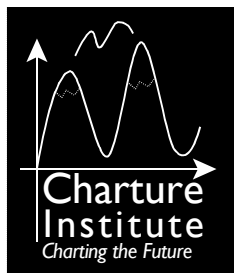


# **The Great Unraveling: *Yes, Things Really Are Changing That Fast***

**Mountain Town Planners 2022  
*Snowmass, CO***

***Jonathan Schechter, Executive Director  
Charture Institute, Jackson WY***



# **S = R - E Schechter's Equation for Life**

*Satisfaction Equals Reality Minus Expectations*

- The higher your expectations, the greater reality has to be in order for you to be satisfied
- So what should you expect from me?



# To Completely Bum You Out

*And in so doing, set the stage for John Bouters to lift you up*



# S = R - E (cont.)

*A bit more nuance...*

- Why local government is an incredibly hard job
- Why it's gotten much harder the past couple of years
- An approach to making things better (lessons from Patagonia)



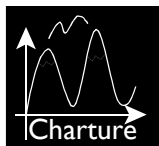
# Basic Takeaway: Things ARE Spinning Out of Control

*You may be crazy, but you're not alone in feeling that way*



# The Fundamental Question Framing This Presentation: *Why Is Local Government So Bloody Difficult?*

- Special Challenges
- The Unique Challenge



# Special Challenges

- Every special place to live in the world is facing the same basic suite of challenges:
  - ▶ *Affordable/workforce housing*
  - ▶ *Transportation & related infrastructure*
  - ▶ *Issues related to growing income inequality*
- No place on Earth has successfully addressed these special challenges. **None**
- Because of their size, economies, and interconnections with the environment, these challenges are striking mountain towns with exceptional force

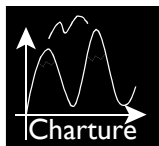


# The Unique Challenge

- In the 250 years since the Industrial Revolution began, with perhaps two exceptions, no place on Earth has developed a successful post-agrarian economy without significantly compromising the health of its ecosystem.

## None

- ▶ *The exceptions may be the southern portion of the Greater Yellowstone Ecosystem and the Banff area*
  - A pander to our attendees from those locales...





# Special + Unique Challenges

- Because the economies and cultures of our towns are so tightly linked to the health of the environment around them, we need to figure out how to maintain/restore their environmental health while simultaneously maintaining economic vitality
  - ▶ *There is no road map/blueprint/recipe for doing this*
  - ▶ *We also need to do this while addressing our “special challenges”*
- Hence the focus of today’s talk
  - ▶ *250 years of history suggest the approaches we’re using for shaping our future won’t produce the results we want*
  - ▶ *Since there are no clear alternatives, as a first step let’s reframe how we think about things*



# Seven Foundational Ideas

- Schechter's Maxim
- Iceberg Theory of Government
- 21st Century Communities with 20th Century Operating Systems
- Technology Is Rendering Geographic Isolation Increasingly Moot
- Generational Mis-alignment
- The Spectrum of Economic Activities
- Financial Profit v. a More Holistic View of Success



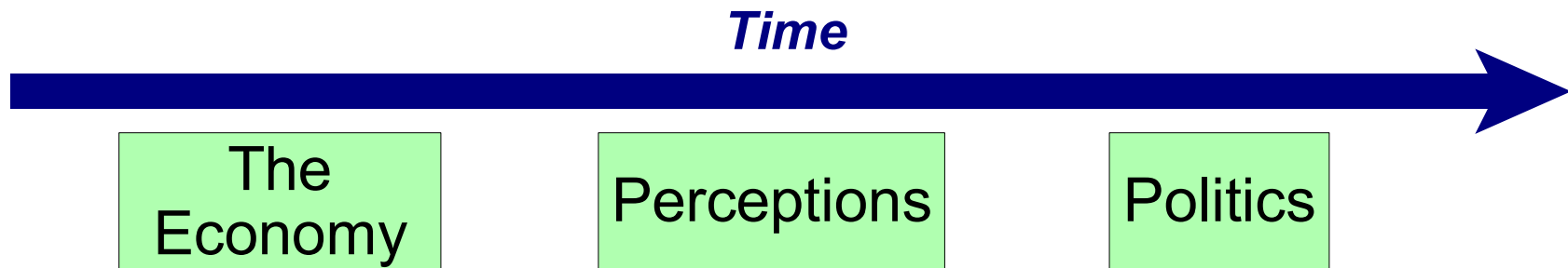
# Foundational Idea I: Schechter's Maxim



# Schechter's Maxim: Abbreviated

*Economies change faster than perceptions;  
Perceptions change faster than politics*

## Schechter's Maxim: Abbreviated



# Schechter's Maxim: Abbreviated

*Economies change faster than perceptions;  
Perceptions change faster than politics*

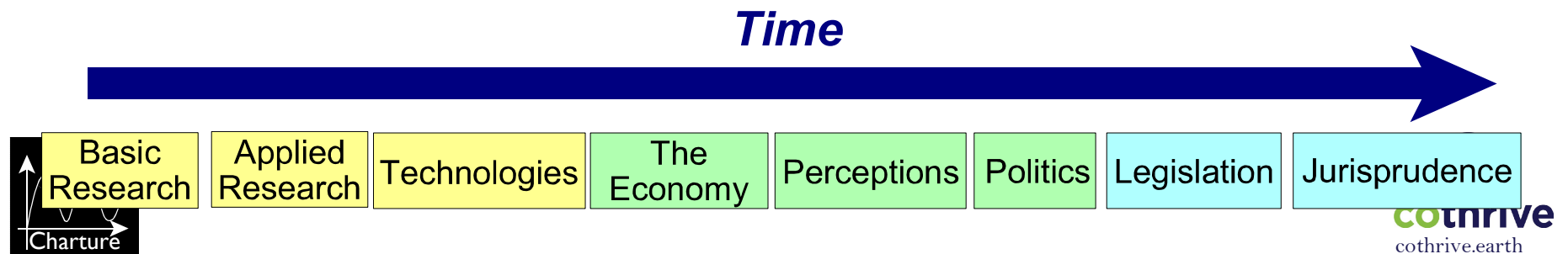
- For example...social networking
- Facebook first opened to all comers in Sept. 2006
  - ▶ **Economy**
    - 15 years later, annual revenue of \$118 billion; market cap of \$922 billion
  - ▶ **Perceptions**
    - Generally viewed as positive for first 10 years
    - Then came the 2016 election...
    - Today, usage has flattened
  - ▶ **Politics**
    - Government has no idea how to regulate, or even if...



# Schechter's Maxim: In Full

- Science changes faster than technology
- Technology changes faster than economies
- Economies change faster than perceptions
- Perceptions change faster than politics
- Politics changes faster than legislation
- Legislation changes faster than jurisprudence

## Schechter's Maxim: Complete

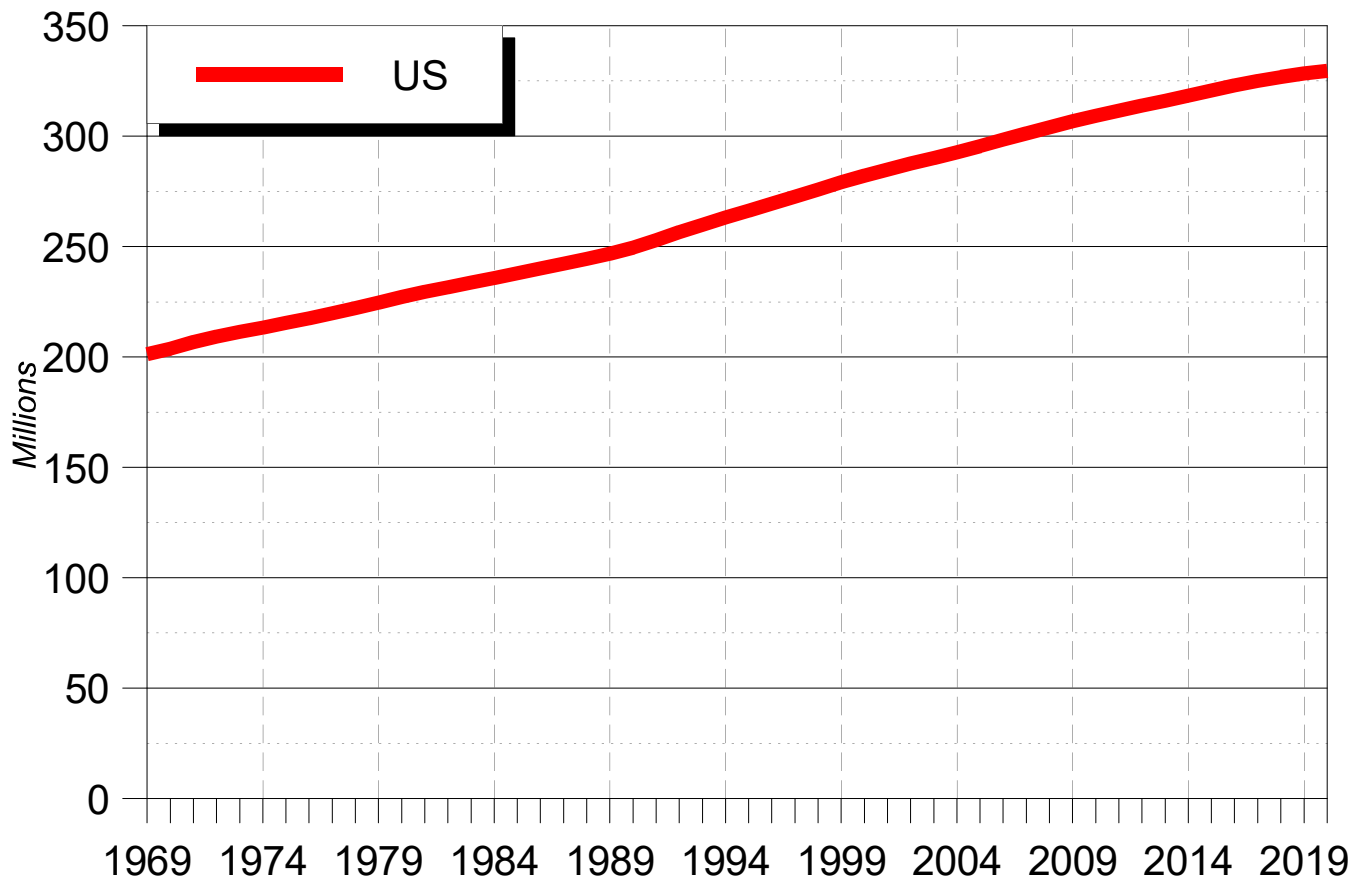


# Let's Talk About Change

*The most obvious indicator of change: population*

## US Population Growth 1969-2020

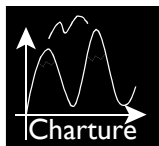
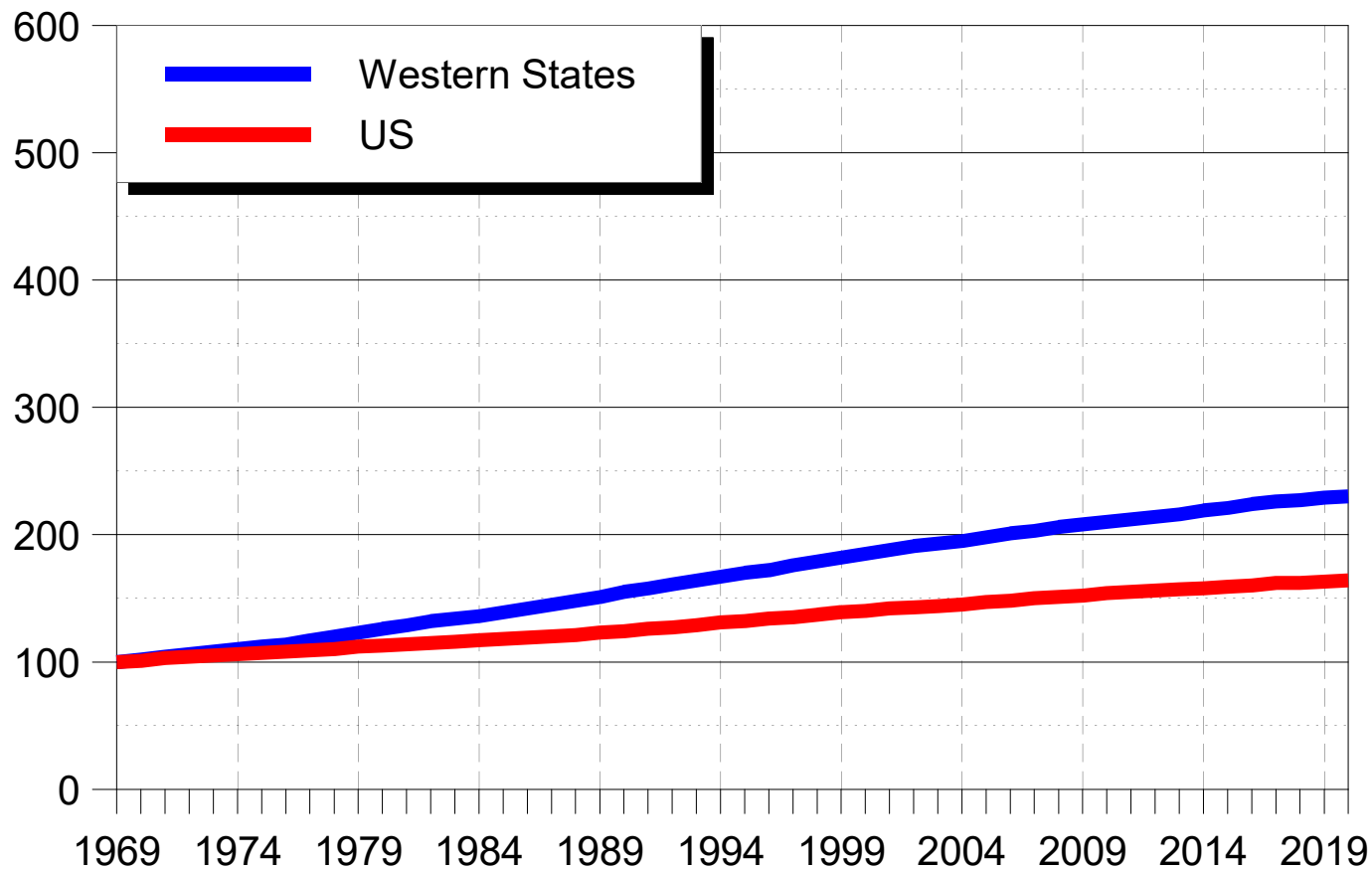
201 to 329 million; 62% total growth; 1.0% annual growth



# Let's Talk About Change (cont.)

*Western states' population growth rate 60% above US's*

US v. Western US States: 1969-2020  
Relative Growth of Population (1969=100)



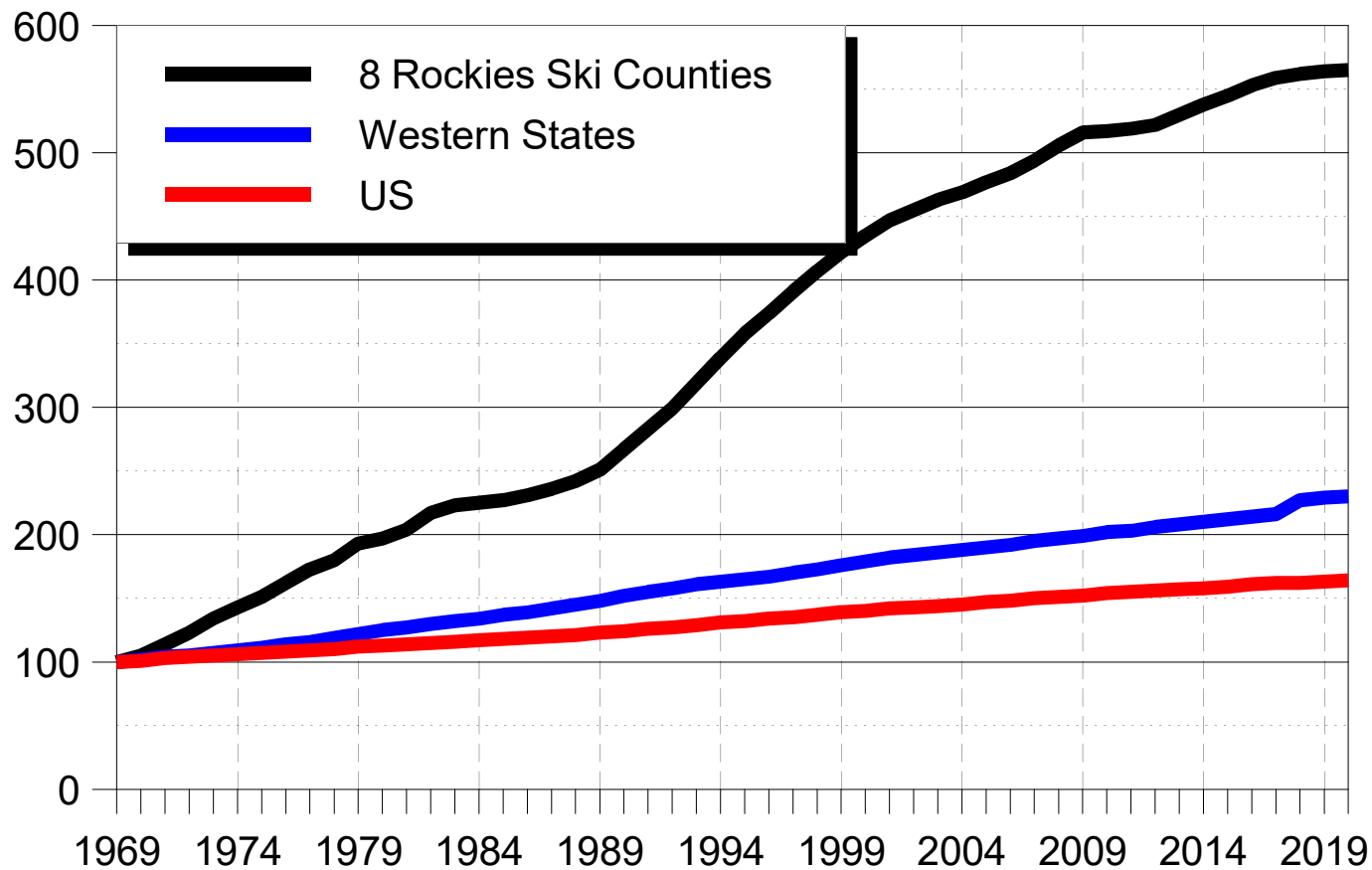


# Let's Talk About Change (cont.)

*Growth rate of 8 major Rockies ski counties 3.6x US rate*

US; W. States; 8 Rockies Ski Counties: 1969-2020

Relative Growth of Population (1969=100)

