs, income, taxes, and charitable contributions as a dollar spent at a comparable nonlocal business.2

- **SOCIAL MOBILITY**
  Local businesses expand opportunities for entrepreneurship, providing market-based ladders for the disadvantaged to move out of poverty.
LOCAL BUSINESSES ARE CRITICAL JOB CREATORS

The web site YourEconomy.org, which presents one of the richest and most nuanced sources of data on the relative impact of locally owned versus nonlocal businesses, shows that between 2008 and 2013 all jobs in the country grew at a paltry rate of 0.8 percent. Locally owned businesses increased jobs during this period by 1.2 percent. Nonlocal businesses actually reduced their jobs by 4.3 percent.

A 2010 study appeared in the Harvard Business Review under the headline “More Small Firms Means More Jobs.” The authors wrote, “Our research shows that regional economic growth is highly correlated with the presence of many small, entrepreneurial employers—not a few big ones.”

Another paper published in 2013 by the Federal Reserve in Atlanta performed a regression analysis of counties across the United States, and found statistically significant “evidence that local entrepreneurship matters for local economic performance . . . [T]he percent of employment provided by resident, or locally-owned, business establishments has a significant positive effect on county income and employment growth and a significant and negative effect on poverty…. ”


• TOURISM
One-of-a-kind stores, restaurants, and shops give communities character and ultimately attract tourists.

• SMART GROWTH
The smaller size of local businesses facilitates mixed-use neighborhoods and walkable communities.

• SOCIAL RESPONSIBILITY
The local presence of owners makes them more susceptible to pressure by other stakeholders—consumers, investors, workers, suppliers—for responsible corporate behavior. A foundation, for example, can use a place-based investment relationship with a local business to guide it toward more community-friendly practices.

• RESILIENCE
A community with a diverse base of local businesses is more self-reliant on basics such as food and energy, which improves its resiliency—that is, its ability to withstand sudden international crises like oil price spikes, grain shortages, or climate-induced droughts.

• CIVIL SOCIETY
Sociological literature shows that communities with a density of local businesses have a stronger civil society, and that community members are more involved in politics, volunteering, and citizen-led change. Additionally, local businesses provide an expanded pool for community leadership and philanthropy.

Ultimately, “local” is all about building a community economy made up of humane relationships. As Michelle Long, executive director of BALLE, says, “The point of local is being able to put a human face behind the transaction. Money is nothing but the moving current beneath us, showing what we care for.”

Regardless of the myriad benefits of place-based investment, many investors will shy away from it unless and until it can deliver reliable rates of financial return.

HOW DOES PLACED-BASED INVESTING BENEFIT THE INVESTOR?
Many investors are reluctant to invest in local businesses because they believe that local businesses have high failure rates and are not as competitive as publicly traded corporations. However, high rates of local business failure are only associated with small business start-ups—half of which, indeed, never last more than five years. The smart practitioner of place-based investment will focus on established, expanding local businesses with great track records.

Nor is there any reason to believe that local businesses are necessarily less competitive or profitable than nonlocal businesses that receive mainstream investment. A smart local investor who can identify highly profitable local businesses should be able to achieve rates of return comparable with those of conventional investments.

That said, the practice of place-based investment is not always easy. The field is relatively new. It’s harder for foundations to find well-vetted local investment
opportunities, and may require more legwork and expense. (Remember that conventional investing also entails many kinds of expenses, such as the myriad fees charged by investment advisers or fund managers.) There are additional risk considerations that practitioners of place-based investment should consider. The following is an examination of those risks.

HOW RISKY IS PLACE-BASED INVESTMENT?
A smart investor must be mindful of all the ways in which place-based investment both increases and reduces risk.

Three characteristics of place-based investment can increase investor risk:

• A place-based investor has limited investment options, and is therefore more likely to make poor choices.

• A business seeking place-based investment faces a smaller universe of investors, making it less likely to obtain the capital it seeks and therefore less likely to finance the growth it wants.

• An investor that creates a portfolio of companies in one place faces a heightened risk of loss if the local economy enters a period of downturn. If a community experiences a drop in real estate prices, for example, then all local businesses might suffer.

When investors are apprised of these risks, the instinctive response is often to avoid place-based investment altogether. Another plausible response could be to place funds in a national pool of local business investments, like that created by RSF Social Finance. This allows for a large universe of investors and companies, and facilitates geographic diversification of risk.

