

SMALL CITIES AND TOWNS AS PLAYERS IN THE GLOBAL ECONOMY

The Character Town as an Entrepreneurial Town

Vision.

A vision that many small cities and towns may have is to be a participant in the global economy.

With 21st Century communication and transportation systems, it is realistic to expect to have successful businesses in the local economic base that have customers, employees and suppliers located throughout the world. In fact, it is highly unusual for a local economy to be totally disconnected from worldwide economic trade.

It is equally as likely that international businesses will want to be a supplier, a producer or an employer in an American small town.

Strategy.

The fundamental strategy for a small city or town is to identify and adapt locally controlled policies, programs, budgets and regulations necessary to grow the sector of the town's economic base engaged in international trade. In the global market place, competency is what matters. Providing a needed product or service supersedes a businesses' location or size.

Three types of large, international organizations provide insights for small cities seeking a place in the global marketplace: the world's megacities, city-states and multi-national corporations. Since the scale of their operations vastly exceed those of a small city business, the lessons must be re-scaled to be useful.

Lessons from Large, International Organizations.

The development of globally active local businesses can happen organically or it can be encouraged and enabled by governmental action. A small city can learn how to become or remain prosperous by hosting, supporting and promoting global trade as a growing part of its economic base.

A. Megacities

Cities are growth machines. People around the world have been migrating to cities in large numbers resulting in the recent declaration that more people now live in cities than in rural areas. Studies conclude that life in the worst urban slum is better than life on a subsistence farm or in a marginal rural village.

The patter of feet entering the world's cities seems to confirm that view. Doug Saunders in *The Arrival City* presents the case that infrastructure, housing, business formation and social networks are supporting the world's migrants as they move to cities.

Like mega-cities, small cities and towns can:

- Connect to the regional transportation systems and the region's economic base businesses.
- Incorporate immigrants, domestic and foreign, into the local workforce.
- Provide, directly or through intermediaries, high-speed broadband internet service.
- Seek out direct foreign investments.

B. City-States.

Cities were, and are, sovereign states or nations. Many have been successful for centuries starting from the earliest days of civilization.

- The city-states of Sumer prospered until their circumstances required expansion and they merged, through war, into an empire.
- The Greek city-states, likewise, prospered for centuries until the Athens-Sparta competition weakened their condition and the Macedonians overwhelmed them.
- The Middle Ages were a time when city-states proliferated in the absence of empires or larger geo-political units.
- The Hanseatic League existed from 1400 to 1800 as a loose coalition of city-states that banded together to defend trading routes and laws that enabled contractually-based trade. Competition for trading routes with outsiders eventually caused its demise.

Finally, the nation-state was conceptualized by the Westphalian Peace of 1648, but not fully consummated until the late 19th Century with the unification of Germany and Italy. Based on recent advancements in communication and transportation, the nation-state may not be the final step in the evolution of geo-political entities.

The city-state systems of governance, economic policy, international relations and entrepreneurialism offer lessons for American small cities and towns. Small cities are getting less and less support from state and federal agencies while being encumbered with more and more requirements from these agencies.

Cities will begin to take on many of the traits of city-states in order to survive. Local connections to trading partners and global systems, domestic and foreign along with direct foreign investments will become more important to small cities.

City States of the 20th Century

Modern city-states

- Monaco, Main article: [Monaco](#)
- Singapore, Main article: [Singapore](#)
- Vatican City, Main article: [Vatican City](#)

Non-sovereign, highly autonomous city-states

- [Ceuta](#) and [Melilla](#) ([Spain](#))^[21]
- [Chinese Special Administrative Regions: Hong Kong and Macau \(China\)](#)^[2]
- [Gibraltar](#) ([United Kingdom](#))

20th century cities under international supervision

- Danzig, Main article: [Free City of Danzig](#)
- Fiume, Main article: [Free State of Fiume](#)
- Tangier, Main article: [Tangier International Zone](#)
- Memel, Main article: [Klaipėda Region](#)
- Trieste, Main article: [Free Territory of Trieste](#)

Source: <https://en.wikipedia.org/wiki/City-state>

C. Multi-National Corporations.

A multi-national corporation [MNC], or trans-national corporation, is a legal entity that has facilities and other assets in at least one country other than its home country.

