

Local First or Buy Local Basics

from **BALLE – Business Alliance for Local Living Economies**

Source: <http://www.livingeconomies.org/>

CONTENTS:

- I. Local First Campaigns (p.1)
- II. Who benefits from a Local First campaign? (p. 1)
- III. The need for local first campaigns (p. 2)
- IV. Frequently asked questions (p. 4)

I. Local First Campaigns

Source: <http://www.livingeconomies.org/local-first>

"Think Local First" is a term developed by the members of BALLE networks to refer to our commitment to our communities. Rather than simply promoting "buying" local, we are suggesting our larger role as stewards. By *thinking* local, we can make choices that have dramatic impact on our local communities, economies, and environments. We recognize that we will rarely be able to buy everything we need or use from local independent businesses. But we are advocating that people first think local - look first for local and locally owned sources of the things they need and want - to maximize the impact of their daily actions and purchasing decisions.

A Local First campaign educates consumers about the economic and social advantages that independent and local businesses bring to a community. The goal is to create a thriving local economy by maximizing the potential of local businesses, and transferring market share (business, government, and consumer purchases) from non-locally owned businesses to local independently owned businesses.

One of the greatest things an individual can do to support his or her local community is to patronize its locally owned businesses. Compared to their national competitors, local independent businesses recycle more money back into the local economy and give greater support to a community's nonprofit and civic needs. They are better positioned to respond to the special needs of the community, and they are more tied to the community's future. Additionally, unlike a homogenized Anyplace, USA, a community with vibrant independent businesses retains its unique character as a great place to live and visit. In promoting a Local First campaign, a community supports a thriving local economy and its way of life.

II. Who benefits from a Local First campaign?

Source: <http://www.livingeconomies.org/netview/who-benefits-from-a-local-first-campaign>

Locally Owned Businesses

Independent businesses stand to gain significantly from a Local First Campaign. Businesses can be quite successful when they cooperatively market to local consumers, and commit to delivering quality services and products local consumers desire. Strong business networks can also facilitate connections to suppliers and support services.

After the launch of the [Sustainable Connections](#) Think Local First Campaign in NW Washington, local business owners made these kinds of comments:

"As the owner of a local business, I always knew the importance of buying from other locally owned businesses but participating in this campaign has re-enforced that for me. I now am extra careful to think about where I can find a product or service for my business first from a fellow independent."

"I think this has been a real educational opportunity for many of my customers. Some have always thought local first and appreciate being acknowledged for that but others are only occasional customers and had never considered the many significant benefits of their choices. This campaign has made it easy for me to introduce the topic with them."

"Increasingly I have customers tell me and my employees that the reason they chose our business today is because we are locally owned - and they appreciate that!"

Sustainable Connections recently surveyed their community and business members to measure the effect of their Local First campaign. Ninety-seven percent of participating businesses said they would recommend being part of such a campaign to other businesses in their industry. Three in five Bellingham households reported that they had significantly shifted their buying habits toward locally owned businesses as a result of the Local First campaign. (For more information on this survey, [click here](#).)

Local Government

Diverse and numerous small and independent businesses provide a stable tax base and generally require less costly infrastructure and public services, thereby providing a good return on investment to local governments.

In Washington State, local governments do not have the autonomy to choose local vendors unless they are the lowest bidder. After the Sustainable Connections campaign, the county executive worked with the local state representative to introduce legislation that would permit local governments to choose locally owned businesses where there is a 5% or less difference in price. The county executive said it was a simple matter of common economic sense - why pay \$100 less for a vehicle from another place and miss out on taxes from the local sale?

Community Members

A Local First campaign can have a tremendous positive impact, with community residents being the greatest beneficiaries. When there is a conscious effort to support local businesses, residents of a community get the products and services they want in a geographically convenient area. They also have more stable local employment. Numerous small and independent businesses provide a strong tax base that can support public projects, schools, and cultural activities, enhancing the quality of life in a community. Community and non-profit organizations benefit from the financial, in-kind, and volunteer support of local businesses. A Local First program can also positively affect the local environment. Less sprawl and habitat loss on the outskirts of town and less air pollution from big trucks can help protect and preserve the local ecosystem.

From a letter to the editor of the *Bellingham Herald* from a community member who was impressed with the Sustainable Connections Think Local First campaign: "My wife and I recently moved to Bellingham from CA...We have been very impressed with the buy local campaign. It has influenced our shopping patterns and choices. We went to locally owned furniture stores for furnishing our new home. We shopped at local grocery stores, which also provided insights into the many local meat, fish, dairy and produce sources in Whatcom County... Programs like this buy local campaign can influence newcomers to become contributors to the local economy much more quickly than would otherwise be the case."