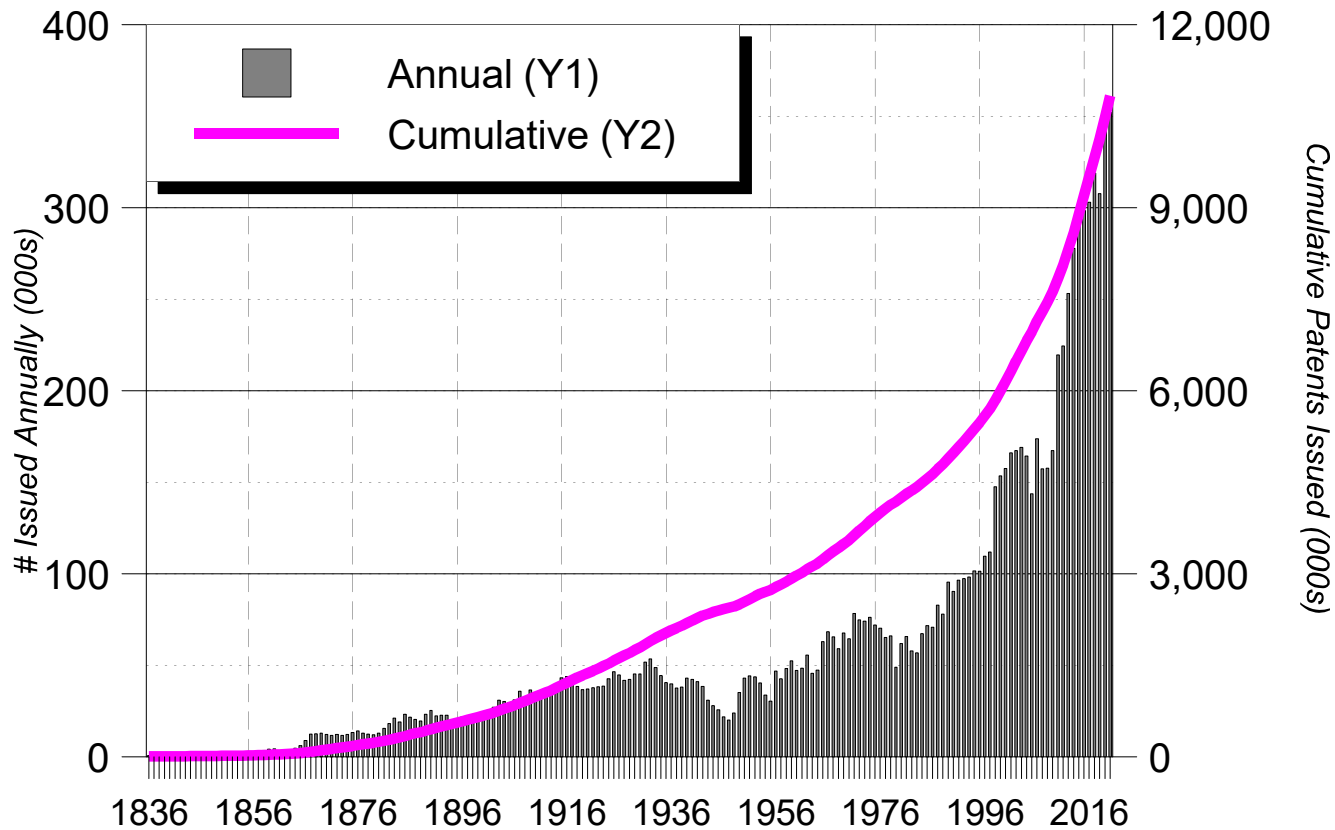


# A Different Kind of Change: Patents

*Per Schechter's Maxim, tech drives subsequent change*

## US Patents Issued: 1836-2020

Annual and Cumulative

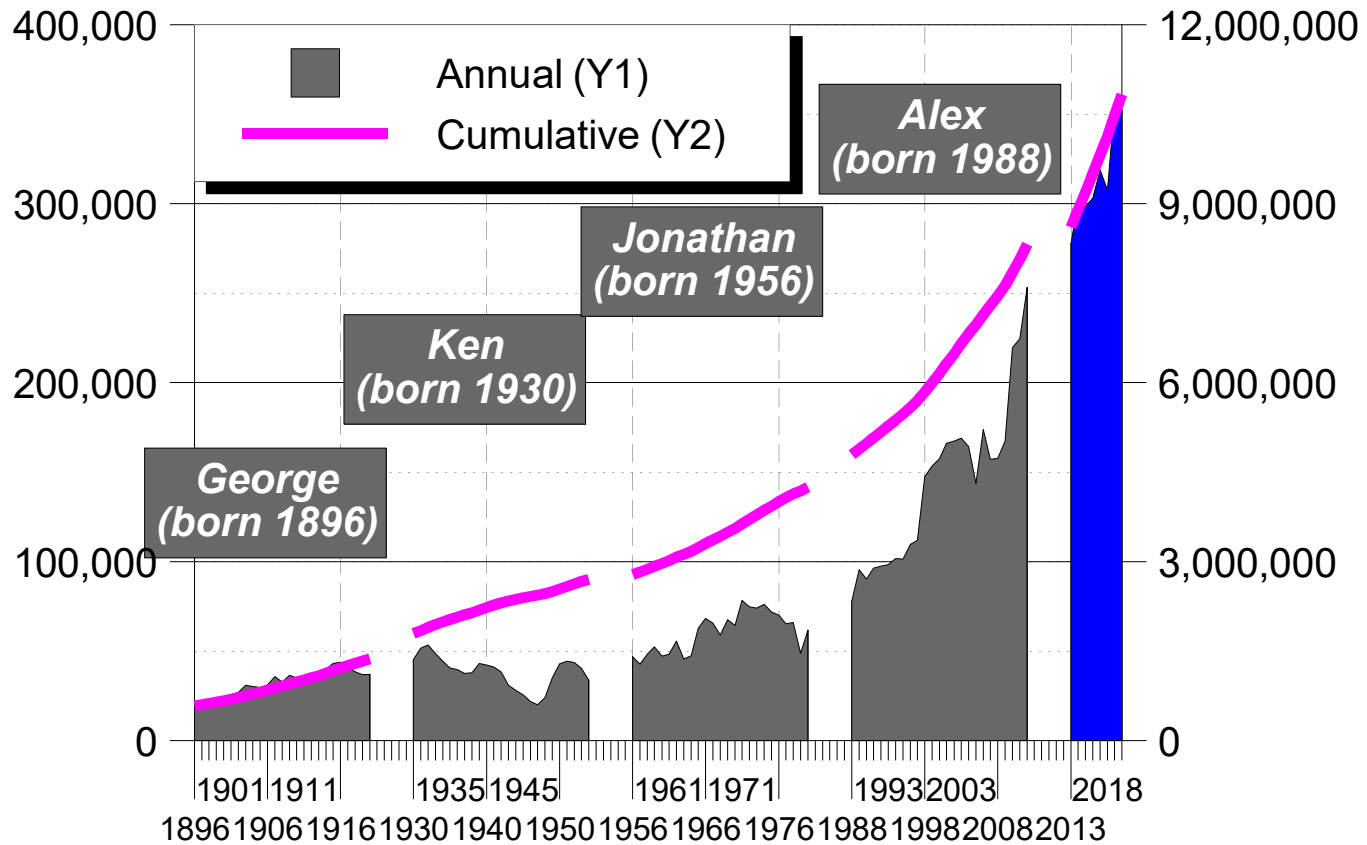


# The Pace of Change is Accelerating

*Patents issued during 4 generations of my family*

## US Patents Issued: 1896-2012

4 Generations of Schechters; First 25 Years + Since Then



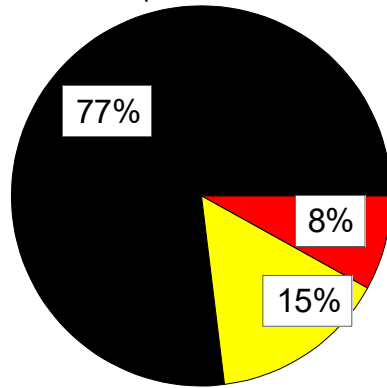
# A Different Kind of Change: Income

*Maxim Part III: Economies change faster than perceptions*

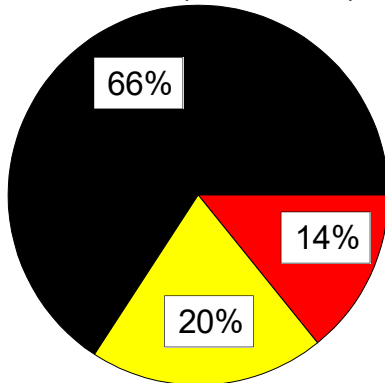
## US: Total Personal Income

Personal Income, by Source: 1970, 1995, 2020

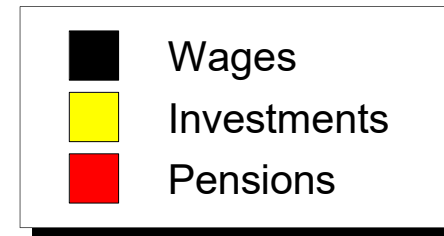
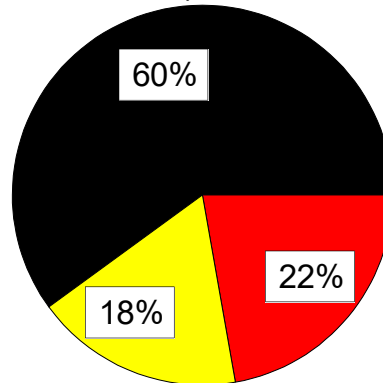
US: 1970 (\$791 billion total)



US: 1995 (\$6.3 trillion)



US: 2017 (\$19.6 trillion)

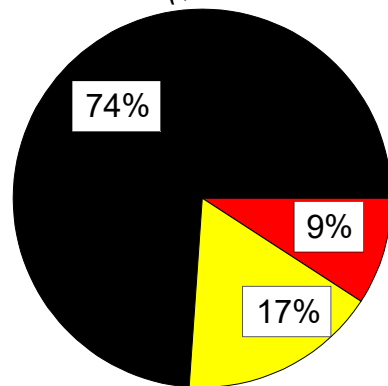


# Income Change (cont.)

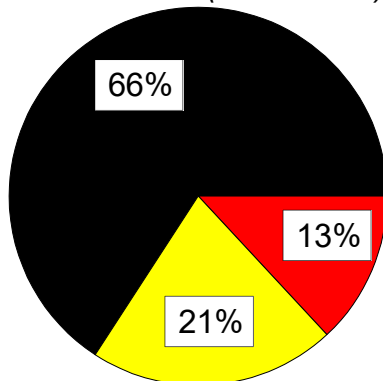
*Maxim Part III: Economies change faster than perceptions*

Western US States: Total Personal Income  
Personal Income, by Source: 1970, 1995, 2020

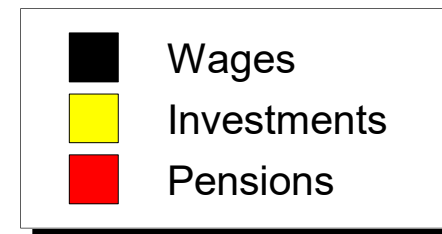
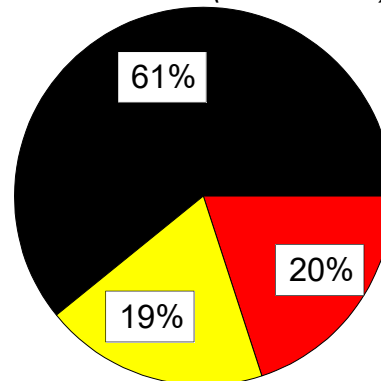
W. US: 1970 (\$156 million total)



W. US: 1995 (\$1.3 trillion)



W. US: 2020 (\$4.9 trillion)

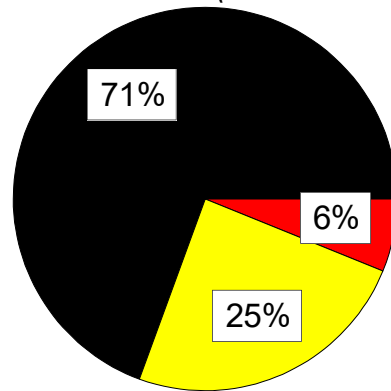


# Income Change (cont.)

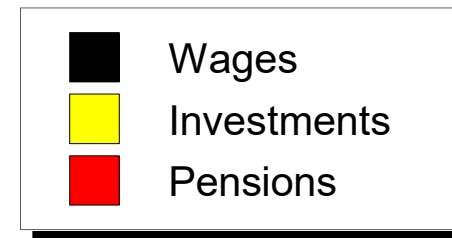
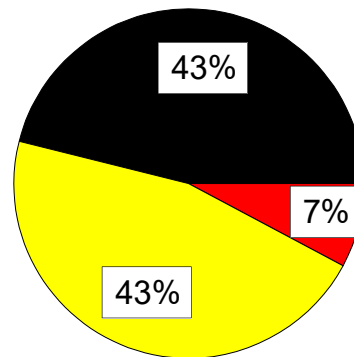
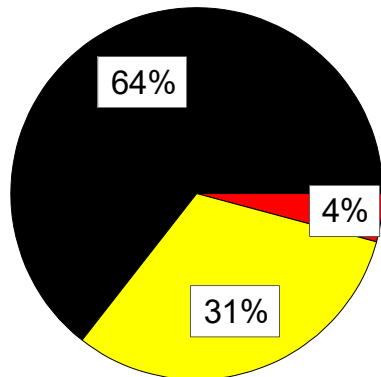
*Maxim Part III: Economies change faster than perceptions*

## 8 Rockies Ski Counties: Total Personal Income Personal Income, by Source: 1970, 1995, 2020

*Ski Counties: 1970 (\$187 million total)*



*Ski Counties: 1995 (\$4.9 billion total)*     *Ski Counties: 2017 (\$27.5 billion total)*