Such companies have offices and/or factories in different countries and usually have a centralized head office where they coordinate global management. Very large multi-nationals have budgets that exceed those of many small countries.

Multi-national corporations employ various entrepreneurial methods of engagement. Many employ non-equity business models by providing services that include: exporting, licensing, franchising, contract manufacturing and service provision. When equity is involved it is often provided through joint ventures or fully owned subsidiaries.

While cities will never be multi-national corporations, they can operate as their partners and facilitators in the local context. Understanding the needs of large private organizations is essential. This essential understanding is deeper when the elected and appointed city leaders act entrepreneurially.

Brad Feld “define[s] an entrepreneur as someone who has co-founded a company.” [p.26 of Reading #6] A broader view of an entrepreneur is someone who risks something to create value. From a city’s perspective:

- a. **Startup communities can be based on a wide range of industries; they need not be based on high-tech businesses.**

Mr. Feld founded five startup communities when he moved to Boulder: “tech (software/Internet), biotech, clean tech, natural foods and lifestyles of health and sustainability (LOHAS).” [p.3]

- b. **Cities can serve as “feeders” to entice, encourage and enable local entrepreneurs to locate their startup businesses in their town.** Attitude, infrastructure and education seem to be the critical ingredients. The absence of a university, research labs, venture capitalists or public subsidies are only excuses. Startup communities start with entrepreneurial leaders.
- c. **Cities can start enterprises that create value, economic value as well as civic or social value.** An enterprise fund that manages a city’s solid waste function serves as an example as does every instance of privatization and private-public partnerships. In each case, a financially independent function is being started with the outcome at some risk in order to create a public service of economic and/or civic value.

D. Lessons for Small Cities and Towns.

The go-forward strategy for America’s small cities and towns is to follow the lead of their big-city American cousins, the multi-national corporations and the world’s city-states to become more autonomous and self-sufficient.

Autonomy and self-sufficiency are demanding paths, but the choice has been made by the state and federal agencies. They are no longer inclined to continue their support for local governments.

The choice for local governments is not whether to cut the cord or not, but to plan for the final severance of the quickly fraying cord that will soon cast cities and counties adrift. The model will never be that of the truly independent city-state, but the features of today's highly autonomous city-state models may be instructive.

The lessons for small cities and towns are simple, but important. Small cities and towns must become more economically and financially self-sufficient by:

- 1. Going direct.** There is no structural or legal need to work through state or federal agencies to establish relationships. Regulations, taxes and tariffs come later. Check out the services of the Small Business Exporters Association. <http://www.sbea.org/>
- 2. Finding and supporting local businesses that have export/import potential.** Every town has them and they all would welcome acknowledgement and support.
- 3. Partnering with global businesses.** Consider local businesses as "business units" of a large corporate entity that happens to be the city. This conceptual mind-set can become a strong foundation for promoting international trade from a business based in a small town.

Action Plan Elements.

Small cities and towns that want to participate in the New Economy with all of its international implications can learn lessons from other successful organizations such as the large global cities and multi-national corporations.

The lessons can be re-scaled and adapted for use by small cities and towns. Information from these large organizations suggests that city planners and public administrators cannot use "one size fits all" solutions. Every situation is unique, but some general recommendations may be helpful in order to create a competitive advantage in the global marketplace for a small city or town:

- 1. Articulate and Commit to a Vision.**
Thomas Friedman quotes from the movie *The Leopard*, "If we want things to stay as they are, things will have to change". He sketches a vision of our destination, a world in which we remain free, prosperous and secure. Visioning at the neighborhood, town center and municipal levels gives us directions for how to use transformational change to reach our destination...a town that is civil, pleasant and prosperous, reliant on sound institutions, centered on order, security, law and property rights.
- 2. Develop the Community-Driven Vision that Includes an International Trade Element.**
Only through open programming can a city sustain its financial and emotional support for the necessary implementing strategic actions.
- 3. Imbibe the Town with Fundamental Values that Resonate Globally.**
The world and each community is best served by the institutionalization of four fundamental values that can be relied upon by businesses anywhere in the world when dealing with local businesses:
 - Regulated capitalism,
 - Liberal democracy,
 - Diversity in all things, and
 - The rule of law.

