

## Buying local: The potential impact of buying local

This document was prepared for the Individual and Family Economic Stability Team in response to their questions about the impact of buying local goods and services and pay rates for locally owned and national chain stores. A literature review<sup>i</sup> regarding the impacts of buying local revealed the following information:

### 1. Buying local keeps more dollars in the local economy

A study in mid-coast Maine showed that for every \$100 dollars spent at a locally owned business, \$45 stays in the local economy and an additional \$8.70 is spent elsewhere in the state vs. \$14 for a national chain or franchise store. The same outcome was noted in an Austin, TX study. A shift of just 10% in buying local vs. purchasing from chains keeps more money in the local economy and supports more jobs. The four largest components of this local spending were: wages and benefits paid to local employees; goods and services purchased from other local businesses; profits that accrued to local owners; and taxes paid to local and state government.

### 2. Buying local fosters local job creation

Studies show that locally owned businesses create more jobs locally both directly and indirectly (purchase of goods and services from other local businesses). Due to the closing of smaller local competitors, the entrance of national chain stores tends to result in an overall reduction of total jobs in the community.

### 3. Buying local helps the environment

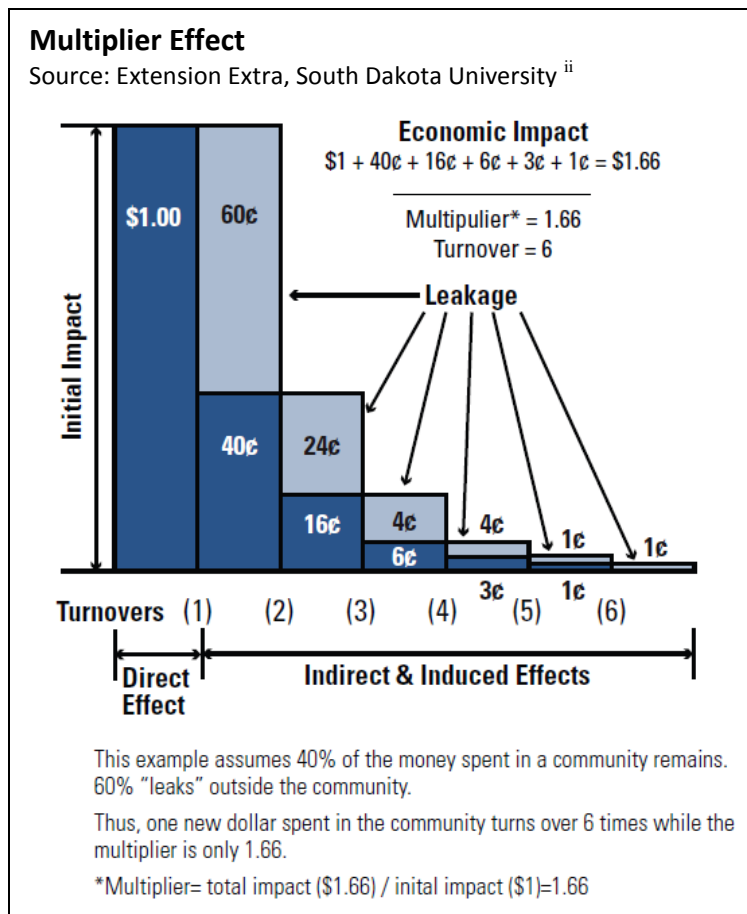
Small, in-town businesses require less total square footage and less parking, thereby using less land.

### 4. Buying local nurtures the community

Local business owners have stronger ties to the community and tend to contribute more than twice as much of their revenue to charitable causes as chain stores.

### 5. Multiplier effect

Money spent or income received has a greater multiplier effect when spent with a local business. A higher



percentage of each dollar spent will turn over several times in the local economy before being lost to the external economy.

Additionally, purchasing services or locally produced goods can have an even greater multiplier effect on the local economy because fewer dollars “leak out” of the economy with the initial transaction.

**Example:** if I purchase maple syrup produced in Carroll County, a higher percentage of the initial dollars spent would circulate in the local economy vs. those from buying an imported product. (local wages, local wood to boil the sap, local profit, local property taxes, etc.)

## 6. Wages

The entrance of large chain stores into a local market tends to depress the local wage market, resulting in more costs to the local community to support low-wage earners to subsidize health care and other public assistance.

## 7. Net drain

A Barnstable, MA study and a St. Albans, VT study, show that large box stores can be a net drain on a community due to the need for increased services (mainly roads and an increased need for public safety) and a net loss of jobs.<sup>iii</sup>

A 1998 study by RKG Associates, Inc showed that new developments, if not properly planned, can in aggregate have a negative impact on the tax base. In that case study prepared for Concord, NH the major expansion of major retail centers resulted in an unexpected decline in tax revenues because of the unanticipated decline in tax value on existing retail properties and decline in nearby residential property values.<sup>vi</sup>

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<sup>i</sup> Buy Local: Keep Portland [Maine] Independent, <http://portlandbuylocal.org/content/blogcategory/13/28/>

<sup>i</sup> Buy Local Berkeley, <http://buylocalberkeley.com/node/36>

<sup>ii</sup> Taylor, Gary, Understanding Economic Multipliers, Extension Extra, South Dakota State University, December 2009

<sup>iii</sup> Prototype Land Use Fiscal Analysis, Barnstable, MA, [http://amiba.net/pdf/barnstable\\_fiscal\\_impact\\_report.pdf](http://amiba.net/pdf/barnstable_fiscal_impact_report.pdf)

<sup>iii</sup> **St. Albans, Vermont State Environmental Board Act 250 Decision**, 1994, <http://www.newrules.org/retail/key-studies-walmart-and-bigbox-retail#4>

<sup>vi</sup> Gsottschneider, Richard K., Understanding the tax base consequences of local economic development programs, RKG Associates, Inc., 1998, <http://www.newrules.org/sites/newrules.org/files/concordtaxstudy.pdf>