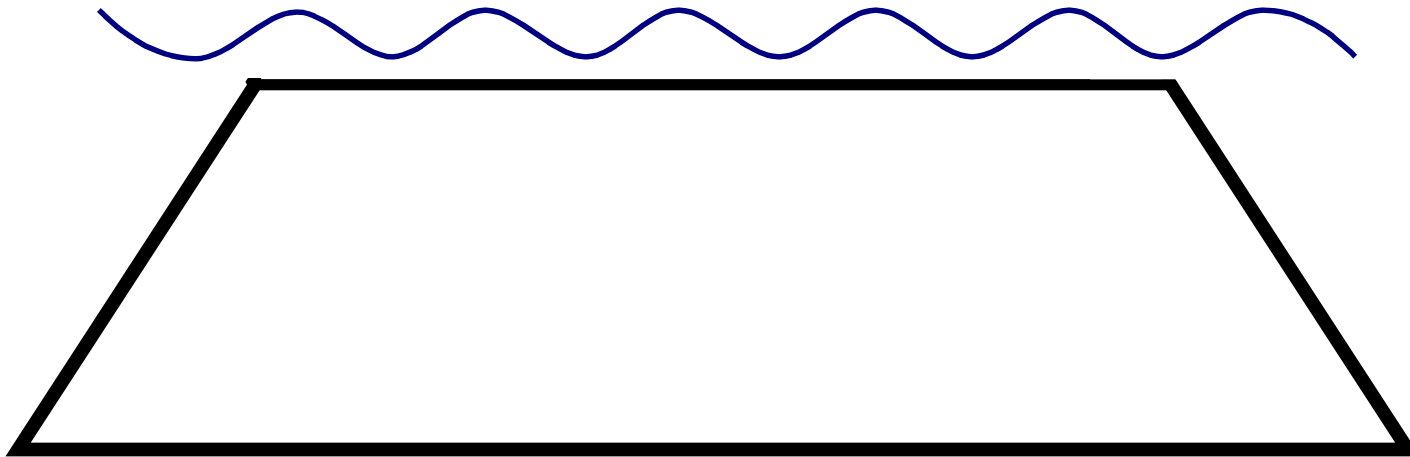


# Foundational Idea II: The Iceberg Model of Local Government



# The Iceberg Model: Potholes

*The basic services provided by local government*





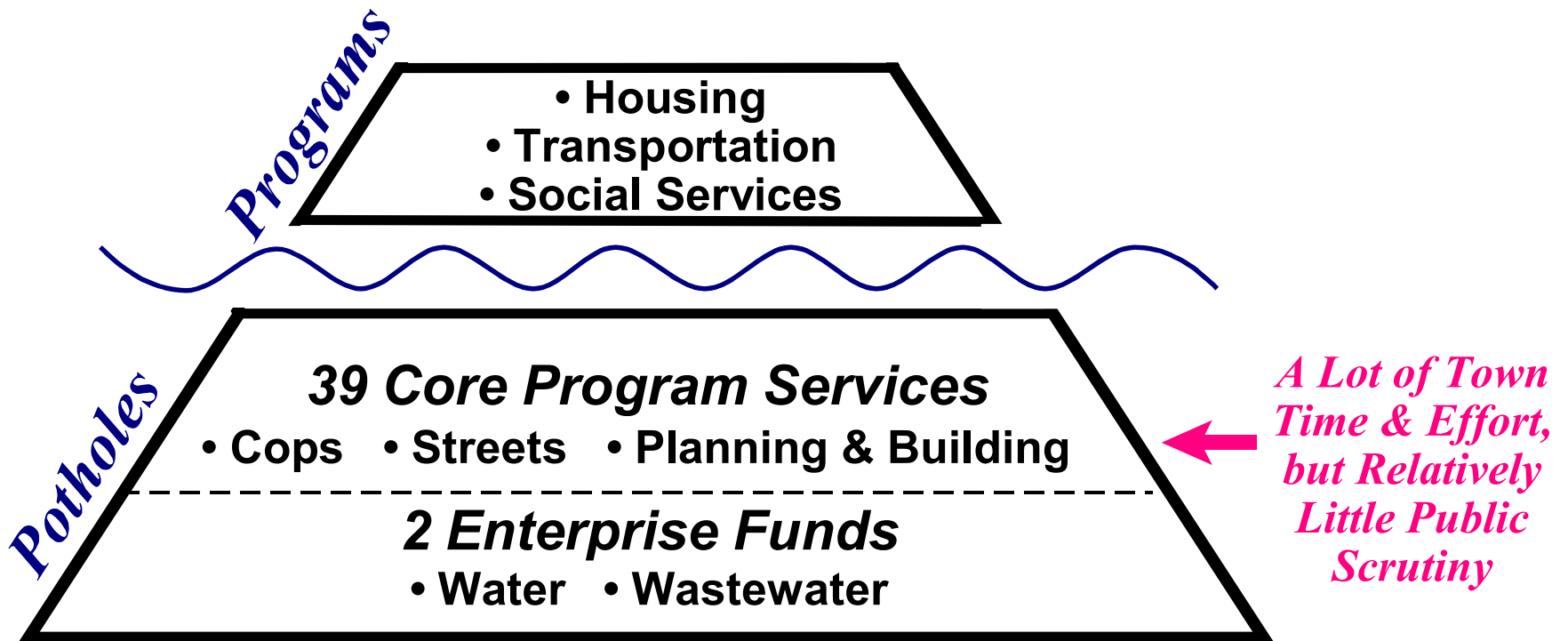
# The Iceberg Model: Potholes

*The basic services provided by local government*

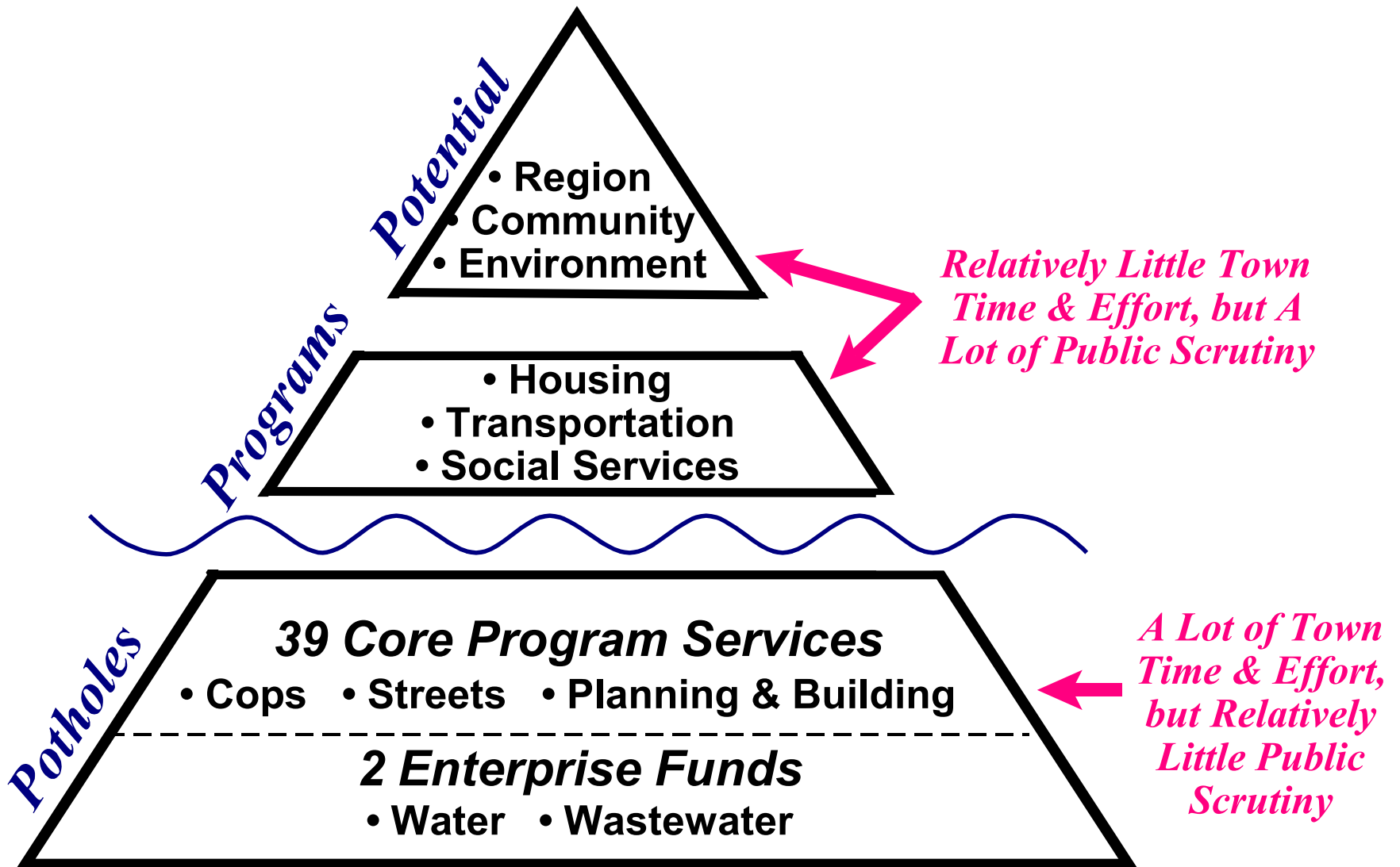


# The Iceberg Model: Programs

*Items “above the water line” that draw attention*



# The Iceberg Model: Potential



# Foundational Idea II: 21st Century Communities with 20th Century Operating Systems

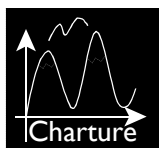
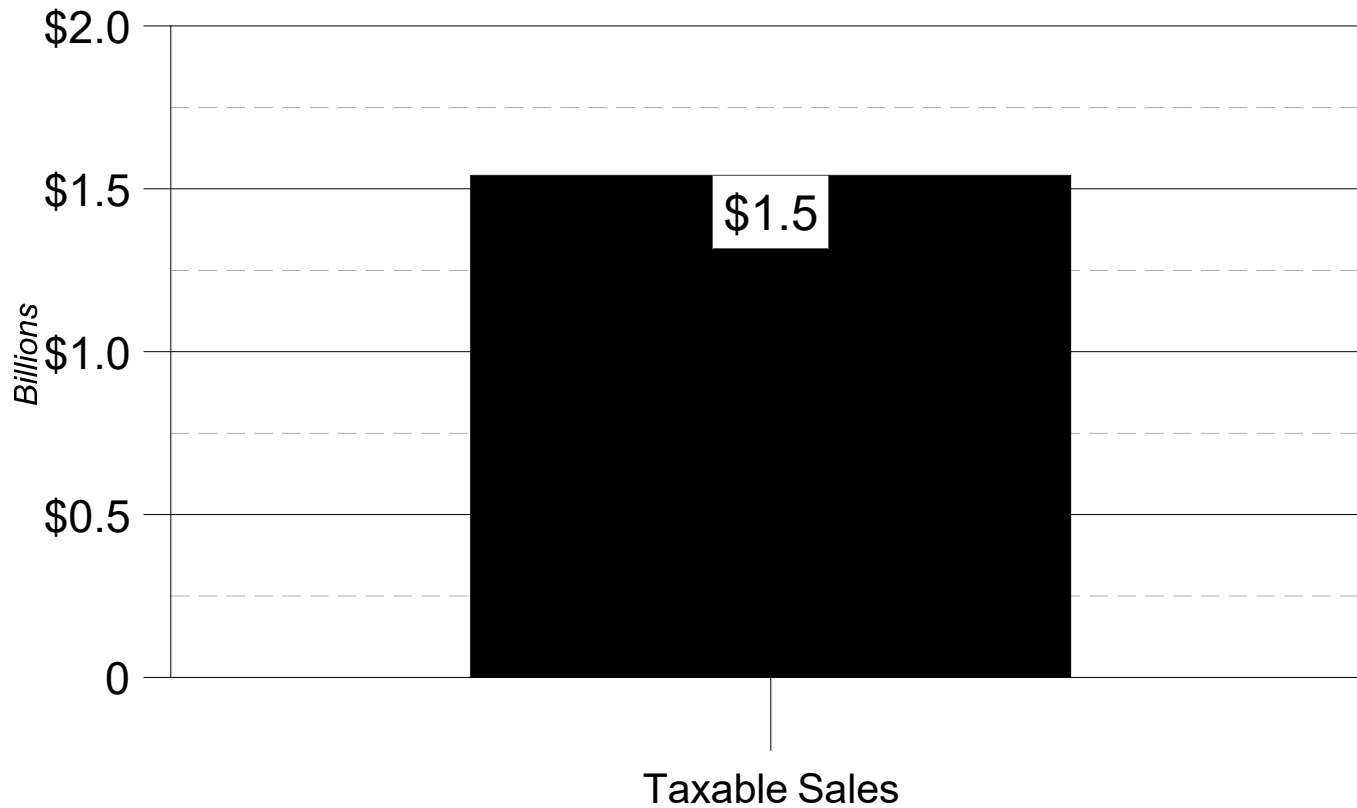