4. Build an Internationally Sustainable Framework for a Character Town.

The world and each of its communities has a framework composed on three systems: the economy, society and the physical environment.

Local entrepreneurs doing business around the world and international business people doing business in town appreciate that:

- Character towns are the places we feel good about.
- Character places are growing in popularity, they are places we want to visit and enjoy.
- Character places have certain civic and social characteristics based on respect for individuals and for the common good.
- Character places can be found anywhere, what matters is that residents care about their home town; they are the result of much love and attention.
- Character places have certain mutually re-enforcing social, economic and physical aspects.

5. Design and Construct the Town to Provide High Quality Services and Facilities for:

- Food, water and energy for residents, businesses and visitors,
- Public safety and security, fire protection and emergency services,
- Jobs that provide a living wage,
- Communication systems that are ubiquitous and instantaneous.
- Transportation systems that enable local and regional multi-modal mobility for employment, education, recreation and household functions,

- Public infrastructure, waste management and protection of the natural environment,
- Social equity and civility, and
- Minimum standards for public health, wellness, safety, education and housing.

6. Build a “Character Town” to appeal to Entrepreneurs and New Economy Business People.

In order to build pleasant and prosperous cities and towns, the city leaders and citizens can be guided by the following strategic objectives that implement a vision-driven strategy through proto-typical strategic objectives:

- First, build strong neighborhoods.
- Second, focus on education and training with a global perspective.
- Third, secure the public safety systems.
- Fourth, build the city’s social infrastructure to welcome visitors and international travelers.
- Fifth, acknowledge and enhance vibrant downtowns and centers of activity.
- Sixth, energize multi-use commercial corridors.
- Seventh, solidify urban infrastructure, especially transportation and communication systems.
- Eighth, systematize the city's open spaces.
- Ninth, simplify the entitlement and permitting systems to facilitate entrepreneurial and international trade.
- Tenth, take the City’s responsibility for economic development seriously.
- Eleventh, institute a transparent and education-oriented system for measuring performance.

- 7. Build Institutions.** Institutions are the vehicle to support civilization [Fukuyama]. As cities continue on the multi-cultural path of globalization and instantaneous communication, the challenge is to legitimize local politics to facilitate international business; to promote trusted, transparent and democratic governance and to strengthen self-sustaining institutions. The chief issue of global and local politics will not be on how to cut back on government programs, but how to tailor public goods and services to meet the needs of residents, visitors and businesses, local and global. To be globally successful, businesses need a dependable and effective public sector with its supporting institutions, “honest-broker” regulations and useful non-governmental organizations.
- 8. Strengthen Regional and Multi-Jurisdictional Partnerships.** Partnerships, institutions and governance systems need to be modernized, re-furbished and re-designed to meet contemporary needs, not demolished or dismantled. Business, especially international business, depends on sound government institutions that facilitate trade transactions, travel, shipping, credit and communication.
- 9. Enlist Entrepreneurs and Innovators to Add Value.** Once we leave the tenuous security of the present, the path to the future is based on a vision-driven strategy using long-term, comprehensive thinking and doing. Mr. Friedman is correct, the only way to reach a successful future...”is to mobilize the most effective and prolific system of transformational innovation and commercialization of new products and services ever created on the face of the earth – the U.S. marketplace.”
- 10. Establish a Local Council of Exporters.** The role of cities is to enable vision-consistent entrepreneurs, businesses and institutions to collectively succeed. Consider a town council of Exporters to help design a system for supporting international trade.
- 11. Understand the Local Economic Base.**