III. The need for Local First campaigns

Source: <http://www.livegeconomies.org/netview/the-need-for-local-first-campaigns>

Global Companies: Local Economies

The last two decades have seen sweeping changes take place in many American communities as big-box retailers and strip malls in once green pastures replaced the traditional locally owned shops on Main Street. Meanwhile, many local governments spent tremendous amounts of time and money trying to attract multinational corporations to build factories in their backyards. Unlike the owners of locally based businesses, the absentee shareholder owners of these new businesses have little knowledge of or concern for the consequences at the local level for action taken on behalf of the corporation (David Korten, [Economies for Life, YES!](#), Fall 2002). Today we can see the tremendous impact global companies have had on local economies as decisions affecting local jobs, wages, and quality of life are made in distant boardrooms.

Communities have encouraged the expansion of national retailers based on the promise of job creation and sales tax generation. However, consumer spending is a relatively fixed pie. Sales gains at a new shopping development are invariably offset by losses at existing businesses. It's "a zero-sum game" according to Kenneth Stone of Iowa State University, who for more than a decade has tracked Wal-Mart's, and more recently Home Depot's, [impact in Iowa](#). As local stores lose sales, they either downsize or close. The resulting job losses typically equal or even exceed the gains at the new superstore. The new jobs at Target or Wal-Mart, moreover, often pay less and offer fewer benefits than the jobs they replace. Taxpayers end up picking up the difference. Half of Wal-Mart's workers qualify for food stamps. Washington State reports that "Wal-Mart employees are the largest group of users in its taxpayer-funded low-income health care program" (Stacy Mitchell, *Main Street News*, February 2004).

Furthermore, In 1997 more than 40 states offered property tax abatements, loans for machinery and equipment, state revenue bond financing, accelerated depreciation, and special funds as incentives to help cities make deals (Michael Shuman, *Going Local*). Multinational corporations are mobile, however, and to cut expenses they increasingly move, leaving behind a trail of unemployment, abandoned property, and a diminished tax base. Local government is often left paying for the damage - in the form of unemployment compensation, higher welfare payouts, and diminished property taxes.

Money Spent Locally Stays Local

Several studies have shown that money spent at a locally owned business stays in the local economy and continues to strengthen the economic base of the community. A 2002 case study in Austin, Texas, showed that for every \$100 in consumer spending at a national bookstore in Austin, the local economic impact was only \$13. The same amount spent at locally based bookstores yielded \$45, or more than three times the local economic impact (Civic Economics, [Austin Unchained](#), October 2003).

A 2003 case study of Midcoast Maine covering several lines of goods and services validated these findings. The study surveyed eight locally owned Maine businesses, and found that the businesses spent 44.6 percent of their revenue within the surrounding two counties. They spent another 8.7 percent elsewhere in the state of Maine. 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. All eight businesses banked locally, used local accountants, advertised in local businesses publications, purchased inventory from local manufacturers, and used local Internet service providers and repair people. The study estimated that a big-box retailer returns just 14.1 percent of its revenue to the local economy, mostly in the form of payroll. The rest leaves the state, flowing to out-of-state suppliers and back to corporate headquarters ([The Economic Impact of Locally Owned Business vs. Chains: A Case Study in Midcoast Maine](#), New Rules Project, September 2003).

Local Owners Are Local Contributors

There are other benefits to buying local as well. Research has shown that small local businesses make indispensable contributions to communities and neighborhoods. A study of businesses in Oregon detailing charitable giving showed

that when in-kind contributions were included, small firms gave an average of \$789 per employee, medium-sized firms \$172, and large firms \$334 ([NFIB Small Business Policy Guide](#)). Additionally, large firms contribute primarily to the area where the corporation is headquartered, not necessarily where they do business.

Local Businesses Offer Stable Employment

Small businesses account for the largest share of net new jobs generated each year, and locally based business provide some of the most stable employment opportunities in a community. For all their economic power, the number of jobs provided by global corporations relative to the world's workforce is small. The 200 largest corporations in the world employ less than one percent of the global workforce although they account for about 30 percent of global economic activity. Between 1983 and 1999 the number of people they employed grew by 14 percent while their profits grew more than 360 percent. Most job growth comes from local independent businesses ([Korten](#)).

Local Ownership Lessens Environmental Impact

In addition to building a strong economic base, supporting the local community, and creating new jobs, small businesses, which are more often located in central business districts, have less impact on local ecosystems compared to larger retailers located in strip malls or stand-alone buildings. To accommodate large retail development, roads and parking lots must be built, which results in a greater reliance on cars and an increase in auto emissions. As big-box stores and chain retailers consume more and more undeveloped land, polluted runoff from their parking lots is placing an ever-greater burden on the continent's rivers, lakes, and coastal waters. One way to preserve a community's land and natural resources is to channel retail activity back into downtowns and neighborhood shops. Multistory buildings reduce the footprint of buildings. Higher densities and greater access for pedestrians and public transit mean significantly less land devoted to roads and parking lots (New Rules Project, [Home Town Advantage Bulletin](#), September 2003).