# WY: No Income Tax; Low Prop. Taxes

*Local government is super-reliant on sales tax*

## Teton County, WY: 2020

Economic Activity, by Type



# But Taxable Sales Aren't the Economy

*We don't tax services, real estate, wages*

## Teton County, WY: 2020

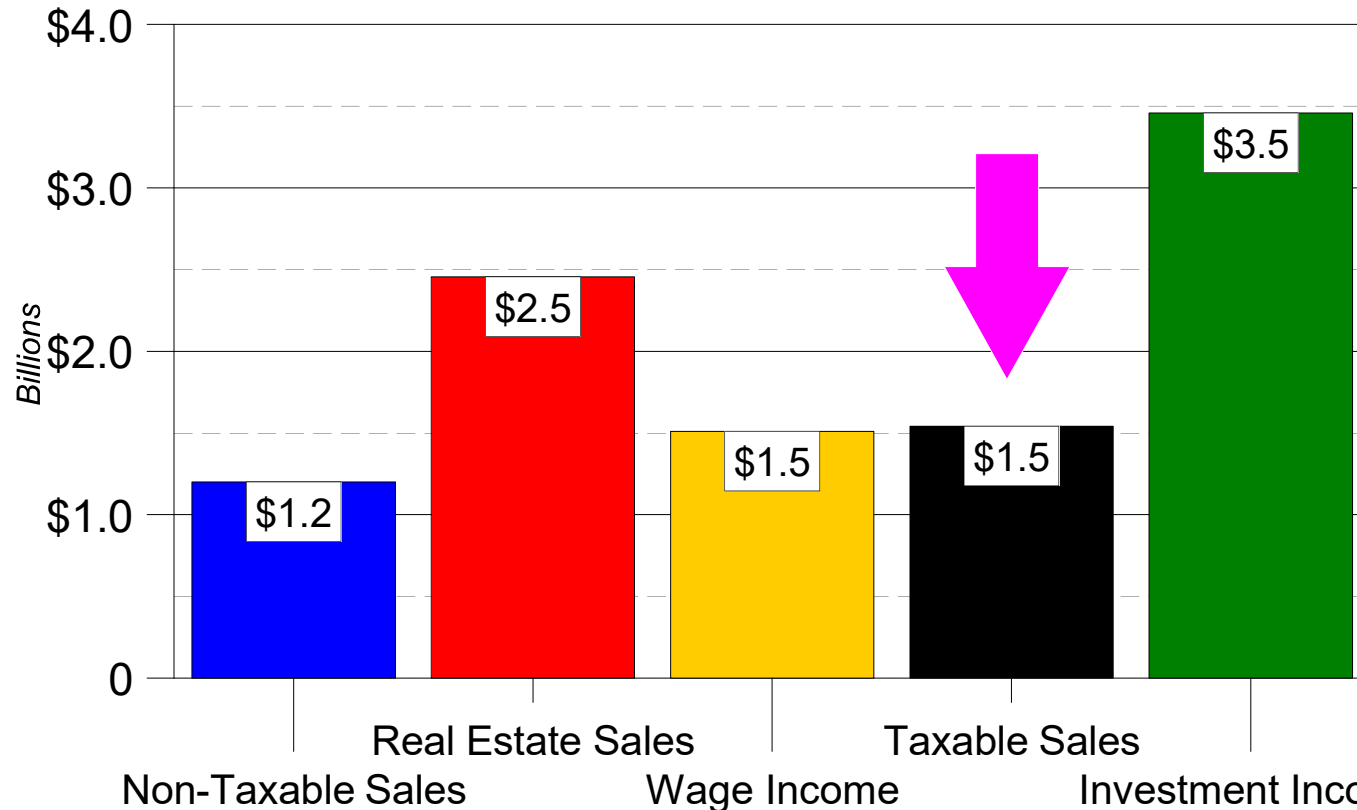
### Economic Activity, by Type



# And Then There's Investment Income

*In 2020, investment income was more than 2x taxable sales*

## Teton County, WY: 2020 Economic Activity, by Type

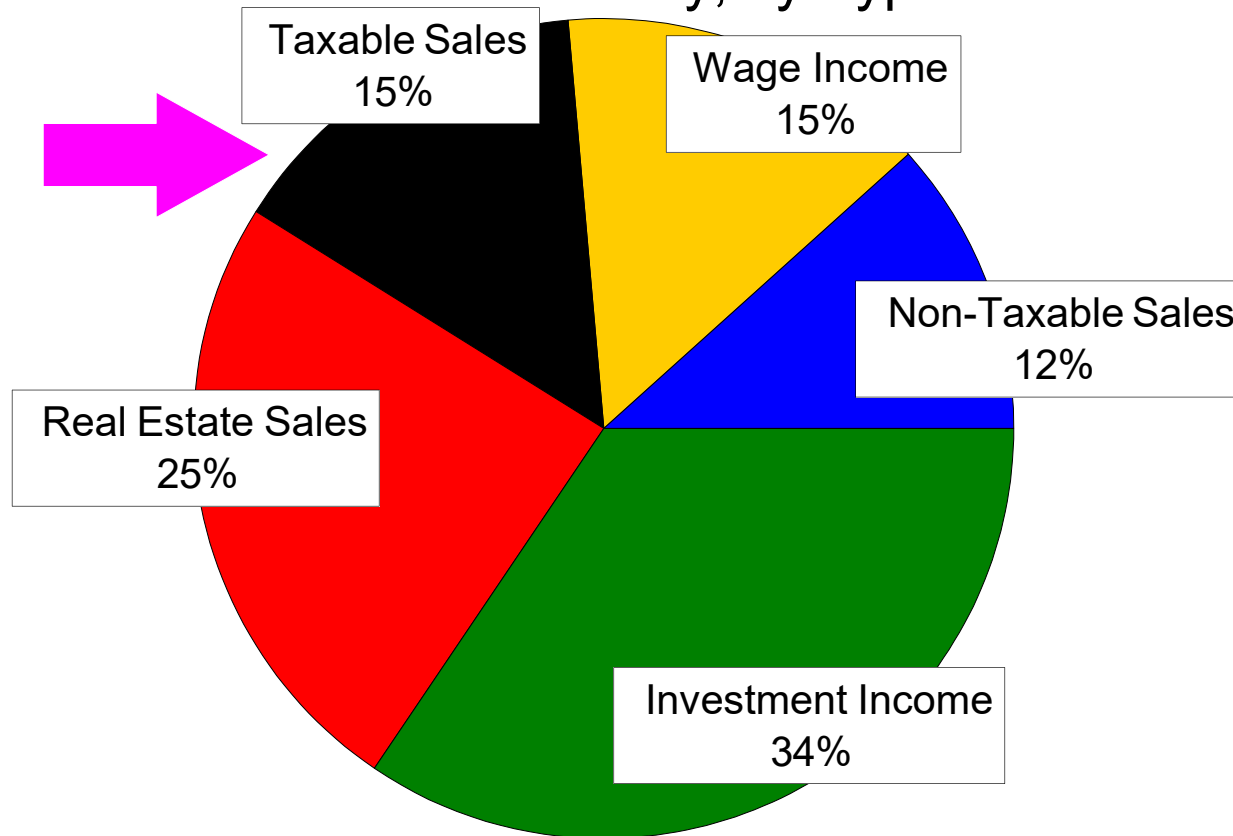


# WY's Govt. Funding Dates to 1972

*A 50 year disconnect between our model and our economy*

## Teton County, WY: 2020

### Economic Activity, by Type





# Foundational Idea IV: Technology is Rendering Geographic Isolation Increasingly Moot

- The foundation of our communities' characters is geographic isolation
- Once, we had to make sacrifices to live in these places that speak to us
  - ▶ *Be away from family, job opportunities, culture, etc.*
- And our economies were very location-dependent
  - ▶ *Ranching*
  - ▶ *Mining & timber*
  - ▶ *Tourism*
  - ▶ *Construction*



# What Sacrifices Do We Make Today?

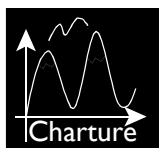
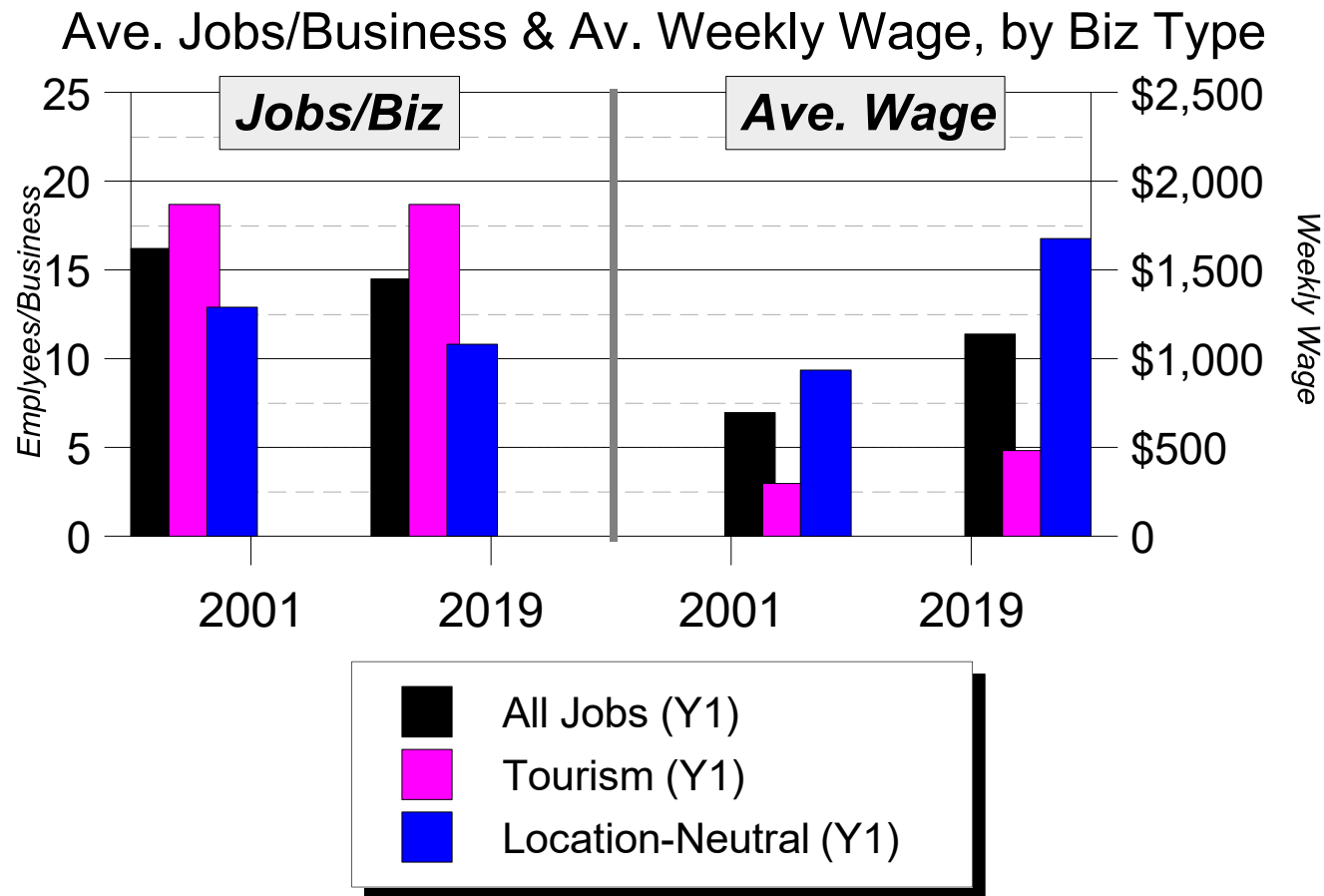
- Technologies introduced since mid-80s (when Jackson Hole's local wages were last aligned with local housing prices)
  - ▶ *Personal computers*
  - ▶ *Cell phones*
  - ▶ *Internet*
  - ▶ *Vastly improved air service & more reliable ground transit.*
- These have allowed a tectonic shift in what kinds of businesses can succeed in our communities
  - ▶ *Information*
  - ▶ *Finance*
  - ▶ *Professional services*



# Different Business Models

*Tourism v location-neutral businesses*

## United States: 2001 v 2019



# The Fundamental Battle

*Location-dependent v location-neutral businesses*

- In the battle for our communities' scarcest commodity -- land-cum-housing – who wins?
- And since it ain't location-dependent businesses, what are the long-term implications for our economies, workforce, cultures, and so much more that is integral to who we are?



# Now Let Me Bum You Out Further...

*Hello Mr. COVID*



# The Data

*1st Quarter Bureau of Labor Statistics data  
from Q1 2001 to Q1 2022, total & by industry*

- Total employees
- Total employers
- Total wages paid
- Average weekly wage



# Total Jobs

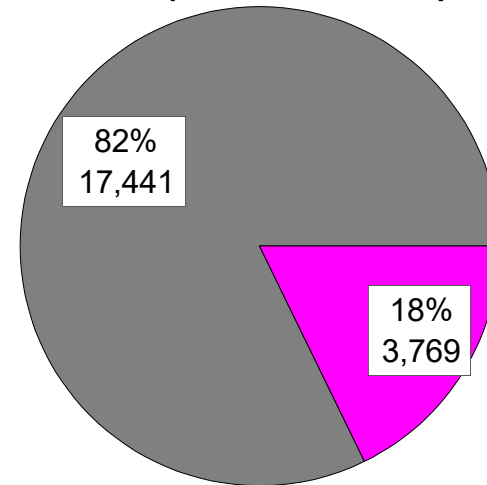
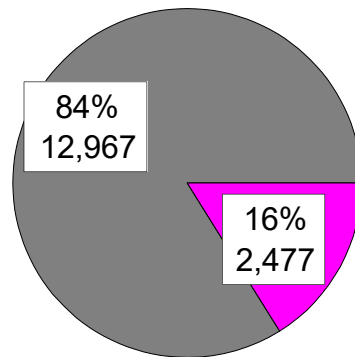
*Jobs grew rapidly, but not much shift in type*

Teton County WY: Q1 2001 v. Q1 2022

Total # of Wage Jobs, by Job Type

2001 (Total = 15,444)

2022 (Total = 21,210)



**Overall 2001-22 Compounded Annual Growth Rate = 1.5%**



Location-Dependent (2001-22 CAGR = 1.4%)

Location-Neutral (2001-22 CAGR = 2.0%)



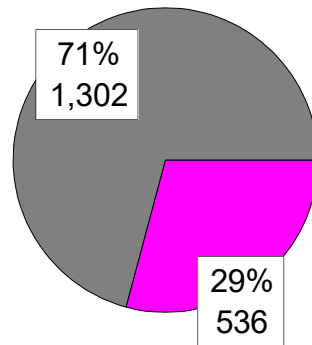
# Total Employers

*Location-neutral grew faster than location-dependent*

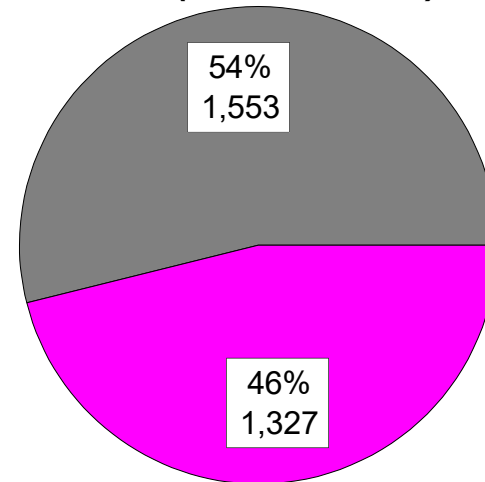
## Teton County WY: Q1 2001 v. Q1 2022

### Total # of Employers, by Job Type

2001 (Total = 1,838)



2022 (Total = 2,880)



**Overall 2001-22 Compounded Annual Growth Rate = 2.2%**

- Location-Dependent (2001-22 CAGR = 1.4%)
- Location-Neutral (2001-22 CAGR = 2.0%)





# Total Wages

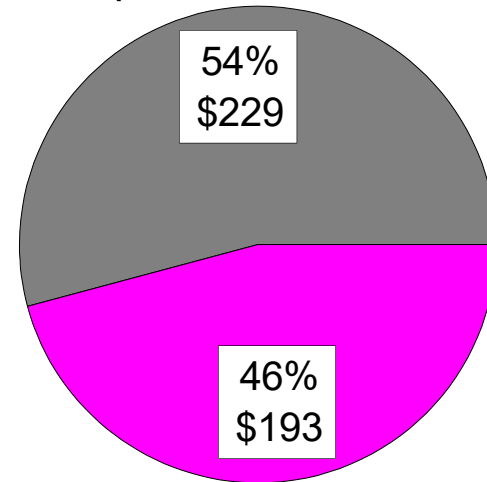
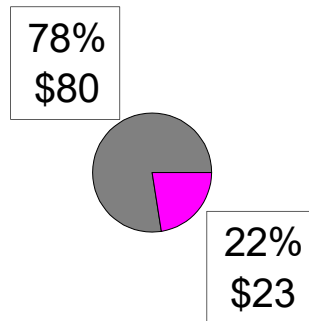
*Location-neutral grew 2x faster than -dependent*

Teton County WY: Q1 2001 v. Q1 2022

Total Wages, by Job Type

2001 (Total = \$103 million)

2022 (Total = \$422 million)



**Overall 2001-22 Compounded Annual Growth Rate = 7.0%**

- Location-Dependent (2001-22 CAGR = 5.2%)
- Location-Neutral (2001-22 CAGR = 10.6%)

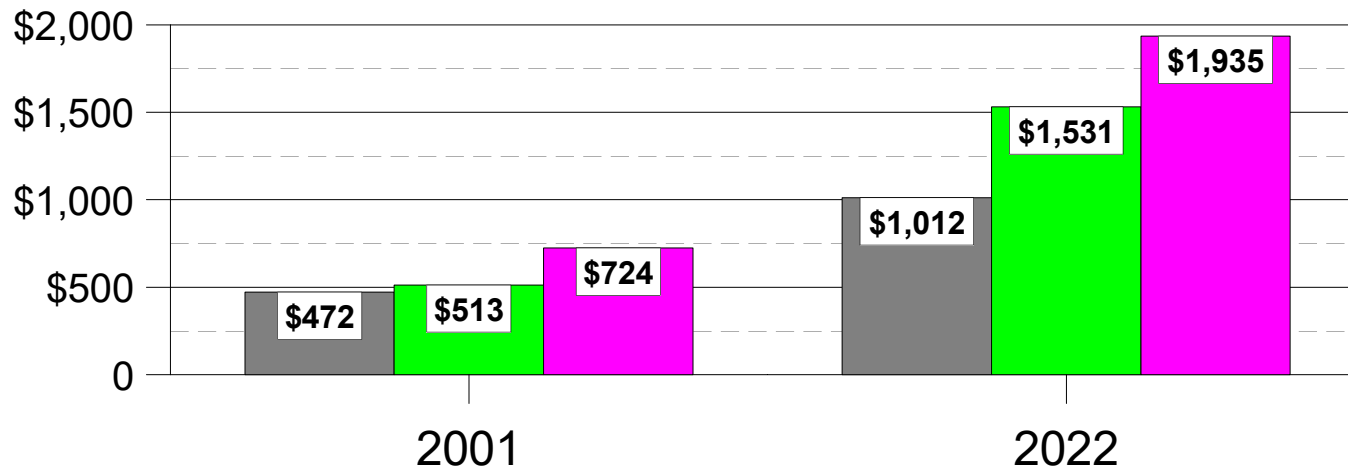


# Mean Weekly Wage

*In 2001, -neutral was 54% higher than -dependent.  
In 2022, -neutral was 91% higher*

## Teton County WY: Q1 2001 v. Q1 2022

### Mean Weekly Wage, by Job Type



**Overall 2001-22 Compounded Annual Growth Rate = 5.3%**

- Location-Dependent (2001-22 CAGR = 3.7%)
- All Jobs (2001-22 CAGR = 5.3%)
- Location-Neutral (2001-22 CAGR = 8.4%)

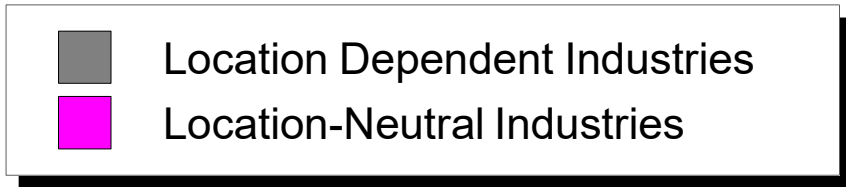
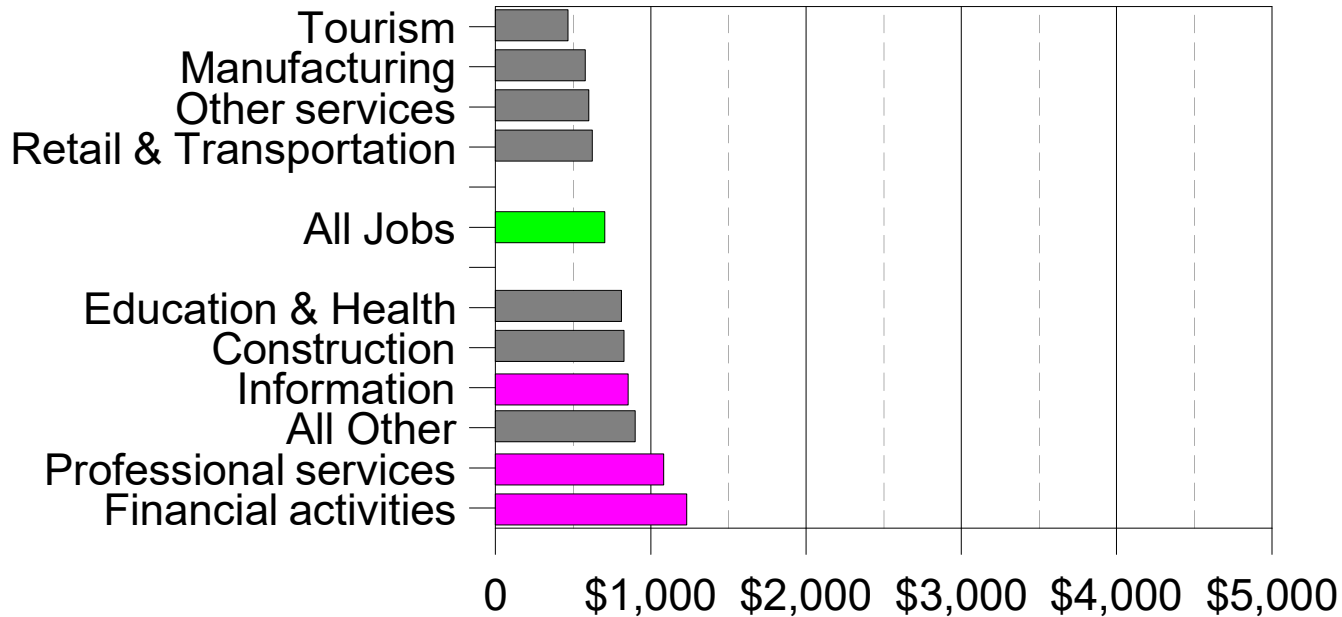