That said, there are also four ways in which place-based investment can reduce risk:

• One of the best ways to assess a company is to know it: to test its products, meet the CEO, and talk to the workforce. Community banks, for example, have achieved lower default rates than large banks, because they actually know their borrowers.

• When investing in local business, there is a triple bottom line: financial, environmental, and social. Even if financial return is small, the community might still realize a high return in the form of a stronger tax base that supports better schools and social services, thereby improving community outcomes.

• Because of the multiplier effect, an investment in one local business results in increased re-spending at other local businesses. Investing in one restaurant in a small downtown increases foot traffic that could facilitate the opening of other restaurants, coffee shops, and movie theaters. Indeed, with place-based investment it’s possible to structure your portfolio so that you invest in local businesses that are set up to benefit directly from each other’s successes.

THE COMPETITIVENESS OF LOCAL BUSINESSES
Over the past generation, local businesses have done remarkably well at competing, despite the fact that most national, state, and local subsidies benefit their global competitors. The vast majority of economic development “incentives,” for example, which the New York Times recently estimated as “at least” $80 billion per year, are designed to “attract and retain” nonlocal corporations—and wind up making local business less competitive. Consider two pieces of evidence that suggest the impressive performance of local business despite these counterproductive public policies.

First, if local businesses were becoming less competitive, we would have seen jobs shift from the local half of the economy to the nonlocal half. In fact, when the spectacular growth of home-based businesses in the United States is properly accounted for, there has been no shift whatsoever for the past 15 years.

Second, if local businesses were becoming less competitive, their profit rates would be lower than those of big businesses. Yet the most recent tax data available from the Internal Revenue Service show that in 2008, net revenue from sole proprietors, which most small businesses either are or start out as, generated eleven times more net revenue per sales dollar than C-Corporations. In Canada, with an economy not dissimilar to the United States, the most profitable businesses have ten to twenty employees and have profit rates 63 percent higher than big businesses.


• Businesses with local investors find that those investors are often active supporters. Many love their local-portfolio businesses and become evangelists for them, which reduces the risks of failure. Members of grocery co-ops, for example, tend to do their food shopping there and encourage their neighbors to join the co-op, too.

Because few investment professionals have given much thought to the pros and cons of local investment, investors engaging in place-based investment must carefully evaluate all these factors themselves. This means, for the moment at least, that it requires more homework than conventional investment—more than many philanthropies can handle right now. For foundations and donors who lack the capacity to develop relationships with local businesses and assess local-investment benefits, costs, and risks, only a few types of place-based investment will be practical.

WHAT’S THE STATE OF THE FIELD OF PLACE-BASED INVESTMENT?

By almost any metric, place-based investment is in its infancy. Even though local businesses account for at least half the US economy and are highly competitive and profitable, they receive far less than half of the $8 trillion American households have in banks and almost none of the $30 trillion they hold in securities such as stocks, bonds, and mutual, pension, and insurance funds. This points to a huge capital market failure that foundations can help fix by catalyzing local investing. (See adjacent box.)

Some trends under way are worsening this capital market failure. For example, community banks are decreasing in assets and numbers. Over the last 15 years, the number of small banks has dropped by a third; assets have dropped by half. One of the unintended effects of the recently passed “Dodd-Frank” financial reforms is that many community banks—unable to afford the compliance costs—are selling themselves off to larger banks.

That said, there are a number of positive trends for place-based investment as well. As noted in the beginning, a local investment revolution is under way across the country. Among the many encouraging developments:

• LOCAL BANKING
The “Move Your Money” Campaign inspired hundreds of thousands of Americans (perhaps even millions) to move from large banks to local banks or credit unions, and many were motivated by the fact that this would put more money into local business. (To learn more, visit Confluence Philanthropy’s “Carry Your Cash” Resource Guide as a companion to this paper.)

• CASH DEPOSITS
As a result of the influence of Confluence Philanthropy and other investor networks, a majority of foundations that practice impact investing hold some form of deposit at a community or alternative bank.

• CROWDFUNDING
New sites on the internet have given local businesses new, low-cost ways to raise funds via donations (e.g., Kickstarter), interest-free loans (e.g., KivaZip), loans with interest (e.g., Prosper), and soon, thanks to the JOBS Act, local stock.

