



**Wealth Creation
Handouts and Worksheets**

Handout #1: Forms of Community Wealth

Community wealth includes assets owned or controlled by (or in the interests of) a community, which serve the community, businesses and individual members. Community wealth includes: financial assets, functional built infrastructure, educated, skilled, and healthy individuals, healthy land and natural resources, creativity and new ideas, power and influence over decision-making that affects community wealth, and connections to others. A wealth building strategy aims at increasing asset ownership and influence/control, and ensuring local economic stability, environmental and social well-being and capacity for resilience.

Wealth Creation in Rural Communities focuses on building seven forms of wealth concurrently and intentionally; intellectual, social, individual, built, natural, financial and political.

Intellectual capital is the stock of knowledge, innovation, and creativity or imagination in a region. Imagination is what allows us to create new knowledge and discover new ways of relating. Investment in intellectual capital is through research and development and support for activities that engage the imagination, as well as diffusion of new knowledge and applications. Earnings from intellectual capital include inventions, new discoveries, new knowledge, and new ways of seeing.

Social capital is the stock of trust, relationships, and networks that support civil society. Investments in bridging social capital are those that lead to unprecedented conversations, shared experiences, and connections between otherwise unconnected individuals and groups. Investments in bonding social capital are those that strengthen relationships within groups. For example, sponsoring a town-wide festival could be seen as an investment in bonding social capital for town residents. Earnings from investment in social capital include improved health outcomes, educational outcomes, and reduced transaction costs, among others.

Individual capital is the stock of skills and physical and mental healthiness of people in a region. Investments in human capital include spending on skill development (e.g. literacy, numeracy, computer literacy, technical skills, etc.) and health maintenance and improvement. Earnings from investments in human capital include psychic and physical energy for productive engagement and capacity to use and apply existing knowledge and internalize new knowledge to increase productivity.

Natural capital is the stock of unimpaired environmental assets (e.g. air, water, land, flora, fauna, etc.) in a region. Natural capital is defined as having three major components: 1) non-renewable resources such as oil and minerals that are extracted from ecosystems, 2) renewable resources such as fish, wood, and drinking water that are produced and maintained by the processes and functions of ecosystems, 3) environmental services such as maintenance of the quality of the atmosphere, climate, operation of the hydrological cycle including flood controls and drinking water supply, waste assimilation, recycling of nutrients, generation of soils, pollination of crops, and the maintenance of a vast genetic library. Investments in natural capital include restoration and maintenance. Earnings or income includes a sustainable supply of raw materials and environmental services. Natural capital and its systems are essential for life. People can destroy, degrade, impair and/or restore natural capital but cannot create it.

Built capital is the stock of fully functioning constructed infrastructure. Built capital includes buildings, sewer treatment plants, manufacturing and processing plants, energy, transportation, communications infrastructure, technology and other built assets. Investment in physical capital is in construction, renovation, and maintenance. Physical capital depreciates with use and requires ongoing investment to maintain its value. The income or

earnings generated by physical capital exist only in relation to its use. For example, sewer and water treatment plants contribute to human capital (health). Schools contribute to human capital (skill development) and social capital (if they are used as community gathering places) and may contribute to natural capital (if they include natural areas that are maintained or protected by the school).

Political capital is the stock of power and goodwill held by individuals, groups, and/or organizations that can be held, spent or shared to achieve desired ends. Political capital is evidenced by the ability of an individual or a group to influence the distribution of resources within a social unit, including helping set the agenda of what resources are available. Investments in political capital are made through inclusive organizing that includes information gathering and dissemination, and increasing voice, access to and inclusion among decision-makers. Engaging players throughout a given value chain for mutual self-interest can build political capital. Earnings from investments in political capital include increased influence in decision making, increased access to and control over other forms of capital, and the ability to engage in reciprocal relationships, among others. Political capital can affect how rural areas are viewed in a regional context. Regions where political capital is equitably distributed or shared are typically characterized by leadership that is broad, deep and diverse; that uses research-based evidence to inform decisions; and that welcomes questions, open discussion, public involvement and help from the outside.

Financial capital is the stock of unencumbered monetary assets invested in other forms of capital or financial instruments. Financial capital, if well-managed, generates monetary returns that can be used for further investment or consumption. For example, financial capital can be invested in land protection through outright purchase or purchase of easements. Public financial capital can be accumulated in a variety of ways including building budget surpluses by collecting more in tax revenues than is spent on services, borrowing through bonding, and charging fees for public services over and above the real cost of services. “Rainy day funds” are an example of public stewardship of financial capital, designed to help society weather risks and uncertainties. In addition, through the growth of the nonprofit sector, private philanthropic capital is often tapped for investment in other forms of capital that yield public goods, for example, preventive health care programs to increase individual capital. Stewardship of financial capital implies responsible investment to generate added income as well as elimination of unnecessary cost or waste in providing public goods and services. In creating wealth, we strive to invest financial capital in ways to increase and improve the quality of the other five forms.