Tax Revenue Goes Further

Local businesses in town centers also require comparatively little infrastructure investment and make more efficient use of public services. The taxes paid by large retailers often do not cover the increase in public services that are required and the difference can be dramatic, according to [a recent study of Barnstable, Massachusetts](#), a city of 48,000 people. The study, conducted by Tischler & Associates, compared public revenue and costs for various land uses. It found that the city's small downtown stores generate a net annual surplus (tax revenue minus costs) of \$326 per 1,000 square feet. Big-box stores, strip shopping centers, and fast-food outlets, however, require more in services than they produce in revenue. A big-box store creates an annual tax deficit of \$468 per 1,000 square feet (Stacy Mitchell, Main Street News, Feb 2004).

Independent Businesses Maintain Uniqueness

Additionally, an economy of diverse, unique businesses attracts today's skilled workers and investors who can choose to settle and grow businesses anywhere. In his research, Richard Florida, author of *The Rise of the Creative Class*, shows that today's creative workers are choosing to settle in places that preserve their distinctive character. And [Richard Moe](#), president of the National Trust for Historic Preservation, says these one-of-a-kind communities attract tourists as well: "... when people go on vacation, they generally seek out destinations that offer them the sense of being Someplace, not just Anyplace." They aren't interested in visiting communities that have transformed themselves into a sad hodgepodge of cookie-cutter housing tracts, cluttered commercial strips, and bleak downtowns.

Michelle and Derek Long, [Sustainable Connections](#), Bellingham, Washington.

IV. Frequently Asked Questions About Local First Campaigns

Source: <http://www.livingeconomies.org/netview/lfcampaigns>

By Michael Shuman, author of *Going Local* and *The Small-Mart Revolution*

1. Aren't local goods and services more expensive?
2. Isn't Local First protectionist?
3. Does Local First seek to subsidize inefficient local business?
4. How sound is the methodology for the studies that show a better local multiplier for locally owned businesses?
5. Aren't local businesses less regulated and therefore worse for the environment?
6. Don't local businesses pay worse wages?
7. Shouldn't we leave the market alone?
8. Are Local First campaigns legal?
9. Won't Local First hurt the poor in the Third World from whom we import?
10. Is Local First a front for a radical agenda?

Click here for [Michael's response](#) to a Local First critic in Bellingham.



(1) Aren't local goods and services more expensive?

Sometimes yes, sometimes no. The truth is we actually do not know. Careful studies of the comparative prices between local and non-local retailers are rare. But here are some intriguing data points.

- A recent survey of pharmacies in Maine, for example, found that chain drugstores there sold prescriptions at an average price 15 percent greater than local stores.
- According to Stacy Mitchell of the Institute for Local Self-Reliance, of the few studies available, a Consumer Reports study of bookstores found that Barnes & Noble and Borders prices are 4-8 percent lower than those at independent bookstores. Yet many of the best independent bookstores in the country now offer "frequent buyer programs" that completely erase these price differences for regular customers.
- Mitchell also notes that discount prices from chain stores are often temporary: An interesting aspect of the Maine survey was there were some dozen or so different Wal-Mart stores around the state included and prices for the list of drugs surveyed varied by 15 percent from the lowest-priced Wal-Mart pharmacy to the highest priced Wal-Mart. What was apparent was that Wal-Mart's prices are lowest in areas where it is fairly new on the scene, and highest in towns where it has largely eliminated the competition. What happens long-term to consumer prices as the number of competitors in the retail industry dwindles? Already two to three firms control a dominant share of every retail sector. Wal-Mart has 10 percent of all retail spending, more than 1/3 of the market nationally for numerous basic-needs products, and has a monopoly for some types of goods in many smaller communities. There's plenty of documentation that Wal-Mart routinely sells entire lines of goods below cost in order to squeeze the competition and gain market share. Then prices go up. It has done this in pharmacy goods, toys, gasoline, and now groceries.

A critical mission of Local First is to make sure consumers, businesses, and government purchasing agents ask the right question before spending dollars in a way that will hurt the economy: Is there a reasonably priced local alternative available?

(2) Isn't Local First protectionist?

Not at all. Local First is entirely about the free choices of consumers, businesses, and government purchasing agents. No one is being forced to buy local, and no tariffs or other burdens are being placed on non-local goods.