• STATE REFORMS
Proponents of local investment have passed securities reforms in more than a dozen states (a dozen more have legislation pending) that will make it cheaper and easier for retail investors to help local businesses.

• NEW TOOLS
Grassroots investor groups have demonstrated how existing tools for conventional investment—investment clubs, investment funds, self-directed IRAs, and gatherings of businesses and investment—can be tweaked to facilitate local investment.

• SOCIAL MOVEMENTS
The local economy movement, which has gone viral worldwide with groups like Transition Towns and Slow Food, has made local investing a cornerstone of their vision of a new, sustainable world.
WHAT KINDS OF PLACE-BASED INVESTMENTS CAN PHILANTHROPY DO NOW?

Philanthropists who have looked at place-based investment often complain about the absence of “deal flow.” For example, Deborah Frieze, from The Boston Impact Initiative, says about her efforts to do place-based investment: “Absolutely it’s a question of deal flow. There are just not a lot of investment-grade deals.”

RELATIVELY EASY

While there is certainly truth to this observation, philanthropists also can undertake many activities that will generate new deal flow. Here, for example, are relatively easy activities a foundation can undertake:

• BANKING
  Move your assets and accounts to a local bank or credit union (including those with CDFI designations). By using CDARs, it’s possible to guarantee that your funds enjoy full FDIC insurance.

• PRE-PURCHASING
  By paying for goods and services in advance, you actually can help local businesses grow.

• MUNICIPAL BONDS
  Purchase municipal bonds issued by your locality that support desirable local businesses or local infrastructure.

• DIRECT GRANTS
  Provide grants to the expanding number of organizations promoting place-based investment through education, advocacy, prototyping, legal reform, and litigation. It’s worth noting that this includes educating the grassroots to minimize credit card debt and become homeowners.

• INDIRECT GRANTS
  Grants can also support institutions that make local businesses more “investment ready,” including buy-local programs, business alliances, incubators, accelerators, entrepreneurship programs, and Main Street projects.

• PARTICIPATION
  You or your staff can participate informally in local place-based investment prototypes, including LION networks, local investment clubs, “bands of angels” pitch sessions, peer-lending groups, new credit unions, land trusts, or cutting-edge cooperatives.

• INVESTOR ADVOCACY
  Ask your investment adviser to learn about potential local investment options and share them with you. Vote on shareholder actions that push companies in which you hold shares to do more local investing.

MORE CHALLENGING

The following somewhat more challenging set of initiatives would require significantly more work on the part of philanthropists or their investment advisers:

• TARGETED CDs
  Encourage your local bank to set up a special fund (as Eastern bank did for Equal Exchange) to support targeted local businesses.

• LOCAL COMPANIES
  Invest some of your assets into specific local companies looking for capital. (One important characteristic of foundations and high net donors is that they meet the federal criterion of being an “accredited investor.” Under existing securities law, a local business can issue up to $1 million in securities to up to 1,500 accredited investors with very little legal paperwork.)

• INVESTMENT FUNDS
  Invest in one of the nearly 1,000 community development funds and land trusts spread around the country.

• PRIs
  Package some of the investments above as “program-related investments” (PRIs), which entitles the writing off of losses against the annual grant-giving requirement.

MOST DIFFICULT

An ambitious philanthropist might undertake the following initiatives that would require new staff or significant internal or external investment:

• LOCAL CREDIT UNION
  If your community lacks a local bank or credit union, help start one.

• LOCAL SECURITIES
  Expand the capability of your community, perhaps through certain public interest law firms, to issue local securities.

"While it’s important for philanthropists to push themselves to do more place-based investment, it’s equally important that they support the infrastructure needed for all these reforms to proceed."

• LOCAL LISTS
Create internet-based lists of local companies looking for investment and local providers of self-directed IRAs (without facilitating any of the transactions).

• LOCAL PORTAL
Help your community create a legally compliant marketplace where local businesses and local investors can buy and sell securities.

• LOCAL FUND
Start a place-based fund with other philanthropic and community partners (a good example is PV Grows in Western Massachusetts).

Another readily available option, noted at the outset, is to invest in regional or national funds that specialize in local businesses. National funds that directly or indirectly support local businesses or local financial institutions include Calvert Foundation’s Community Investment Note and RSF’s Social Investment Fund. While these funds don’t offer community foundations many of the benefits of truly local investing, such as local relationship-building, they are extremely well-run and ensure that investors’ capital is supporting local economies.