# Mean Wages by Industry: 2010-2022

*In 2010, not much spread in wages; balance in types*

## Teton County WY: Q1 2010

Mean Weekly Wage, by Industry & Job Type

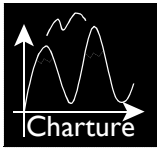
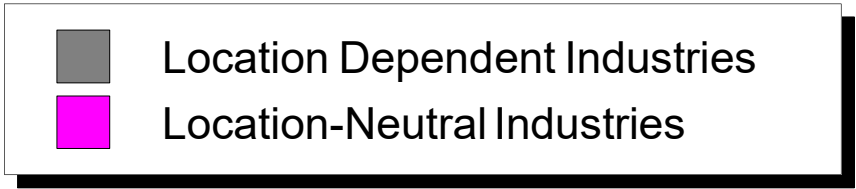
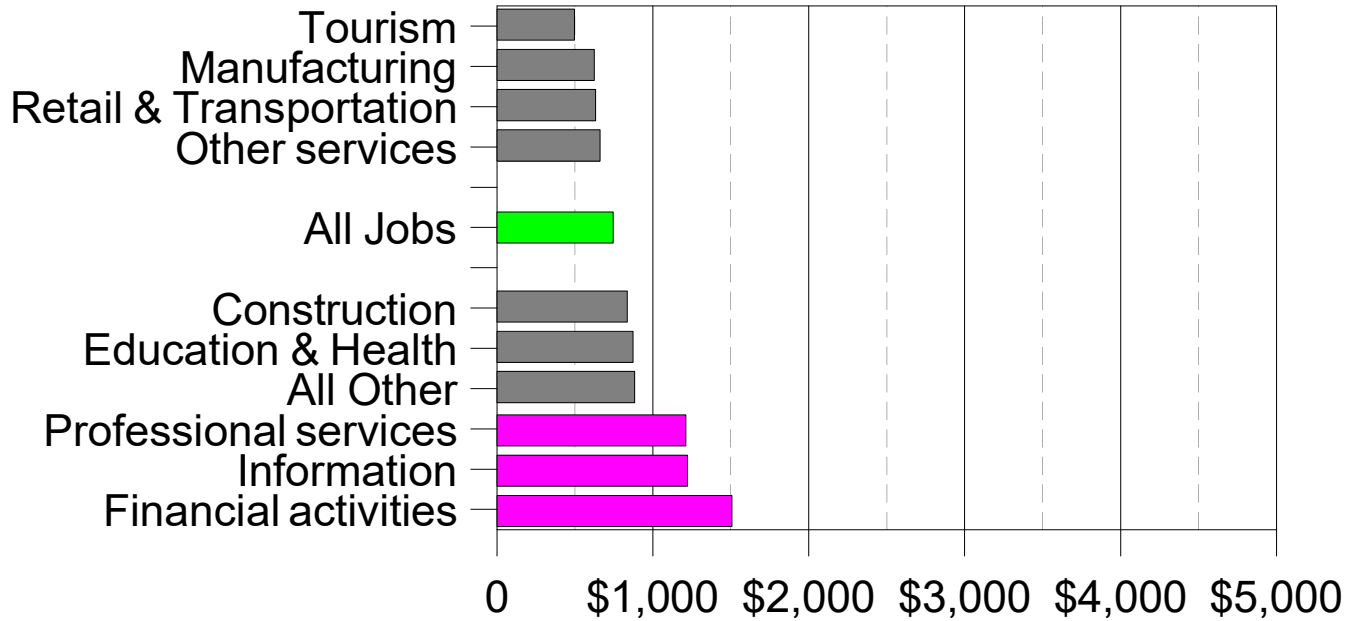


# 2010-2012

*Not much change*

## Teton County WY: Q1 2012

Mean Weekly Wage, by Industry & Job Type

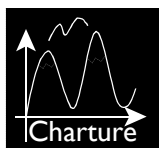
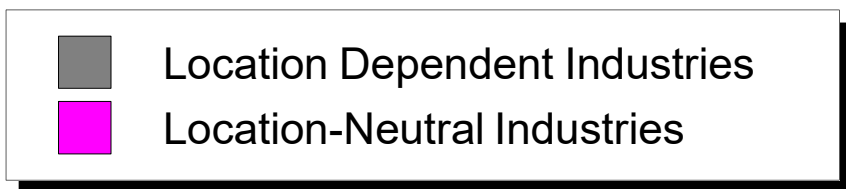
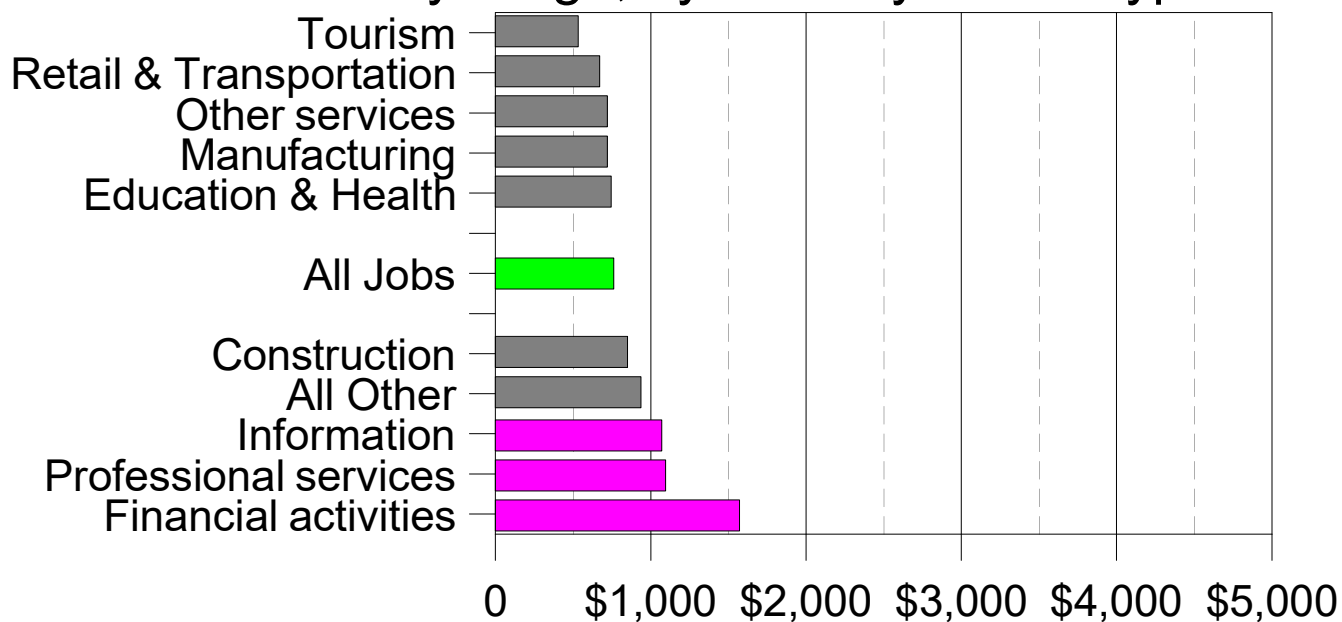


# 2012-2014

*Education & Health wages growth slowed*

## Teton County WY: Q1 2014

Mean Weekly Wage, by Industry & Job Type

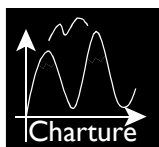
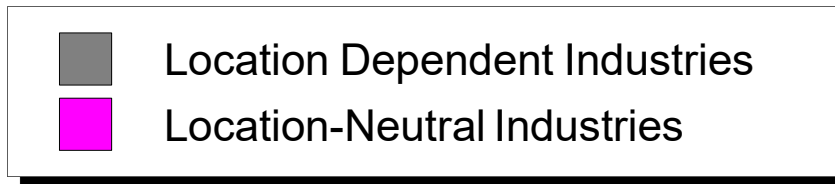
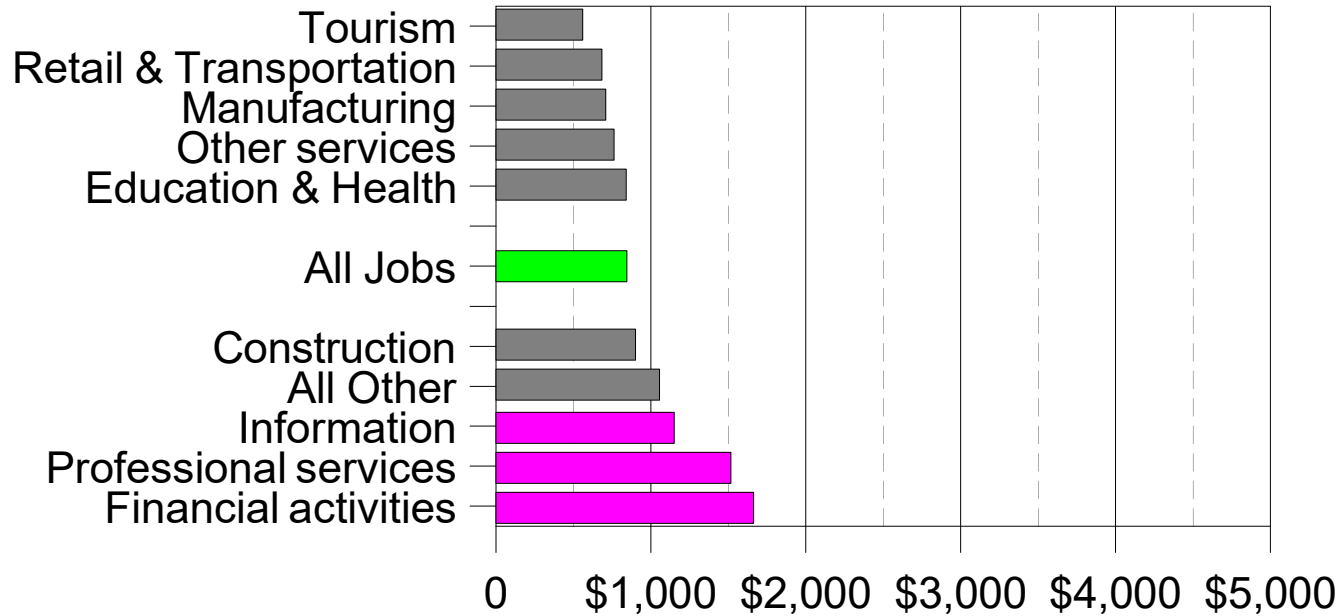


# 2014-2016

*Not much change*

## Teton County WY: Q1 2016

Mean Weekly Wage, by Industry & Job Type

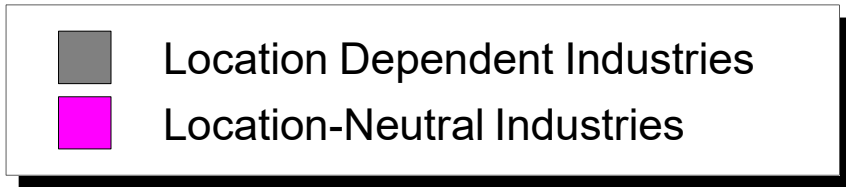
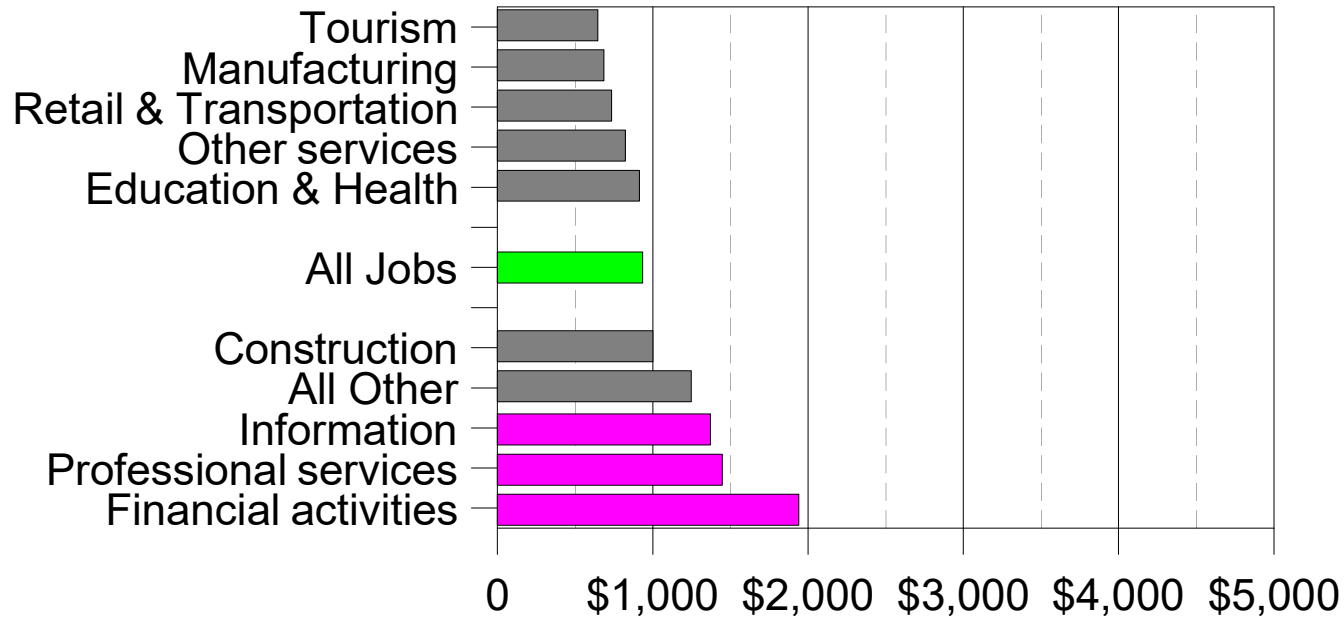


