

.Comments of Will Patten  
Executive Director of Vermont Businesses for Social Responsibility  
To The Commission on the Future of Economic Development  
April 9, 2007

Thank you for this opportunity. My name is Will Patten. I am just starting my second week as Executive Director of Vermont Businesses for Social Responsibility...VBSR. While I'm a newcomer – VBSR is not. Now in our late teens - 17 years old in fact – VBSR is the largest and most active organization of its kind in the country. Our 600 plus members employ 12% of Vermont's workforce and generate more than \$4.5 billion in business.

More importantly, VBSR has, since 1990, given voice to innovative and progressive thinking about business in Vermont and our membership has continually proven that progressive business practices are the most prudent and profitable practices.

VBSR's mission is to advance a business ethic that values multiple bottom lines – economic, social and environmental. Now, we don't have handouts to give you today with specific formulas for how each of those bottom lines are to be measured in the future. We do have some suggestions.

Our primary recommendation is that they *are* measured, that all three bottom lines are included in the success indicators that you are compiling.

The 20<sup>th</sup> Century was a long, loud endorsement of Adam Smith's theory in The Wealth of Nations that free trade and competition and unbridled commerce would provide the most efficient means of economic development. Boy was he right! From the Industrial Revolution to this Consumer-centric economy, the creation of wealth, the increase in our standard of living, has been achieved with amazingly efficiency!

Smith's 200-year old theory that launched the economic systems that prevail around the world today was based on a philosophical belief that *self-interest* is the most powerful motivator of societies. Smith, you'll remember was a philosopher; economics hadn't been invented yet.

VBSR has no interest in proving either theory wrong. We are not lobbying for a slew of new regulations on business or a return to the mercantile system of the 18<sup>th</sup> century. Nor are we hoping that the citizens of Vermont forego their self-interest. Our position is that socially responsible business practices are very much in the self-interest of our state and our businesses. We're in complete agreement with Adam Smith.

At VBSR we value economic results as highly as anyone. But we understand that economic success at the expense of the environment or the community is not success at all. In today's world, and more importantly in today's Vermont – economic success can only be achieved by a simultaneous and balanced effort to produce positive results for all three bottom lines.

Paul Hawken has explained the importance of this balanced approach, and why it's in our best interest - in his book, Natural Capitalism. Hawken, a capitalist like the rest of us, expands the definition of capital. There are two familiar definitions: *Financial Capital* for investment and *Asset Capital* in infrastructure, factories and equipment. He reminds us of the oft-forgotten *Human Capital* such as labor and intelligence and culture and then introduces *Natural Capital* as in air and water and living ecosystems. Capital is wealth that is invested to create more wealth and exists by definition in limited quantities.

The last two centuries have produced enormous growth of *Financial* and *Asset Capital* following Smith's formulas, with the speed and efficiency he predicted. Unfortunately, it has been accomplished by depleting, with the same speed and efficiency, our *Human* and *Natural Capital*. Speedy and efficient economic development has been fueled by cheap labor and polluting technologies. And in the past 20 years, as technology was able to move money and ideas around the globe at the speed of light, businesses went in search of more "fuel": cheap labor in Mexico or India; lenient environmental regulations in China or Indonesia. As a result, *Financial and Asset Capital* left the country, left our state, with the encouragement of the federal government. By avoiding investment in *Human and Natural Capital*, the global economy is providing life support to shortsighted business practices.

But we're waking up in the 21<sup>st</sup> Century to a new reality and the business community is recognizing it far ahead of our government leaders. Toyota's success with hybrid automobiles was not a reaction to new EPA standards. Even WalMart seems to have a better understanding of the urgent need for universal health insurance than the federal government. In Vermont, Green Mt. Power didn't wait for the state to make them convert their trucks to bio-diesel. Ben & Jerry's isn't waiting for the FDA to ban growth hormones for dairy herds. VBSR members, and like-minded companies around the country, are demonstrating a smarter way to do business, a Vermont way to do business.

Our recommendation to the Commission is that that your indicators of future economic success reflect that new reality, that new business model. We recommend that your indicators of success measure the preservation and growth of *Human and Natural Capital*...so that they can be invested in sustainable economic growth for our state. Here are our suggestions:

If our standard of living is the ultimate measure of our economy, then a Livable Wage is what keeps that that standard of living from backsliding. While

productivity, profits, and market forces determine wages, Livable Wages must factor in the cost of living.

Therefore we suggest that your indicators of sustained economic growth include the following major costs:

Cost of Housing – adopt a goal that housing should not exceed 25% of household income.

Cost of Health Care – The United States spends twice as much on our health care system as many other industrial nations that have longer life expectancy and lower infant mortality rates than we do. The money that our governments, businesses and families spend on health care is money that could be invested more intelligently. Therefore we recommend that you adopt a goal to reduce the overall expenditure on health care in Vermont without reducing the quality of that care. That will prompt some pretty interesting discussions about our funding and delivery systems.

Cost of Energy – we suggest that you determine how much effective conservation programs could produce in savings and make that your indicator of success.

Livable Wages for Vermonters cannot be the sole responsibility of business. Livable Wages will be a collaborative accomplishment of both public and private sectors...a collaborative investment in *Human Capital*. VBSR is anxious to work with the Commission on this effort.

A second indicator of economic health is a Skilled and Stable Work Force and this too will require the combined effort and investment of the public and private sectors.

Certificates of education – secondary, baccalaureate and technical – can measure the capacity of our work force and you should track them.

But Public Transportation use and Child Care access will more importantly measure the availability of that work force. In a rural state where dual incomes are often a necessity, public transportation and Child Care are essential to sustainable economic growth.

If we set and achieve goals for Livable Wages and a Skilled and Stable Workforce, Vermont will have a wealth of *Human Capital* to invest in economic development, a wealth that will encourage the creation of new business and attract investment from outside the state.

Similarly, *Natural Capital* – our environmental bottom line – must be preserved and replenished.

The depletion of the world's fresh air and clean water are dramatically documented every day. Vermonters are now rightfully suspicious of our upwind neighbors and are sadly cautious about eating the fish from Lake Champlain. Still, our state's relatively healthy environment – our relative abundance of *Natural Capital* - is an economic advantage that cannot be squandered by reckless development.

You don't need VBSR to provide you with environmental metrics. Vermont is a world leader in environmental protection. But we do want to explode the myth that environmental regulations are driving good businesses away from the state. VBSR members are coexisting with Act 250 and other regulations that protect our *Natural Capital* and we have endorsed the Vermont Trust legislation now in the Senate

We urge the Commission to establish strict indicators for not just preserving but for nourishing our environment. We know, like you do, that economic development that threatens our environment would be disastrous.

In drawing your attention to the importance of our environmental and social bottom lines, we are not in any way devaluing the importance of financial results or the creation of financial and asset capital.

- We applaud the governor's interest in our technology infrastructure. We hope that if public funding becomes necessary, that interest will convert to real commitment.
- We support efforts to attract and retain investment capital to our state.
- We hope and expect that you will devise a list of indicators that will address Vermont's median income and poverty levels.
- We expect you will focus on new business creation as a sign of future success.

But as you proceed with your very important work, building a new model of economic health for Vermont, we especially urge you to consider the health of our people and our environment. We urge you to adopt success indicators that will reflect an investment in our *Human and Natural Capital*. We look forward to working with you and wish you good luck.

Thank you,