WHERE IS THE FIELD OF PLACE-BASED INVESTING HEADING?
One of the paradoxes of investment reform is that it has been led by those with the fewest resources. Even though accredited investors (the wealthiest 1% of the population) have, by law, much more freedom to invest in local business, they have been extraordinarily reluctant to do so. For example, despite two decades of intense conversation about PRIs, foundations still place only about one tenth of one percent of their assets into PRIs. Unaccredited investors, by contrast, have been more willing to experiment—investing in their co-ops, in crowdfunding campaigns, and in community projects. Influenced by common sense rather than wealth advisers, grassroots investors have been more willing to undertake local investment experiments.

Recent changes in securities law at the federal and state levels have greatly increased the ability of unaccredited investors to invest in local business, and are therefore driving the local investment revolution and probably will continue to do so. Fixing the huge capital market failure outlined earlier will require at least four distinct stages of reform:

STAGE I
Make it easier and cheaper for small businesses to issue securities to unaccredited local investors.

STAGE II
Make it easier and cheaper for those unaccredited investors to trade their shares on local stock exchanges.

STAGE III
Make it easier and cheaper for unaccredited investors to invest in local investment funds, where financial specialists can perform the hard work of choosing and trading local securities.

STAGE IV
Make it easier and cheaper for the fiduciaries running pensions, trusts, and other funds to place unaccredited clients’ money into local investment pools.

These four changes, moreover, must proceed more or less in the order laid out above. That is, few fiduciaries, such as pension fund managers, will begin to invest funds locally when there are so few local investment funds with a reasonable track record of profitability. Few such intermediaries will be established until there are local exchanges that allow the fund to buy and sell securities (illiquid securities are potentially worthless). And no local exchanges in a region will be set up until there are enough local securities to trade.

This logical sequencing underscores why it’s premature to begin with a Stage IV question like “How can I localize my pension fund?” College organizers are now pushing for their administrations to divest from fossil fuel companies responsible for greenhouse-gas emissions and reinvest in community businesses, with little awareness that the infrastructure needed for redirecting those investments barely exists. They need to be patient. We are barely at Stage I. That sounds like bad news, but five years ago we were not even at Stage 0.

While it’s important for philanthropists to push themselves to do more place-based investment, it’s equally important that they support the infrastructure needed for all these reforms to proceed. Important funding strategies should therefore include public education, advocacy, prototyping, legal reform, and litigation.

Michigan, for example, recently passed a law to create a state-based stock exchange for connecting in-state companies with in-state investors. There are huge questions surrounding this Stage II innovation: What will the Michigan exchange look like? Will it allow secondary trading? Will the SEC permit it?

Philanthropy can play a critical role in ensuring that the right resources and right people are in place at the right time to answer these questions in a way that effectively and safely opens up the field.

"For example, despite two decades of intense conversation about PRIs, foundations still place only about one tenth of one percent of their assets into PRIs."
HOW FOUNDATIONS CAN HELP FIX AMERICA’S CAPITAL MARKETS

Because local businesses account for half the US economy, roughly speaking, an efficient capital market would allocate half of all investment to local businesses. In fact, far less than half of all commercial bank loans go to local businesses and almost none of Americans’ long-term savings do. Foundations can help repair this problem not only through their own place-based investments but also by providing grants and other forms of assistance to simpatico nonprofits.

For example, easing regulatory burdens on small banks and credit unions would help to discourage further consolidation. This is especially important, because the probability of a dollar deposited in a local bank or credit union being used for a local business is three times greater than that of a dollar deposited in a large bank. Additional efforts to break up the biggest banks, whether through existing antitrust laws or through new legislation, would help re-localize capital. And reforming securities laws, at both the national and state levels, some of which is now under way, would make it easier for grassroots investors to support local business.

Over the past 50 years, modest pieces of legislation have attempted to increase community reinvestment. Financial institutions that qualify as Community Development Financial Institutions (CDFIs), for example, can receive grants and other benefits from the federal government, and New Markets Tax Credits incentivize investors to place capital into low-income communities for seven years. But the total size of these programs is under $50 billion—a tiny fraction of the $15 trillion of securities capital that belongs in local business. This underscores the importance of advocacy efforts to overhaul the structure of banking and securities markets in the United States.