# 2016-2018

*Ditto*

## Teton County WY: Q1 2018

Mean Weekly Wage, by Industry & Job Type

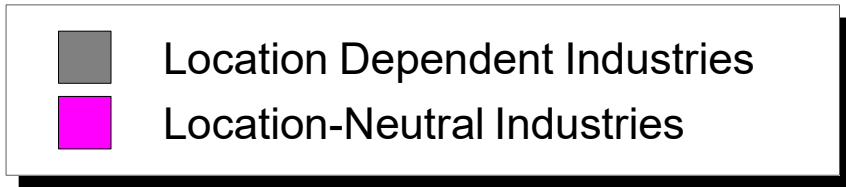
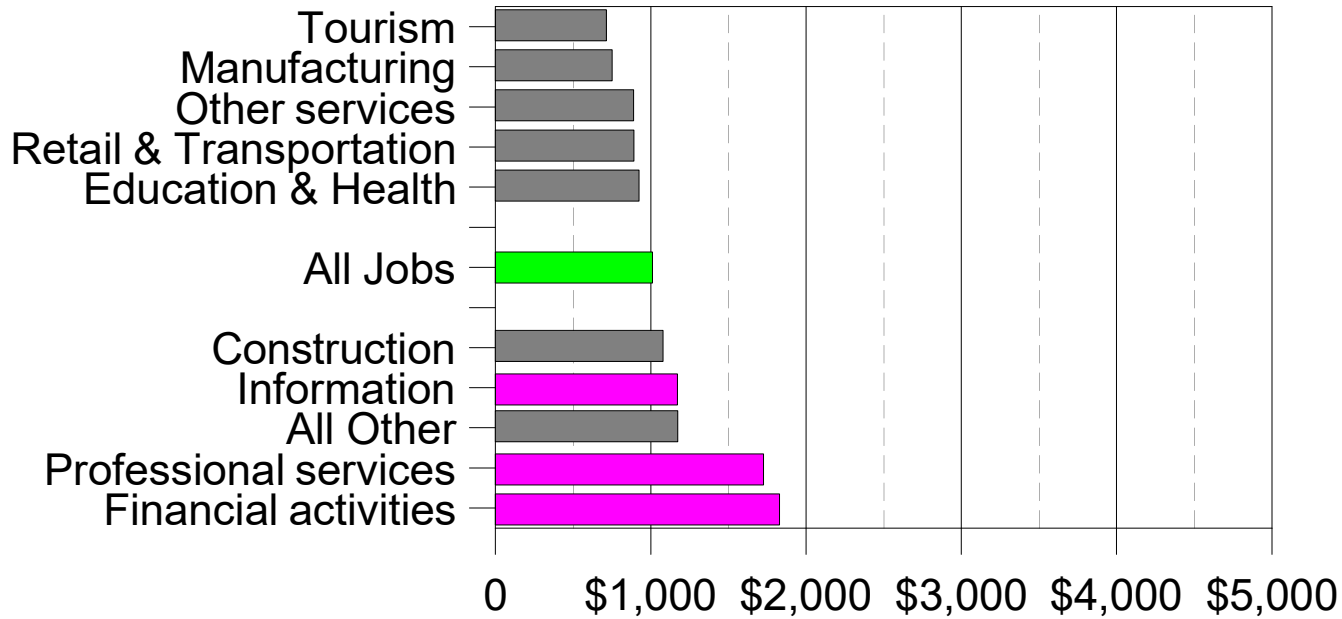


# 2018-2020

*Ditto. Key point: last quarter before COVID pandemic*

## Teton County WY: Q1 2020

Mean Weekly Wage, by Industry & Job Type



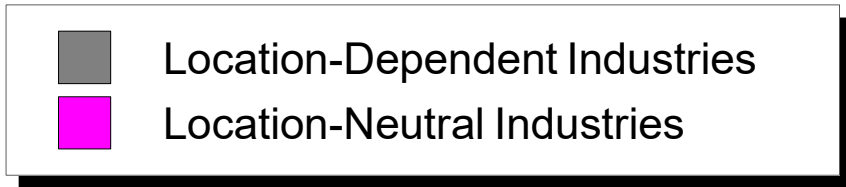
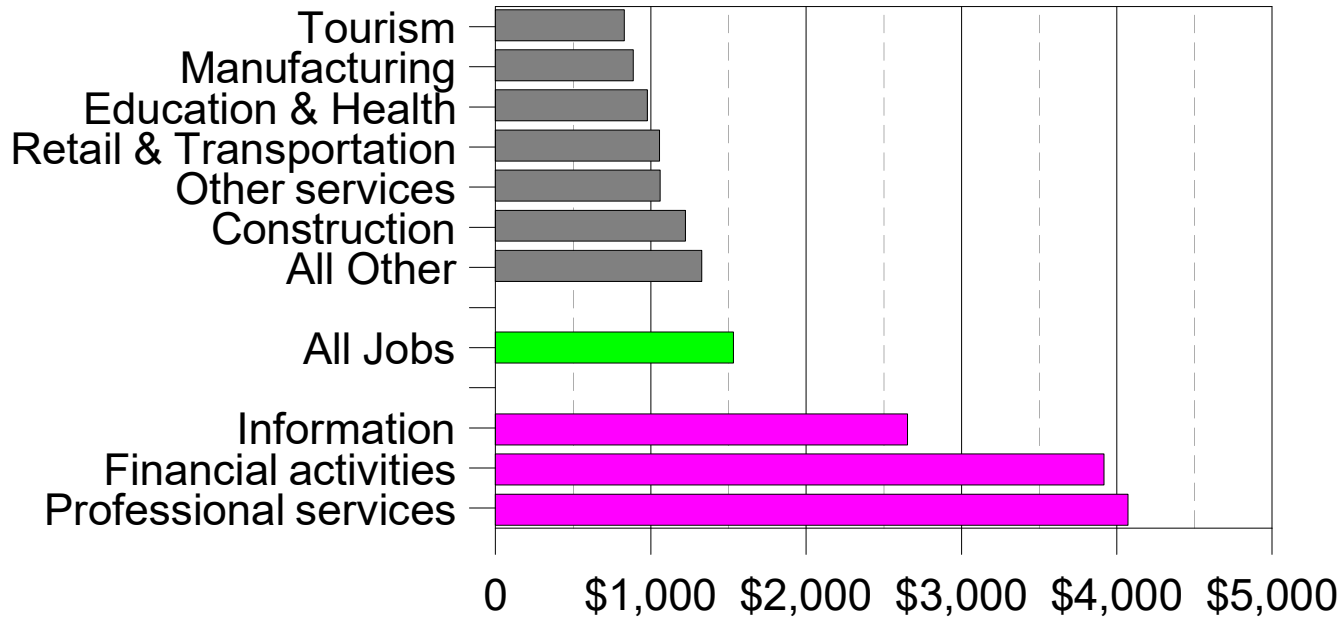


# 2020-2022

*Our job market has completely changed*

## Teton County WY: Q1 2022

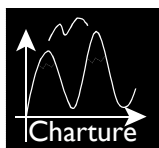
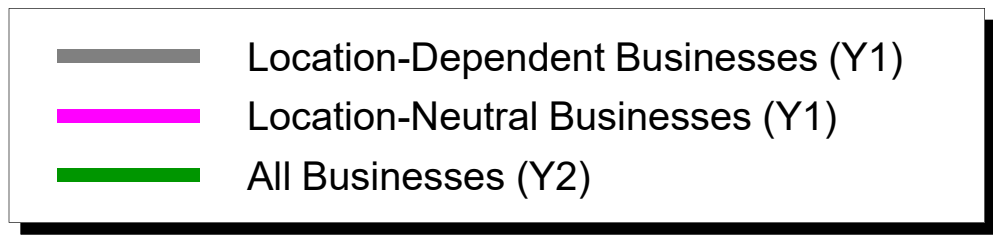
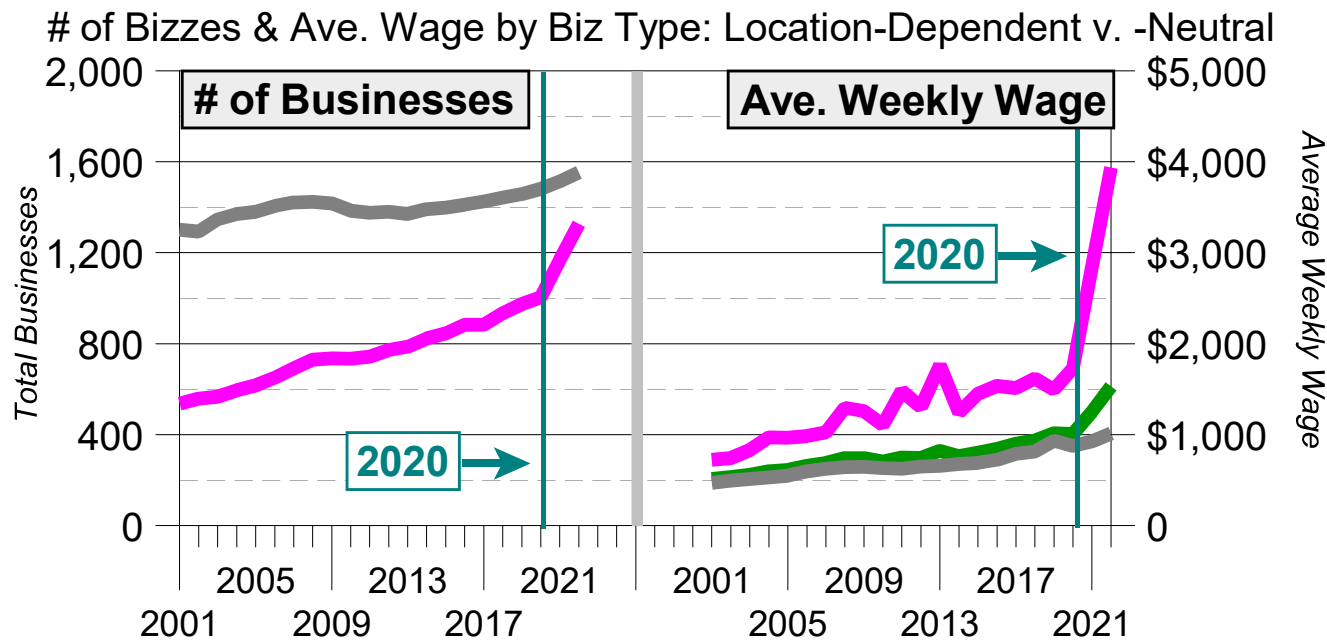
Mean Weekly Wage, by Industry & Job Type



# A Stunning Transformation in 2 Years

*Location-neutral industry is driving our growth/change*

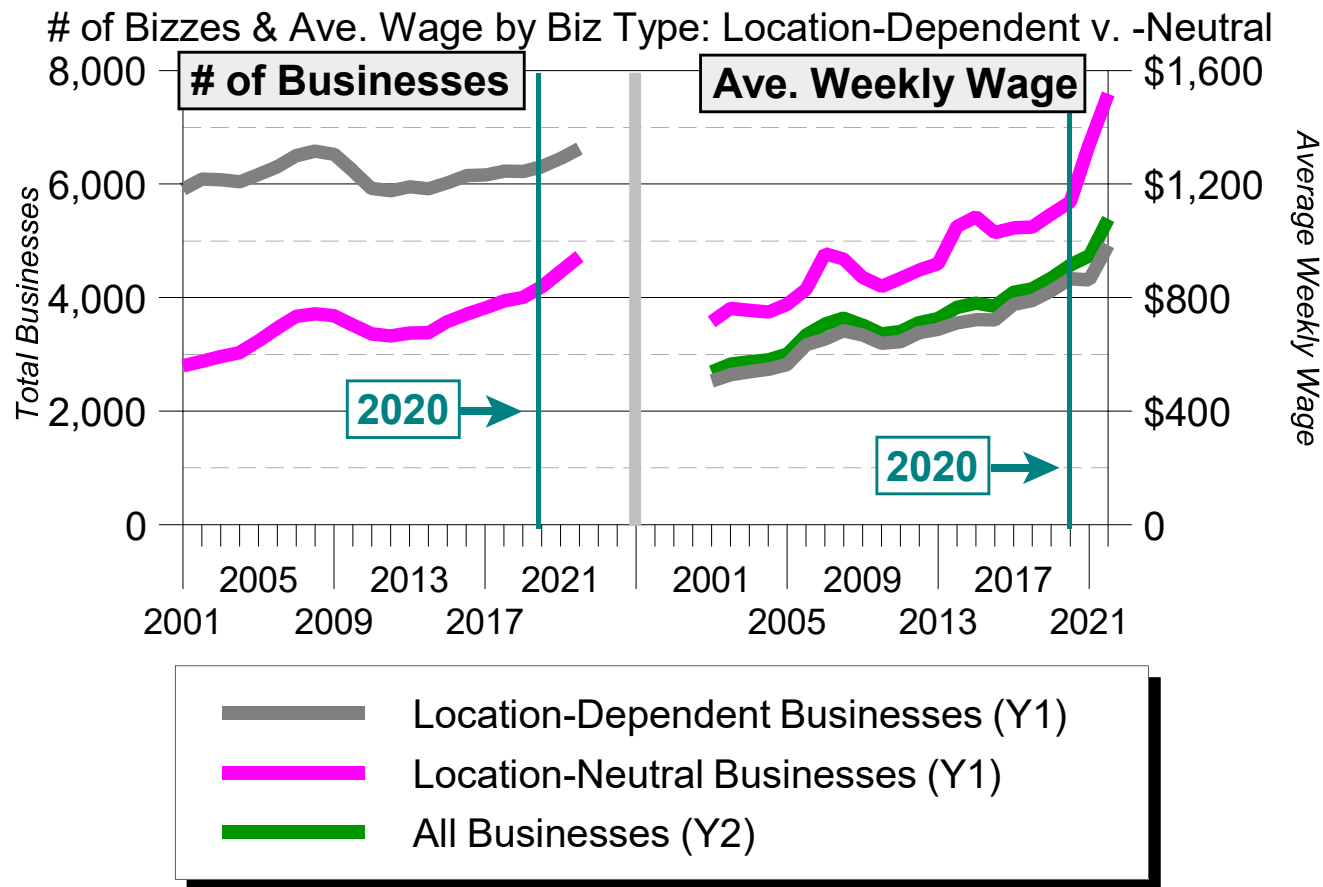
## Teton County, WY: Q1 2001-2022



# And It's Not Just Jackson Hole

*It's happening in Colorado's major ski counties*

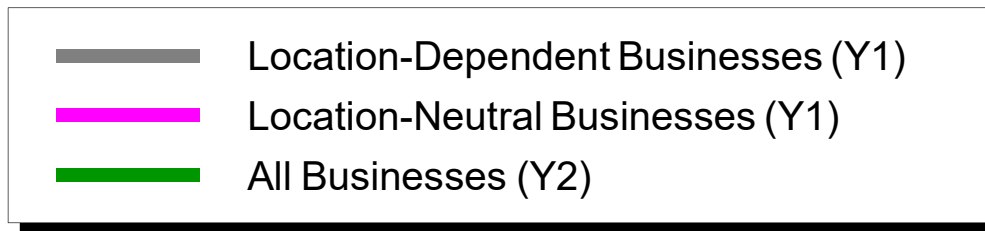
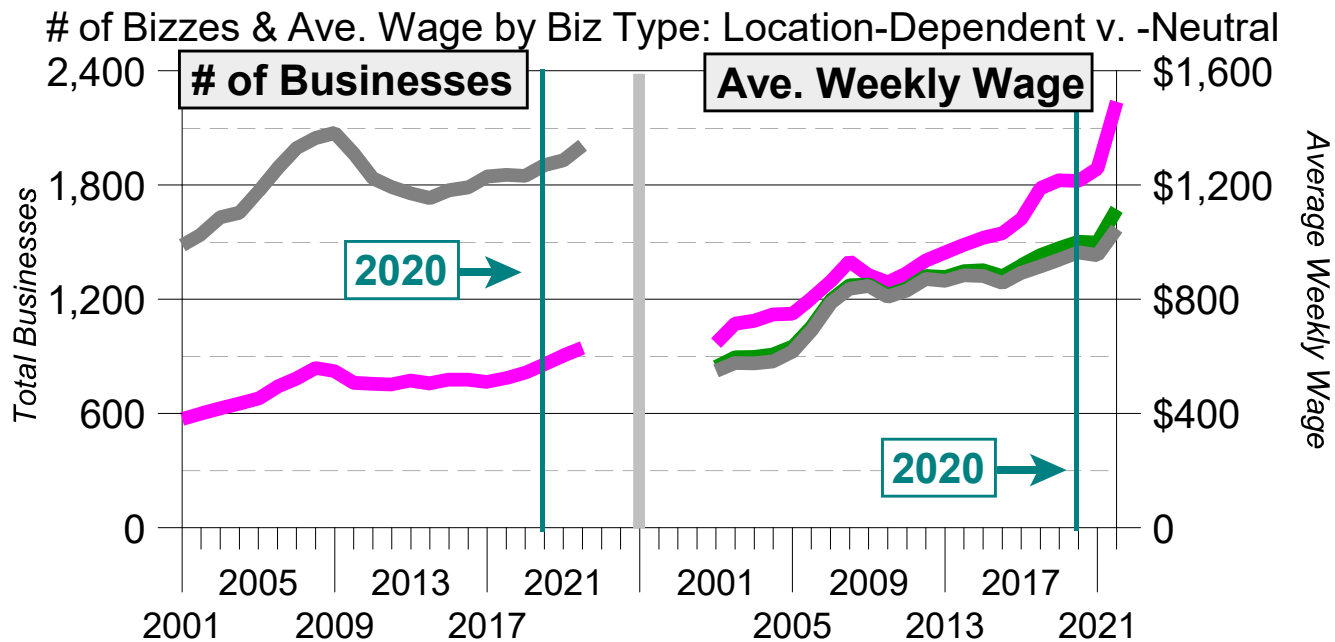
## 5 Colorado Ski Counties: Q1 2001-2022



# It's Also Ski Towns' Commuter Sheds

*It's not just tourism workers moving to down-valley counties*

## Garfield County, CO: Q1 2001-2022



# Consequences for Character

*Our communities are rapidly changing from ones hallmarked by location-dependent economies and a sense of shared sacrifice to ones hallmarked by location-neutral economies and a sense of “having it all.”*



# Foundational Idea IV: Generational Misalignment

*Q: How long is a generation?*

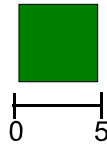
- The three pillars of sustainability:
  - ▶ *Financial capital*
  - ▶ *Social capital*
  - ▶ *Environmental capital*