 - Be receptive to vision-consistent businesses; businesses with global ambitions; businesses of entrepreneurs.
 - Work the horizontal and vertical aspects of the international continuum of customers, producers and suppliers within the vision-consistent niches.
 - Partner with agents that support global enterprises, such as metropolitan economic development organizations, universities and colleges, state and federal agencies.
 - Connect to global markets through international airports, seaports and conference and convention centers.
- 12. Use all Available Tools to Support Local Businesses Working in the Global Markets and International Businesses Working in the Local Economy:**

 - Foreign Trade Zones,
 - Sister Cities,
 - Incentives...taxes, infrastructure, workforce training,
 - Infrastructure...be a Google community,
 - Loans or financing for whatever,
 - Business centers [at the library],
 - Partnerships with a colleges or universities with an international business program; the university can be anywhere, foreign or domestic since location and distance do not matter in the e-global economy,
 - Incubators and accelerators, and
 - Standardized processes and regulations.

13. Partner with Like-Minded Cities [not necessarily close-by, but maybe].

- Geographic partners with “sister” cities or counties employing:
 - Standardized marketing, recruiting and retention systems, and
 - Standardized or coordinated regulations.
- Niche partners, local or global, with standardized processes and regulations.
- Study the features and processes of the “Hanseatic League” and other city-states:
 - Security,
 - Systems of Credit and Finance,
 - Standardized Laws, and
 - Transportation and Communication.

14. Establish an International Relations

Function for the Town:

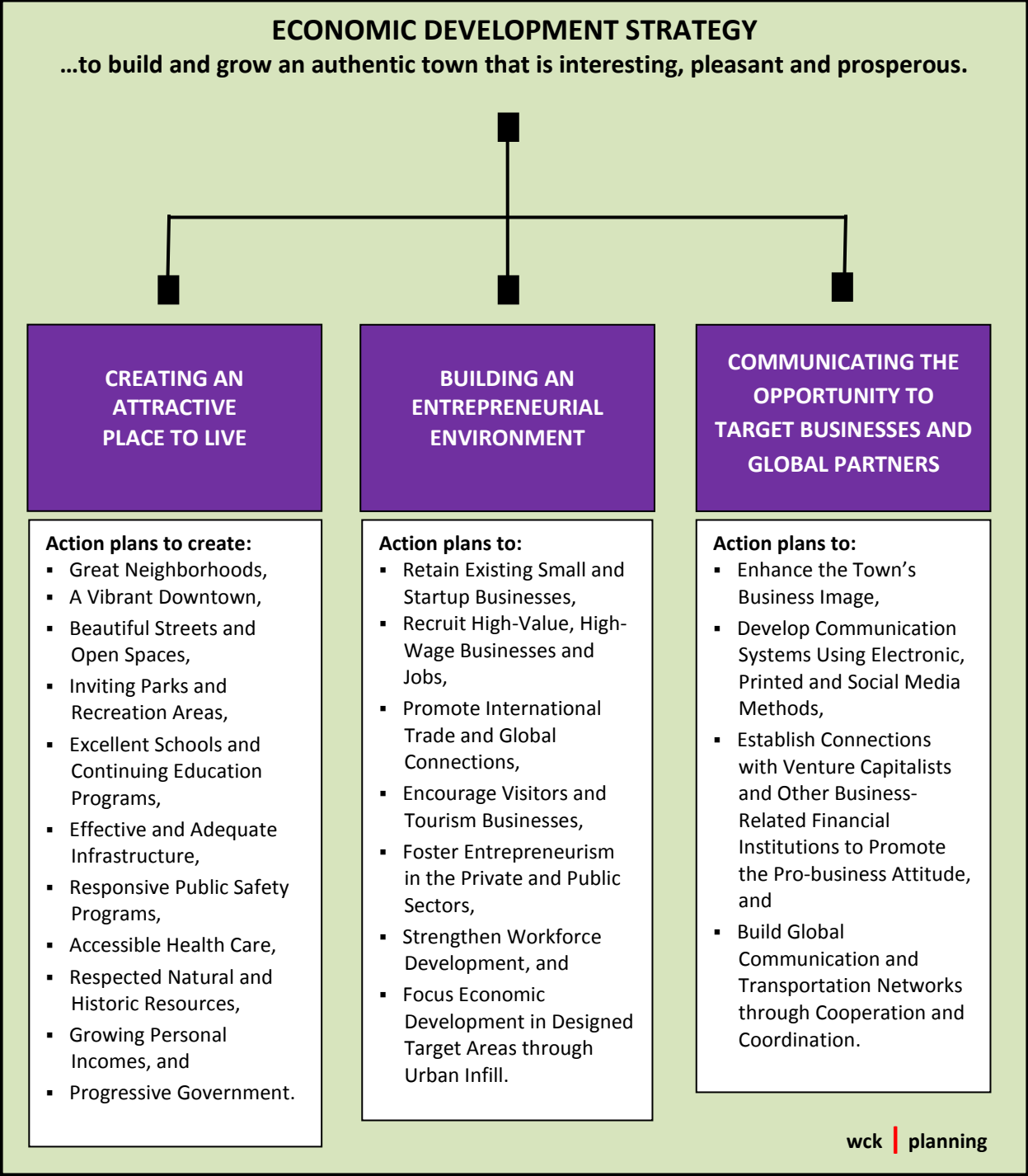
- Fund an international business development staff, much like the nation’s Secretary of State.
- Field Ambassadors to other regions, states and nations:
 - Enlist private citizens as they travel,
 - Connect to embassies and consulates, and
 - Participate in selected economic missions.
- Negotiate “treaties”, contracts and other formal and informal agreements between the town and other agencies, nations and organizations, domestic and foreign.
- Connect with a college or university interested in on-the-ground connections with international trade activities [not necessary to be local].