"Local intermediaries play a key role in building a dynamic ecosystem for place-based impact investing. They are a key link between investors and investees (or beneficiaries) enabling broad participation from both parties because of the efficiency, rigor, technical assistance, and risk reduction they bring to the table. In order to grow place-based investing, we need to invest in building local intermediary capacity and their sustainability."

-Joohee Rand, Santa Fe Community Foundation
RESOURCES

FIELD-DEFINING BOOKS
Cortese, Amy, Locavesting: The Revolution in Local Investing and How to Profit from It (New York: Wiley, 2011)


Shuman, Michael H., Local Dollars, Local Sense: How to Shift Your Money from Wall Street to Main Street and Achieve Real Prosperity (White River Junction, VT: Chelsea Green, 2012)


IMPORTANT ORGANIZATIONS PROMOTING LOCAL INVESTMENT
American Independent Business Alliance (AMIBA) www.amiba.net
Association for Enterprise Opportunity (AEO) www.microenterpriseworks.org
Business Alliance for Local Living Economies (BALLE) www.bealocalist.org
Calvert Foundation www.calvertfoundation.org
Coalition of Community Development Financial Institutions www.cdfi.org
Confluence Philanthropy www.confluencephilanthropy.org
Cutting Edge Capital www.cuttingedgecapital.com
Democracy Collaborative www.democracycollaborative.org
Institute for Local Self-Reliance (ILSR) www.ilsr.org
Local Investment Resource Center (LIRC) www.local-investing.com
Main Street Program www.mainstreet.org
National Cooperative Business Association www.ncba.coop
Opportunity Finance Network www.ofn.org
Post-Carbon Institute www.postcarbon.org
Public Banking Institute www.publicbankinginstitute.org
RSF Social Finance www.rsfsocialfinance.org
Schumacher Center for a New Economics www.centerforneweconomics.org
Slow Money www.slowmoney.org
Sustainable Economies Law Center www.theselc.org
Transition Towns www.transitionus.org
Wall Street Without Walls www.wallstreetwithoutwalls.com

END NOTES
1 Title III of the Jumpstart Our Businesses (JOBS) Act created a simplified procedure for a business to receive investments (through loans, equity, or royalty agreements) from grassroots investors. The Securities and Exchanges Commission (SEC) will license “community portals” to operate on the internet and facilitate transactions between investors and companies. A company may use any licensed portal to raise up to $1 million per year using the law, with higher-end raises requiring more due diligence (such as audits). Any American may invest up to $2,000 per company per year, with higher levels allowed for those with higher incomes.

2 See, for example, Michael H. Shuman, Local Dollars, Local Sense: How to Shift Your Money from Wall Street to Main Street and Achieve Real Prosperity (White River Junction, VT: Chelsea Green, 2012), pp. 17–25. Also see Stacy Mitchell, The Big Box Swindle: The True Cost of Mega-Retailers and the Fight for America’s Independent Businesses (Boston: Beacon Press, 2006).

3 An Environmental Protection Agency study found that the average amount of toxins released by absentee-owned facilities or those with out-of-state headquarters is nearly three times more than plants with in-state headquarters, and 15 times more than single location enterprises. Don Grant et al., “Are Subsidiaries More Prone to Pollute?” Social Science Quarterly, 84:1 (March 2003), pp. 162-73.
ABOUT THE AUTHOR

Michael H. Shuman is an economist, attorney, author, and entrepreneur. He’s also an adjunct instructor at Simon Fraser University in Vancouver, a Fellow at Cutting Edge Capital and Post-Carbon Institute, and a founding board member of the Business Alliance for Local Living Economies (BALLE). He has authored, coauthored, or edited nine books. His most recent book, which will be published by Chelsea Green in May 2015, is The Local Economy Solution: How Innovative, Self-Financing Pollinator Enterprises Can Grow Jobs and Prosperity. One of his previous books, The Small Mart Revolution: How Local Businesses Are Beating the Global Competition (Berrett-Koehler, 2006), received as bronze prize from the Independent Publishers Association for best business book of 2006. A prolific speaker, Shuman has given an average of more than one invited talk per week, mostly to local governments and universities, for the past 30 years. He has lectured in 47 U.S. states and eight countries. He blogs regularly at www.michaelhshuman.com.

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