# Generational Misalignment (cont.)

## *Financial capital*

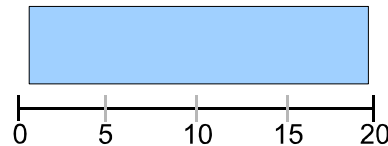
- A generation = <30 years
  - *As short as a few milliseconds*
- Let's say 5 years
  - *Time horizon of a real estate deal*



# Generational Misalignment (cont.)

## *Human capital*

- A generation = ~26 years
  - *The age of a US mother when she firsts give birth*
- A more practical definition: when a kid leaves home
  - *Let's say 20 years*

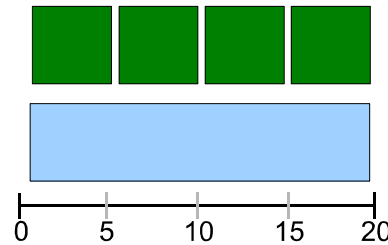




# Generational Misalignment (cont.)

*Financial v. human capital*

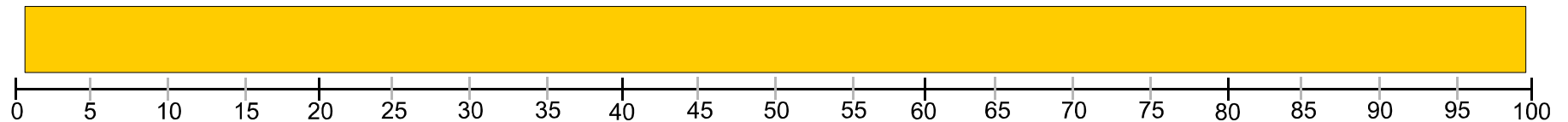
- But that's four financial generations



# Generational Misalignment (cont.)

## *Environmental capital*

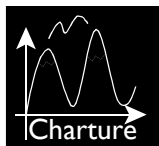
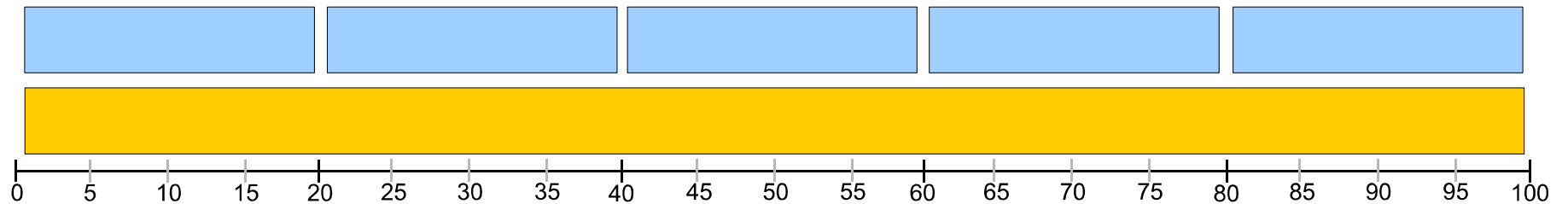
- Generation times vary wildly
  - *Lifespan of mayfly = 24 hours*
  - *Lifespan of bristlecone pine >5,000 years*
- A more practical definition: pine forests
  - *Let's say 100 years*



# Generational Misalignment (cont.)

*Human v. environmental capital*

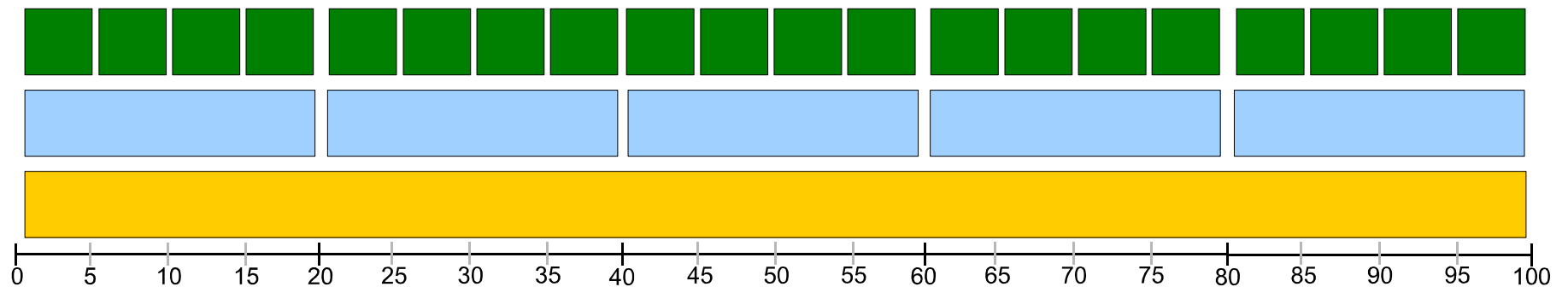
- But that's five human generations



# Generational Misalignment (cont.)

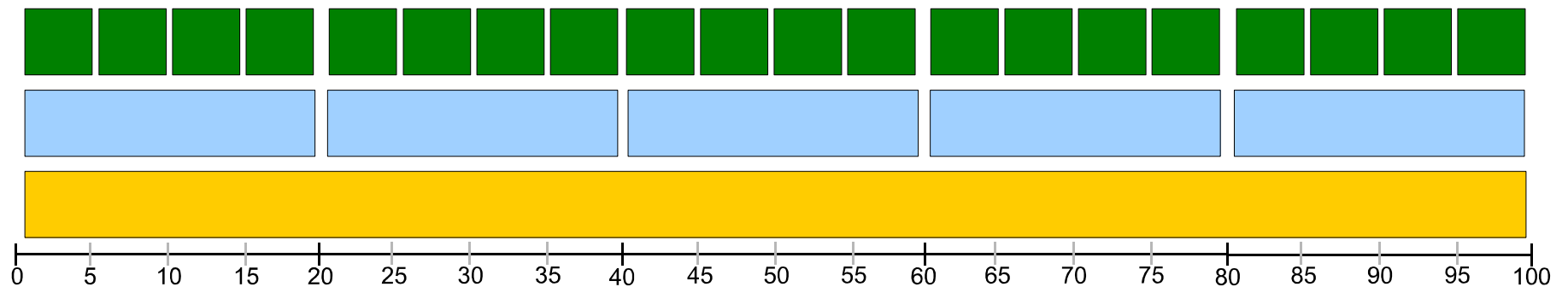
*Financial v. human v. environmental capital*

- And twenty financial generations



# Generational Misalignment (cont.)

*Human nature is to value things in the moment, and discount the value of things in the future*



# Generational Misalignment (cont.)

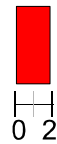
*Now let's add one final element: politics*



# Generational Misalignment (cont.)

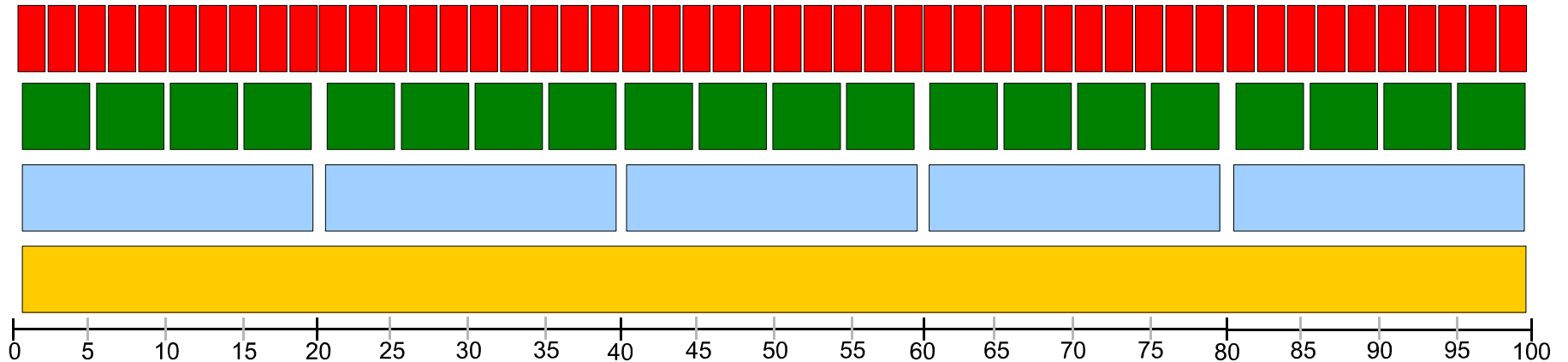
*What is a political generation?*

- In the U.S., most terms of office are four years.
- Since elections occur every two, let's call a political generation two years



# Generational Misalignment (cont.)

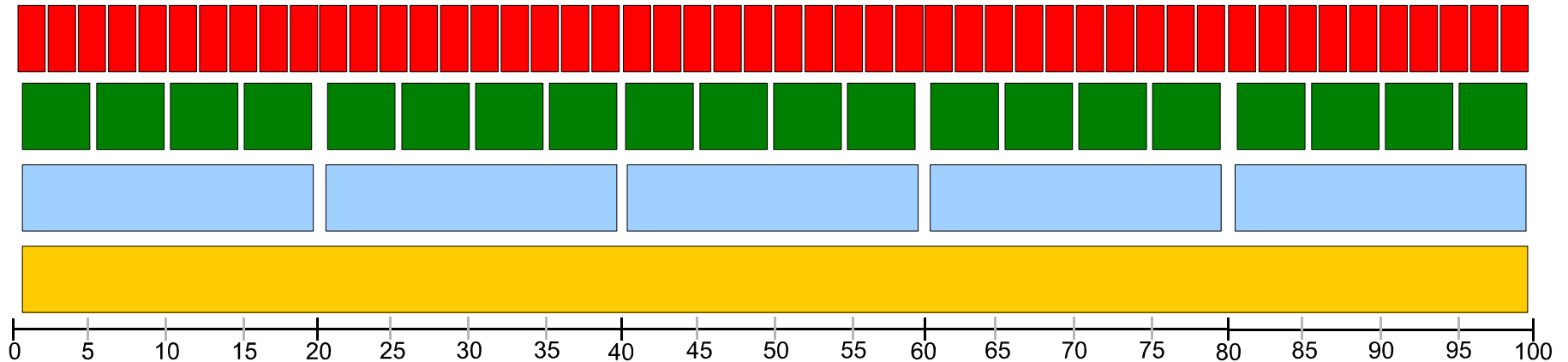
*Do the math: One environmental generation spans five human generations, twenty economic generations, and fifty – count ‘em fifty – political generations*





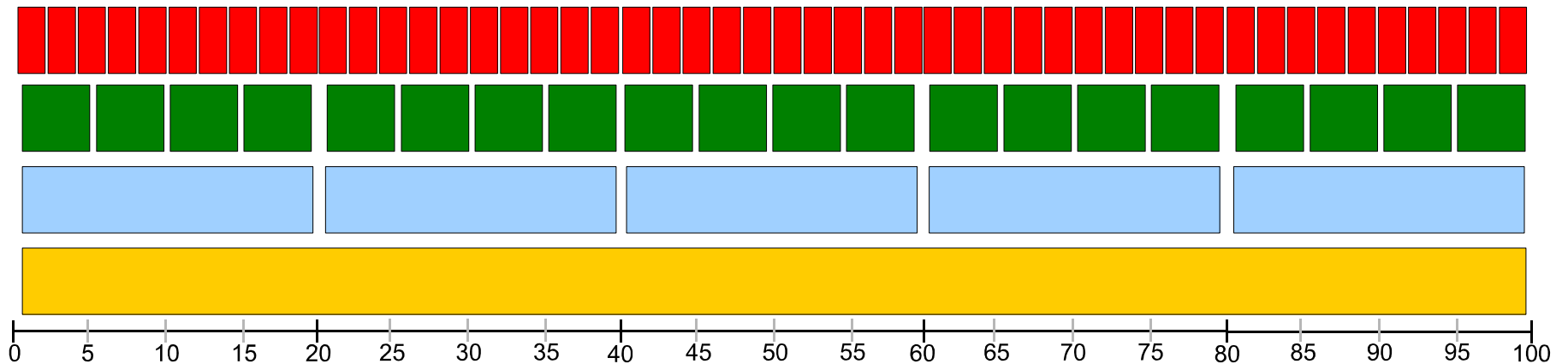
# Generational Misalignment (cont.)

*Right now, so much of our approach to environmental protection and ecosystem conservation relies on the political system. Ditto other “program” issues such as housing, transportation, and income inequality*



# Generational Misalignment (cont.)

*But it's hard to be an elected official and decide in favor of something that won't be feeling the effects of your decision for another five or twenty or fifty generations...*