For example, suppose your topic is food systems and your strategy has to do with expanding regional production of food for local consumption. Here are some broadly defined direct impacts such a strategy might have on wealth:

Strategy Type of Wealth	Expand production of food for local consumption
Individual	<ul style="list-style-type: none"> • Increased skills • Improved diets, better health, and reduced incidence of obesity
Social	<ul style="list-style-type: none"> • Increased structures for local ownership and/or control of wealth • Re-establish connections between farmers & residents (<i>community!</i>) • Increased appreciation for the land and sustainable farming practices could lead to better local planning & regulations
Intellectual	<ul style="list-style-type: none"> • Shared common language across the value proposition • New understanding of food systems, production and distribution options, creative new approaches to meeting local needs
Natural	<ul style="list-style-type: none"> • Reduced waste • Soil fertility restored and erosion stopped • Pesticide use reduced
Built	<ul style="list-style-type: none"> • Expand food processing capacity and co-locate with biomass plants for thermal energy • Increase the number of food co-ops • Establish commercial compost facilities to substitute for imported fertilizer • Use manure to produce farm energy
Political	<ul style="list-style-type: none"> • Alliances form between farmers, consumers, health care and business interests • Policies to support regional food production and consumption are developed and promoted by increasingly diverse groups
Financial	<ul style="list-style-type: none"> • Increased investment • Reduce the outflow of \$ for imported food and farm inputs • Enhanced multiplier effects from re-invigorated vendor network • Jobs from farming, processing & composting • Increased local multipliers from co-ops vs. supermarkets • Likelihood of better paying jobs & career options at co-ops vs. supermarkets • Savings from improved health

Worksheet #1: How does your work build the different forms of capital?

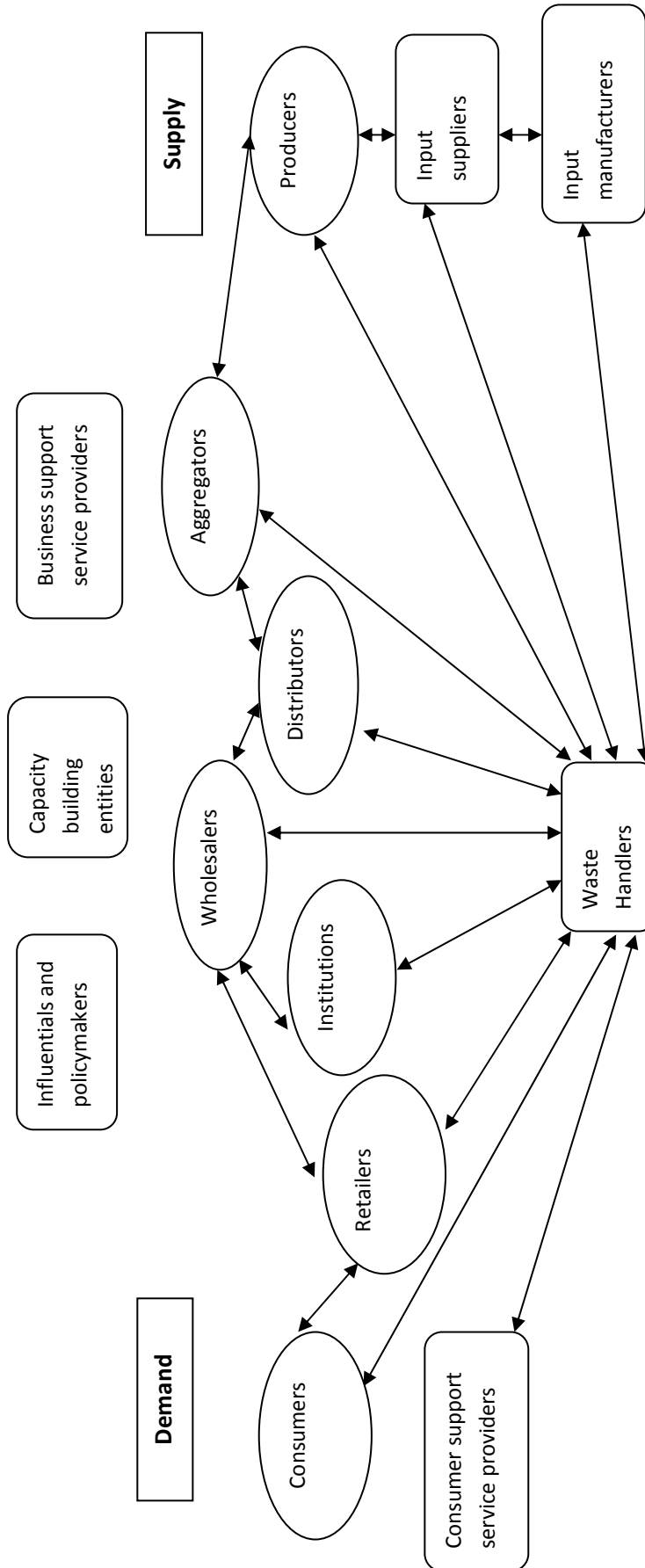
<p>Individual</p> <p>How will your strategy impact the stock of skills and physical and mental healthiness of people in a region?</p>	
<p>Social</p> <p>How will your strategy impact the stock of trust, relationships, and networks that support civil society?</p>	
<p>Intellectual</p> <p>How will your strategy impact the stock of knowledge, innovation and creativity?</p>	
<p>Natural</p> <p>How will your strategy impact the stock of unimpaired environmental assets in a region?</p>	
<p>Built</p> <p>How will your strategy impact the stock of fully functioning constructed infrastructure?</p>	
<p>Political</p> <p>How will your strategy impact the stock of power and goodwill held by individuals, groups, and/or organizations?</p>	
<p>Financial</p> <p>How will your strategy impact the stock of unencumbered monetary assets at the individual and community level?</p>	