Conclusions.

- A. Support Local Businesses.** Established businesses in small cities and towns are probably participating in the global economy today...support them with friendly regulations and infrastructure.
- B. Work on financial self-sufficiency.** Small cities and towns, along with all other local governmental units, will soon lose the currently enjoyed support of state and federal funds.
- C. Work on economic self-sufficiency.** State and federal governments are impeding progress in small cities and towns as they:
 - continue to pass unfunded mandates,
 - preclude cities and towns from using their own resources to solve problems and provide services, and
 - increasingly reduce funding to local governments.
- D. Expand the local international trade component of the local economic base.** Take steps to internationalize the city:
 - **Export local goods and services.** Local business connections to global markets can be supported by small cities with programs instituted and partnerships solidified to enable local businesses to increase their global trade.
 - **Partner with domestic businesses outside the city.** Establish relationships with national suppliers, vendors and investors.
 - **Import foreign capital.** Direct foreign investment in small cities responds to unique local market advantages, transport access to markets, basic infrastructure, high-speed broadband internet service and supportive regulations with high standards.

The Traditional Approach to Economic Development.

[see Richard Florida’s work, *The Great Reset*, #9 in the Readings.]



Readings.

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3. ***Good to Great: Why Some Companies Make the Leap... and Others Don't***, Jim Collins, HarperCollins Publishers, Inc., New York, 2001.
4. ***Hot, Flat and Crowded, Why We Need a Green Revolution – And How It Can Renew America***, Thomas L. Friedman, Farrar, Straus and Giroux, 2008.
5. ***Playing to Win, How Strategy Really Works***, A.G. Lafley and Roger L. Martin, Harvard Business School Press, Boston, Mass., 2013.
6. ***Startup Communities, Building an Entrepreneurial Ecosystem in Your City***, Brad Feld, John Wiley & Sons, Inc., Hoboken, 202 pages, 2012.
7. ***The City in History, Its Origins, Its Transformations, and Its Prospects***, Lewis Mumford, Harcourt, Brace & World, Inc., 1961.
8. ***The Globalization Paradox, Democracy and the Future of the World Economy***, Dani Rodrik, W.W.Norton & Company, NY, 2011.
9. ***The Great Reset, How New Ways of Living and Working Drive Post-Crash Prosperity***, Richard Florida, HarperCollins Publishers, 2010.
10. ***Triumph of the City, How our Greatest Invention Makes Us Richer, Smarter, Greener, Healthier and Happier***, Edward Glaeser, The Penguin Press, London, 2011.