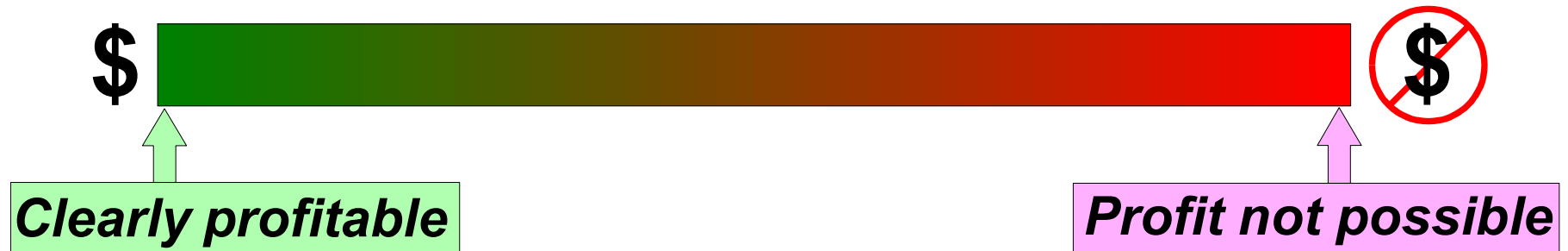


# So How Does the Economy Work?



# Foundational Idea VI: The Spectrum of Economic Activities

*Our mechanisms for addressing humans' needs and wants*



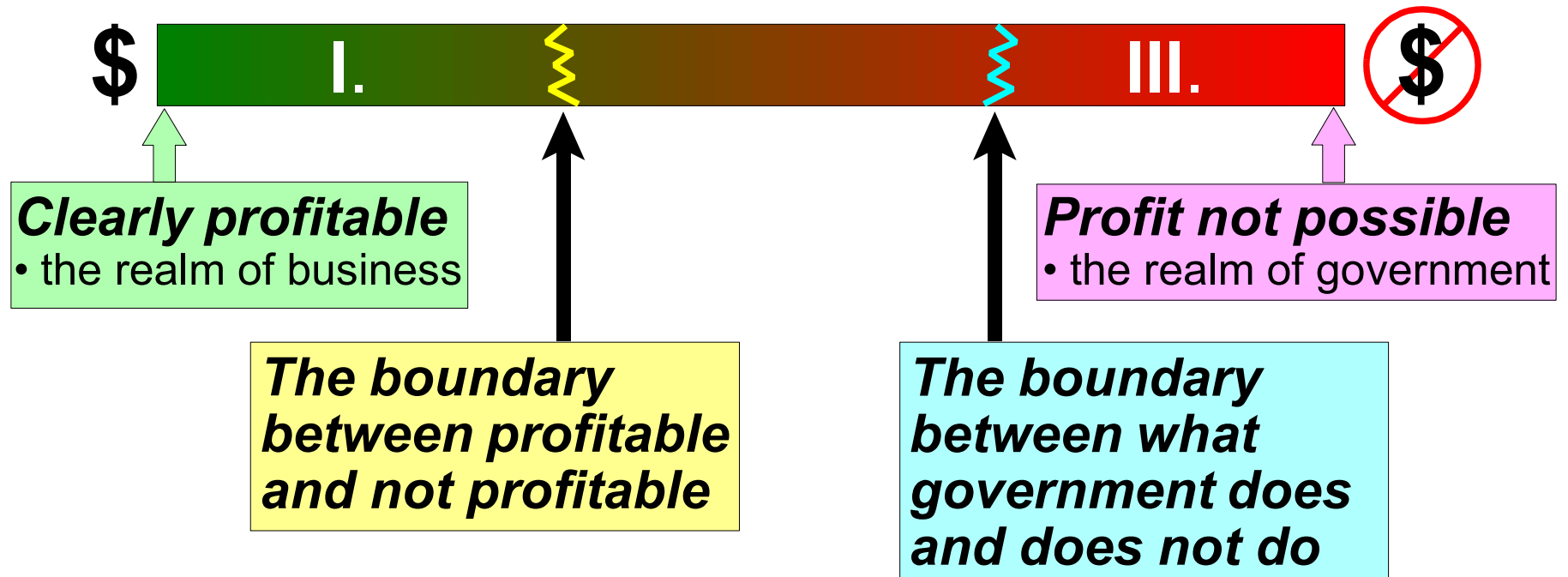
# The Spectrum of Economic Activities

*Our mechanisms for addressing humans' needs and wants*



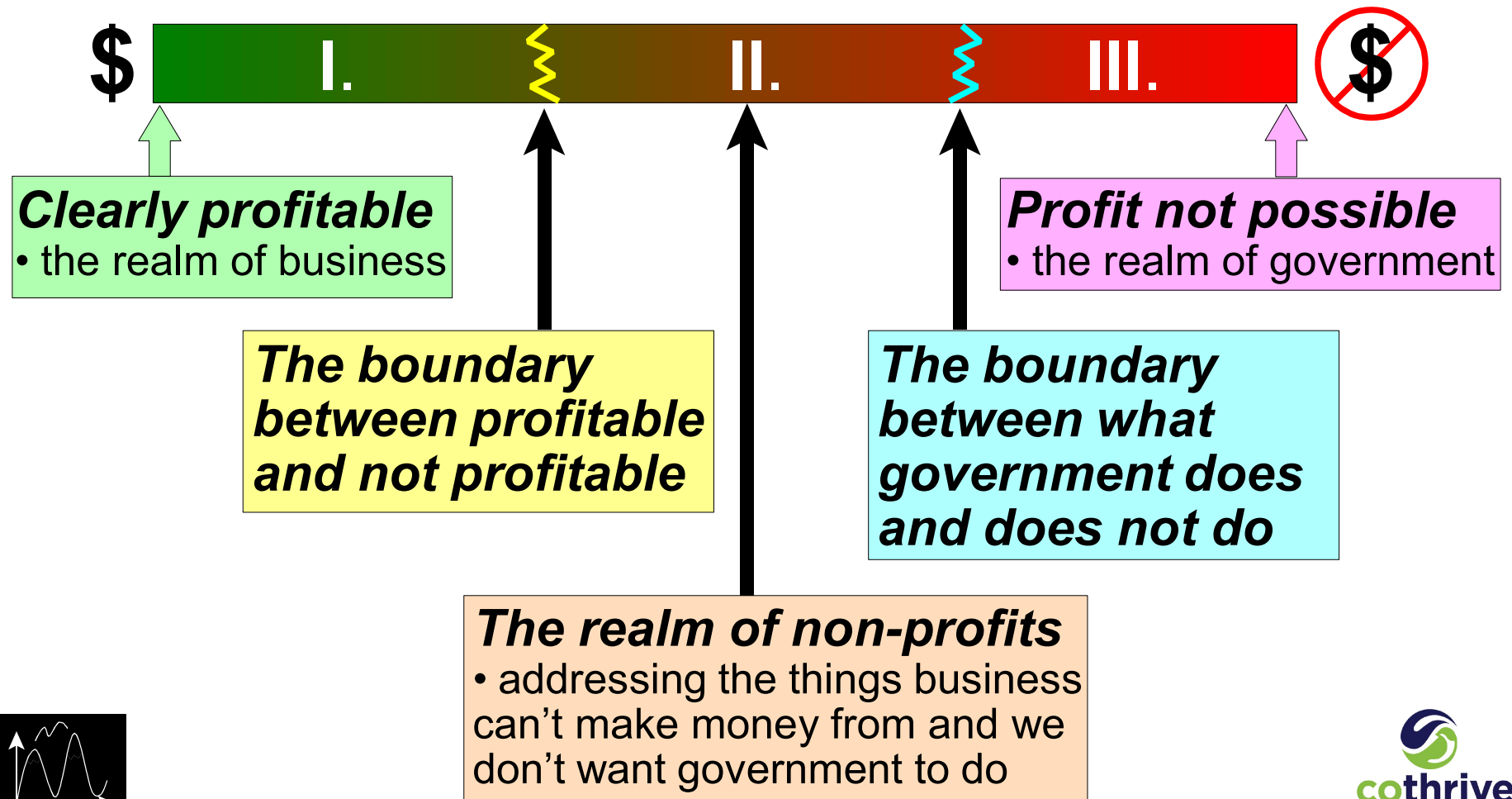
# The Spectrum of Economic Activities

*Our mechanisms for addressing humans' needs and wants*



# The Spectrum of Economic Activities

*Our mechanisms for addressing humans' needs and wants*



# The Spectrum of Economic Activities

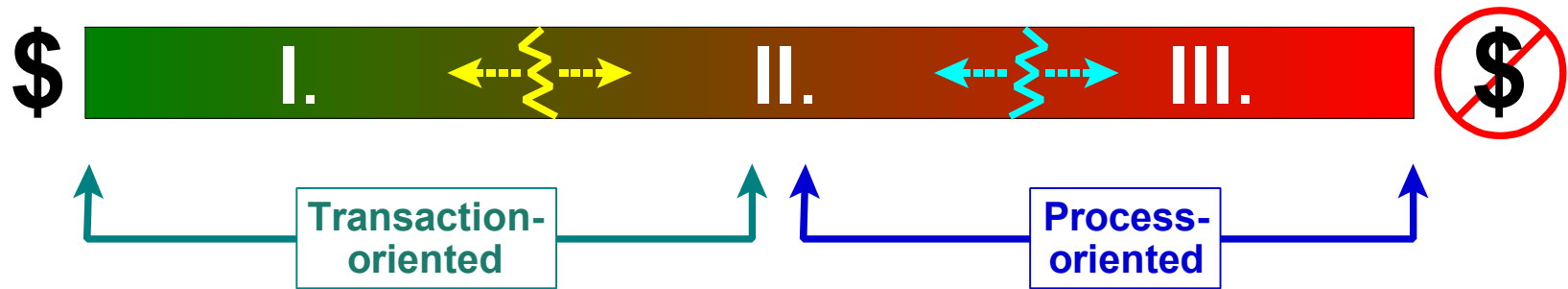
*The boundaries move due to innovation, philosophy*





# The Spectrum of Economic Activities

*Business & some non-profit activities are transaction-oriented; government and many non-profit activities are process-oriented*



# The Basic Point

*Under this construct, only one measurement matters: Profit.  
More precisely, financial profit.*

- Only one question matters: Can a given good or service be provided profitably?
  - ▶ *If “yes,” then the private sector will provide it.*
  - ▶ *If “no,” then government may provide it (depending upon how that society views government’s role).*
- If business can’t and government doesn’t, then responsibility for providing that product either falls to non-profits, or it falls between the cracks.



# Observation I

## *Business is transaction-oriented*

- In business, if an activity makes money, it is successful. If it doesn't; it's not.
- Finance is particularly transaction-oriented, and finance is the source of much of the new wealth moving into places like our communities.
  - ▶ *Hence the importance of the HUGE rise in investment income, for money earned that way can live anywhere with increasing ease*
  - ▶ *Reminder: in the 8 ski counties, investment income accounted for 31% of total income in 1995; 43% in 2020*



# Observation II

*In contrast, government & non-profits are not transaction-oriented, but process-oriented*

- Non-profits and government exist because they are how we provide goods and services that cannot be provided for a profit; i.e., the products business cannot profitably provide.
- By extension, when we talk about “running government like a business,” we’re setting up governments and non-profits to fail. In two ways:
  - ▶ *Metrics*
  - ▶ *Perception*



# Observation III

*Why does the system judge govt./non-profits as failures?*

- Because, by definition, if we run something like a business, the fundamental reason we run it is to make money. From that flows all our tools and metrics.
- We run a government or non-profit, though, because it provides a good or service that we know **can't** make money. Hence we need a different set of tools and metrics.
- Before developing those tools and metrics, though, we first need to develop a different perspective



# Observation III (cont.)

*Critical, critical caveat*

- This is not to say that non-profits and governments should not be run efficiently – clearly they should.
- It is to say, however, that because non-profits and government provide goods and services which are, by definition, not capable of producing a profit, we must evaluate them using different tools and metrics.



# Observation IV

*The genius of the tool that is financial profit*

- Financial profit is:
  - **Easy to understand** (*can you sell your good or service for more than it costs to make?*); and
  - **Easy to use** (*did your revenue exceed your expenses?*)
- Because of this, it is **ubiquitiously used**
- We need a measurement of non-governmental success that shares these qualities



# Observation V

*Underlying the different tools and metrics we use for judging non-business activities must be a different philosophy*

- Which begs the question: If a non-profit or government can't successfully be judged by whether it makes money, then how do we judge it?
- Answer: Currently, there is no answer.
  - ▶ *We don't know. We default to thinking about non-profits and government like a business because it's our only commonly-shared mindset for judging the success of an enterprise*
- *Put another way, financial profit is our lowest-common denominator. Because nature abhors a vacuum, we use it to evaluate all we do, even if it's the wrong tool for the job*
  - ▶ *When the only tool you have is a hammer...*





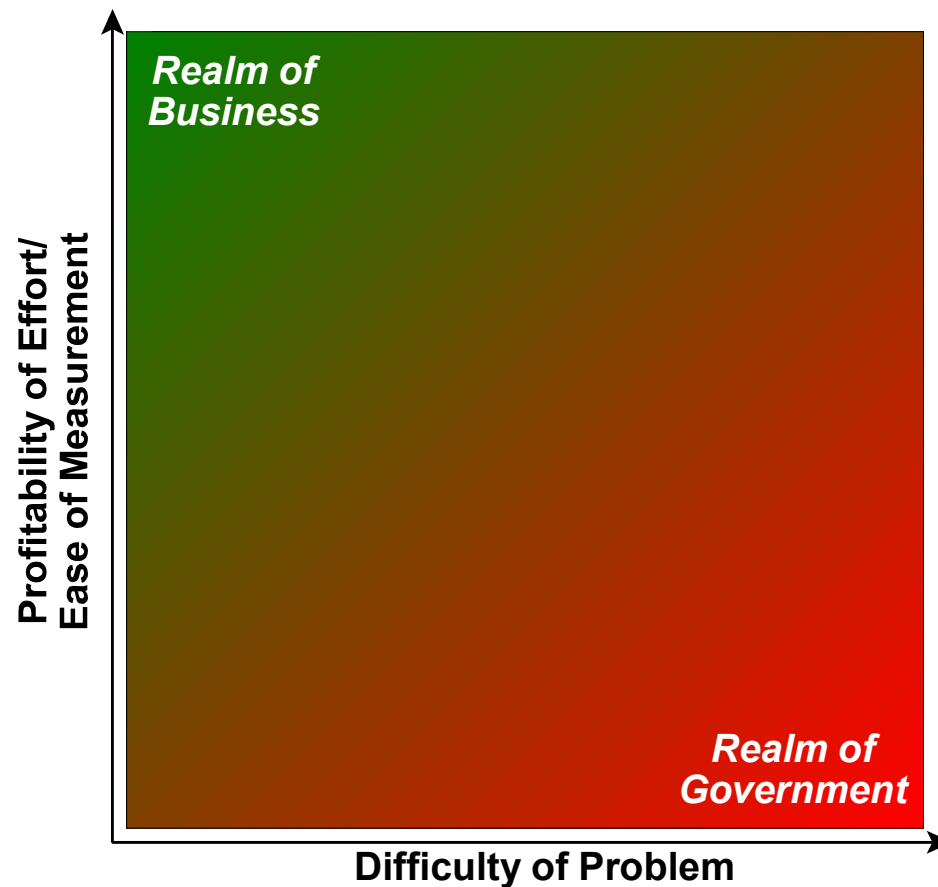
# Measuring Unprofitable Success

*Can we develop a definition of “community profit” (as opposed to financial profit?)*

- If non-profits and government strive for a different outcome than business – i.e., a different outcome than profit – what might “community profit” be? How might it be measured?
  - ▶ *Conceptually, this different outcome is far more analagous to Goodwill on a Balance Sheet than Profit on an Income Statement*
  - ▶ *What line items do we include on a “Community P&L”?*
  - ▶ *How do we measure “Community ROI” (v. financial ROI)?*



# Absent a Clear Tool for Measuring Community Profit, We'll Continue to Face Two Struggles: Difficulty of Problem and Disagreement of Success



# Some Thoughts on Success From America's Most-Recent Former Billionaire

*What makes Patagonia so successful?*



# How Does Private Sector View Success?

## The Continuum of Business Practices



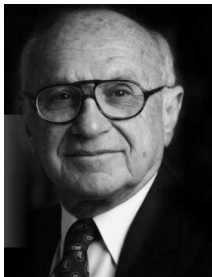
# Arguably, It's About Externalities...

## The Continuum of Business Practices

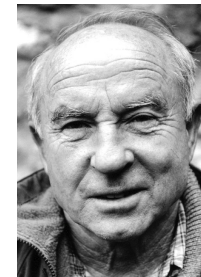


# Yvon: Nope. It's About Quality, Broadly Defined

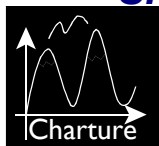
## The Continuum of Business Practices



**Milton Friedman**  
*Maximize Shareholder Value*



**Yvon Chouinard**  
*“Profits happen when you do everything else right”*



# 2.5 Million Customers Value Quality

*“Earth is now our owner, and it will be great for business”*

- Patagonia strives for quality in everything it does, across the entire supply and sales chain
- Customers recognize that, and flock to the brand because they know they are doing something more than simply consuming – it’s a value statement
- The same passion is what infuses our communities
- So what is a quality community?
  - ▶ *Figuring that out is the great opportunity and challenge for everyone in this room*



# Observation I: Our Communities Have Changed. Rapidly

*They have evolved from resorts to communities.  
Deeply impassioned communities*

- Technology has changed our economies in one generation
- Our economies have changed faster than our perceptions
- Our economies have also changed faster than the funding mechanisms we have to address the challenges facing our communities





# Observation II: Not So Our Tools for Dealing w/ Change

*How does your community today compare with what it was a generation ago? How about your governance systems?*

- Because no one else can do it, our political processes are asked to address the massive and rapidly-occurring changes in our communities.
  - ▶ *Yet the tools we have were designed for a very different, slower-moving world*
- This is especially apparent when it comes to finances
  - ▶ *Our economies have changed faster than the funding mechanisms we have to address the challenges facing our communities*



# Observation III: Special Challenges; Unique Challenge

*This disconnect is most apparent in the two-fer of challenges we're facing, ones no one has solved*

## ■ Special challenges

- ▶ *Affordable/workforce housing*
- ▶ *Transportation*
- ▶ *Issues related to growing income inequality*
  - Especially acute in mountain towns, which feature both high amounts of investment income and a high percentage of low-paying tourism jobs

## ■ Unique challenges

- ▶ *Preserving and/or regenerating the ecosystem's health, upon which our economies and characters depend*
- Ultimately, our communities can be no healthier than the ecosystems in which they lie



# Observation IV: How Did We/Do We Define Success?

*Does resort success = community success?*

- Hypothesis: We focus upon financial profit because it's the lowest common denominator we can all agree on
  - ▶ *Even if it doesn't appropriately measure what we care about*
- There is no equivalent definition of success for a community, much less tools to measure that success
- The great disconnect: What is a "quality community"?
  - ▶ *There is a huge disconnect between the qualities of our communities people care about – the part of the iceberg above the water, the things they look to government to address – and the things local government can act upon, or even measure*



# Observation V: Hard to Plan When You're Busy Reacting

*The 3 questions of strategic planning: Where are you?  
Where do you want to be? How will you get there?*

- These are not easy questions, especially if we don't have tools for assessing our status/progress
- It makes it even tougher to answer these questions in an impassioned environment, such as we all enjoy in our communities
  - ▶ *You and I both love our community, but where I in my impassioned state think we should go may be very different from the place where you in your impassioned state think we should go*



# Observation VI: Our Weaknesses. Our Strengths

*So much local gov't can't control, but we have unique assets*

- Two underutilized tools possessed by no one else in our communities
  - ▶ *The bully pulpit*
  - ▶ *The ability to convene disparate parties*



# Observation VII: 21st Century Mountain Towns

*20th century towns replaced natural resources with resorts;  
21st century towns have transformed into communities*

- 20th century: resorts (and before that ag and extraction)
  - ▶ *The environment's primary importance was economic*
- 21st century: communities
  - ▶ *The environment's primary importance is human potential*
- Different systems, tools, and metrics required
  - ▶ *Systems that encourage co-thriving*
  - ▶ *Decision-making for human and environmental capital*
  - ▶ *Measurements of Community ROI*



# Observation VIII: The Lesson from Patagonia: Quality

*We can no longer take for granted the things that make our communities such an embarrassment of riches*

- If we don't actively define and measure and act to sustain what matters to us, the 250 Year Precedent is going to steamroller us just as it has every other place on Earth



# Observation IX: Make Cities Great Again

*Observation at my recent “How Healthy Are We?” conference:  
If people love living in cities, they won’t keep flocking to our  
communities...*

- Cueing it up for John Bauters...





# Observation X: The Hardest & Most Important Job Going

*If mountain towns get it right, we can be models for the world*

- Thank you for time and attention
- Thank you for all you do