Some economists believe - incorrectly - that Local First must mean putting up trade barriers or inducing consumers to buy more expensive goods and services, which, as noted above, it doesn't. They also forget that economic models assume all consumers have perfect information. One way of looking at Local First campaigns is that they aim to give consumers better information - about the availability of attractive local goods and services, and about the significant benefits of buying local.

Paradoxically, Local First turns out to be the best way to develop prosperous links to the global economy. Export-led development usually means supporting a small number of globally competitive niches within a global economy. If one of these industries collapses - like automobiles in Detroit or steel in Youngstown - the entire local economy collapses as well, especially its export sectors. The work of Jane Jacobs and others has shown that import-replacing development, which underlies buy-local initiatives, tends to nurture hundreds of existing locally owned businesses, some of which will then become strong exporters. Development led by import replacement rather than export promotion diversifies, stabilizes, and strengthens the local economy.

(3) Does Local First seek to subsidize inefficient local business?

No. Free-market economists forget that the United States is a crazy quilt of thousands of market imperfections - subsidies, regulations, insurance liability limits, tax wrinkles - nearly all of which favor non-local business. Buy local campaigns are very modest efforts to adjust this tilt in the playing field. The tilt is so extreme - probably 99 percent of subsidies go to non-local firms - that we would have a very long way to go before it was undone.

(4) How sound is the methodology for the studies that show a better local multiplier for locally owned businesses?

Some critics have attempted to downplay the studies that have been done in Austin, Maine, and other places because of their small size and because they don't have complete data from the chain stores. To be sure, the methodology of these studies could always be improved, but the results are driven by a simple fact: Local businesses spend more locally - on local management, on local advertising, on local services, and on local profits. Because most economic multipliers are in the range of two to four times the initial expenditure, these differences in local business spending will always result in substantially greater benefits to the local economy.

(5) Aren't local businesses less regulated and therefore worse for the environment?

It's hard to generalize. Some communities have tougher environmental laws than the nation as a whole; some don't. Some types of pollution control devices work best at a large scale; others don't. There are four reasons, however, to believe that local businesses are generally better for the environment. First, many local businesses are service related, and these usually are labor intensive and have few environmental impacts. Second, a community is more likely to clean up a local polluter spoiling the local quality of life than to clean up a polluter located 10,000 miles away. Third, local business owners certainly have a higher commitment to clean water when their own children must drink it. Fourth, a community with primarily locally owned businesses - businesses that will not consider moving to Mexico or China - can raise environmental standards with greater confidence that these firms will adapt, which tips the political balance in favor of greater environmental responsibility.

(6) Don't local businesses pay worse wages?

Businesses with more than 500 employees pay about a third more on average than businesses with fewer than 500 employees. But these wage differences have been shrinking in recent years, as many high-paying larger firms move

factories overseas and as low-wage retailers like Wal-Mart displace existing small businesses. Moreover, studies suggest that over time, as smaller businesses naturally mature and grow, these wage differentials largely disappear.

(7) Shouldn't we leave the market alone?

A healthy market requires, as Local First insists, that consumers fully gather information about available local alternatives before they make purchasing decisions, in full awareness that every dollar spent locally will have two to four times more benefit than a dollar spent non-locally.

(8) Are Local First campaigns legal?

Unquestionably. In a free-market economy, consumers and businesses may make any purchasing decisions they wish. And in a free-speech society, citizens may persuade one another why local purchases are advantageous. The only real legal questions concern government procurement policies that give preference to local bidders. The U.S. Supreme Court generally has held that the Commerce Clause of the Constitution, which normally prevents officials from discriminating against goods on the basis of origin, does not apply when they are acting as market participants, which is the case for procurement officers. The World Trade Organization and other trade agreements, however, may weaken the ability of officials to discriminate against non-U.S. goods and services, though these provisions have yet to be fully defined or tested.

(9) Won't Local First hurt the poor in the Third World from whom we import?

If a large number of U.S. communities successfully move toward self-reliance, then yes, many imports from the global South - whether bananas, aluminum, or oil - would be reduced, to the detriment of the exporting poor countries. But a growing number of development economists are recognizing that the key to improving the plight of these countries is to end their export platform status and to help them become more self-reliant. Communities committed to helping the South might form partnerships like sister cities that facilitate the transfer of state-of-the-art technology and policy. An example is the city-state of Bremen in Germany, which for two decades has been helping its Third World partners become more self-reliant in energy by sharing technology that converts manure, garbage, and sewage into biogas.

(10) Is Local First a front for a radical agenda?

The vision of a world of sustainable communities does differ dramatically from a vision of globalization that tolerates enrichment of a few at the expense of hundreds of millions of workers and families and the destruction of the communities and ecosystems in which they live. But it's hard to imagine more traditional values than those underlying Local First - namely free markets, small business, fair play, and local empowerment.