Handout #2.a: Guiding Principles of a Wealth Creation Approach

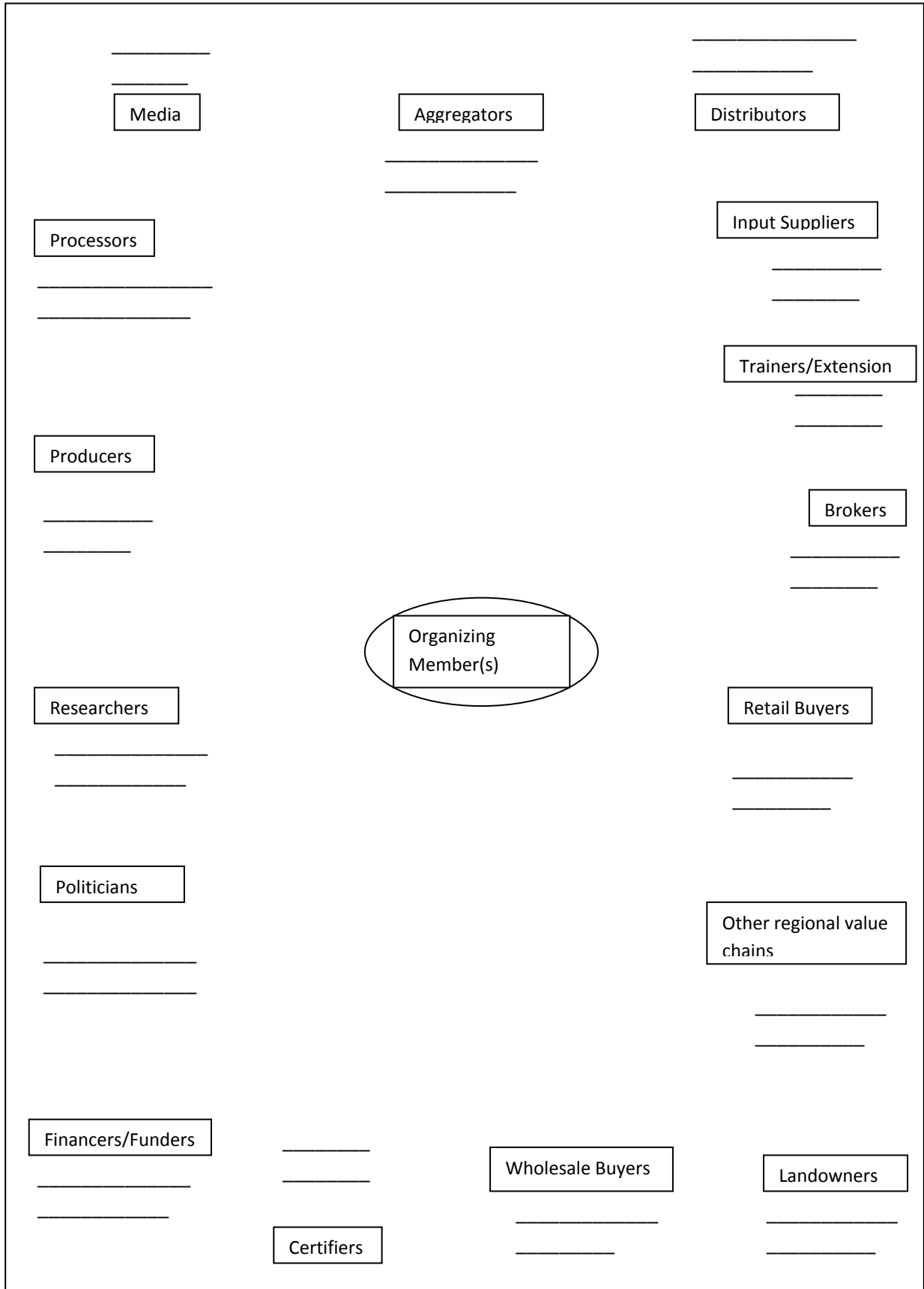
The wealth creation approach consists of developing seven forms of wealth by adhering to the following six principles:

- 1. Wealth is created and “sticks” in low wealth rural areas:** Seven forms of wealth (individual, social, intellectual, natural, built, political, financial) are intentionally created. The process of creating any one form of wealth does not undermine any of the other six. Wealth sticks for individuals and communities through structures for local ownership and control of wealth. Systems thinking is employed to understand the impact of each form of wealth on the other forms of wealth and to identify interventions that result in positive impacts on multiple forms of wealth.
- 2. Wealth is tied to place through value chains developed within sectors (e.g. housing, energy, forestry, etc.):** Value chains connect rural and urban areas and connect low-wealth individuals, businesses, and communities with higher wealth individuals, businesses, and communities within and beyond regions. Opportunities for cross-sector integration within regions are pursued (e.g. housing and forestry; agriculture and energy). The wealth creation approach improves understanding of how to re-build rural-urban economies based on mutual benefit.
- 3. Wealth-based development is demand driven:** The wealth creation approach embraces intentional market and policy interventions that stimulate demand in markets with potential for place-based wealth creation such as agriculture, energy, housing, health care, etc. Supply capacity is developed in response to effective demand.
- 4. Measurement is integrated into the entire process:** Baseline measures for each of seven forms of wealth are established and measured at the outset. Measures are linked to intentional interventions related to each form of wealth. Measurement provides accountability and an opportunity for the kind of learning that supports continuous improvement. Measurement is integral to the process of each intervention, not added on or performed by a third party. Measurement provides information that can be shared throughout a value chain.
- 5. Investment fuels wealth creation:** Value propositions define the self-interests of value chain participants –for example, it is worth it for a large buyer to invest in the well-being of small growers of a product they stock if the result is a more secure supply. When self-interests become transparent, diverse parties are willing to invest in value chain development including adjusting markets and policies to support it. Well managed investment in all seven forms of wealth creates the basis for sustainable income streams.
- 6. Strategically flexible:** Strategies for wealth creation are developed in context by committed regional partners. There are no “cookie cutter” interventions. Interventions integrate the above five components. Each intervention is crafted to create wealth in as many categories as possible while doing no harm to other forms of wealth.

Handout #2.b: Value Chain Schematic



Worksheet #2: Value Chain Network Map



NOTES:

Handout #3: Generic Value Propositions

Typical story	Value Proposition
The homeless need our help. We have to take care of them.	Building affordable housing creates jobs, builds stability and increases the health of our community members. As a result, we can be more economically productive.
We need more subsidies to help low income people pay for energy.	Retrofits for energy efficiency will reduce the amount of energy needed for everyday life and will save utility companies, households, and municipalities money that can be reinvested elsewhere.
We need to help low income landowners hold onto their land.	Turning underutilized land into a productive asset using environmentally sound practices improves environmental conditions, can reduce existing pollution, provides valued inputs into markets, and saves municipalities dollars by keeping land open and undeveloped. Dollars generated for landowners can be reinvested for further improvements.
Obesity is crippling our population. We need to serve nutritious food in the schools.	Reducing obesity will benefit employers, lower health care costs and improve civic participation. Growing nutritious food locally increases the value of underutilized land, provides jobs for youth and adults, and increases the self-sufficiency of communities. Increasing access to parks and trails improves health, raises property values, and helps reduce obesity. Exercise and learning in natural settings improves academic performance.

Worksheet #3: Identifying Sample Value Propositions

Identify four value propositions, each from the perspective of a different type of stakeholder in your value chain.

1. Stakeholder: _____

Value Proposition: _____

2. Stakeholder: _____

Value Proposition: _____

3. Stakeholder: _____

Value Proposition: _____

4. Stakeholder: _____

Value Proposition: _____

Debrief Question:

Who do you need to collaborate with to make these value propositions real? Be sure to think of both the types of interests you want represented, as well as any specific names. When you look around your table, who is missing? Write their names and contact information and/or the interests that are missing here (Add additional names on back)

Glossary

Wealth Creation Approach

This glossary reflects the efforts of the Wealth Creation Working Group to define a common language related to this work. It is a work in progress.

- **Capacity building** – transferring skills and understandings to individuals and organization to enhance their ability to work together to create and retain wealth in low wealth rural areas.
- **Cluster strategies** support and strengthen existing relationships among similar and complementary businesses with their service providers and look for opportunities to achieve economies of scale and opportunities to intervene to generate economic, environmental, and equitable outcomes. (In contrast to support for individual businesses irrespective of their relationships with one another.)
- **Community wealth** – assets owned or controlled by or in the interests of a community of place or of interest including financial, built infrastructure, education and health infrastructure and programs, land and natural resources, connections to others that serve the community, businesses, infrastructure supporting creativity
- **Entrepreneurship development** is about supporting and growing existing local talent in the private and public sectors to create and grow enterprises that generate economic (as well as environmental and social) outcomes. (In contrast to a business attraction framework.)
- **Individual wealth** – assets owned or controlled by individuals including financial, education and training, personal health, creativity, housing and other buildings or built infrastructure, land and natural resources, businesses, and connections to others.
- **Institution building** – strengthening and/or changing existing institutions to enable them to provide services that store, save, pool, protect, insure, reduce risk, diversify, exchange and mobilize resources to create and retain individual and community wealth in low-wealth rural areas.
- **Institutionalized Change** - changes in the system that do not depend on the beneficence of a single individual or a small group of individuals but are codified, enforced, and enforceable on and by entire organizations, be they for-profit, non-profit or government.
- **Policy** – laws and rules directing the allocation of public resources at local, state, regional, national and international levels. Our interest is in understanding the impact of existing policies at all levels on the potential for wealth creation and retention in low-wealth rural areas. We seek to build an enabling environment that supports individual and community wealth creation and retention through strategic changes in existing policy and/or crafting of new policy that creates effective alignment between all scales toward the end of wealth creation and retention. Our approach is to understand how existing policies impact specific place-based work and then find ways to introduce changes as needed.
- **Policy research** – data that illustrates to policy-makers the full range of consequences of their choices within a wealth creation framework and the consequences of alternative choices.
- **Shared ownership** – Ownership designs that combine individual ownership with community ownership or management, as with cooperatives, employee-owned firms, and community land trusts. The term also includes enterprises where there is sharing of certain ownership duties – like marketing dairy goods or managing wind rights – while other aspects of property ownership remain in individual hands.

- **Stock** - a quantity that has accumulated over some time, e.g. savings.
- **Systems approach** – includes the following: 1. *Defining* a system (e.g. food system, forest products system, energy production and distribution system, etc.) in relation to a shared desired outcome (e.g. healthy, fresh and affordable food for people of all income levels). 2. *Engaging people* who are active in and affected by different aspects of the system in analyzing the system. The analysis should engage a diverse enough group to be able to see the system more completely than any individual on their own and a powerful enough group to have the clout to change it. 3. *Identifying leverage points* or points where a targeted change will result in the greatest positive change throughout the system, and strategies to affect the leverage points. 4. *Measuring* the status of the leverage indicators as a baseline and re-measuring and providing feedback to the system as strategies are implemented so that changes can be made as needed to get to the desired outcomes.
- **Triple Bottom Line** – environment, economy, social inclusion
- **Value Chains** build relationships among all players in the value chain from production through distribution, wholesale, retail to consumption regardless of their physical location in relation to one another to generate economic (as well as environmental and social) outcomes. (In contrast to value-added approaches which focus on a portion of the value chain and are supply, not demand, driven.)
- **Value proposition** – a statement, supported by evidence, of the value to a non-low-wealth, and/or non-rural place of investment in low-wealth rural places. For example, by investing in watershed protection in the Catskills, New York City avoided the cost of a new water treatment plant.