



LOCAL BUSINESS NETWORKS FIND NEW ALLY — ECONOMICS

BALLE BEAT

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WAL-MART was so sure of its case for bringing jobs to the low-income community of Inglewood, California — a suburb of Los Angeles — that when the city council blocked the proposed warehouse-sized store last year, the company collected more than 10,000 signatures to place the question on the ballot. On April 6, voters stunned Wal-Mart with a 60 percent - 40 percent defeat. The Bentonville, Arkansas company had lost in other communities before, but never before by referendum and never in an inner-city neighborhood.

As beauty parlor owner Alversia Carmouche said, “Maybe the store would possibly be a good thing in the beginning, but it will drive out the smaller businesses. I really feel it will absolutely close this town out.”

What turned around Inglewood residents, and what now complicates the future of chain stores everywhere, is a growing body of economic evidence that suggests the benefits of local business for local income, jobs, and wealth.

Many consumers intuitively know that supporting local business is good for the community. Having hundreds of diverse small businesses, rather than five huge chain stores, provides diversity and character to communities. Small businesses can be integrated better into residential areas, and are therefore consistent with the “walkable

communities” envisioned by smart-growth advocates. Having local entrepreneurs steering the local economy is inherently more healthy than ceding control to profit-maximizing boardrooms thousands of miles away.

But what about jobs? Battalions of experts representing chain-store proprietors argue that by bringing more affordable goods into a community, the Wal-Marts of the world reward local consumers with better deals that translate into significant savings and ultimately more jobs. Plus, by attracting outside buyers into a community, big box stores can expand local employment.

A growing body of evidence, however, is obliterating these arguments. A study in Austin, Texas last summer, for example, found that for every \$100 spent at a Borders book store, \$13 remained in the local economy. Every \$100 spent at two local bookstores left \$43. In other words, every local purchase of books had three times the local economic impact — including roughly three times the jobs and three times the local tax contributions.

Recent studies in Maine and in the United Kingdom, the latter carried out by the New Economics Foundation, have also found two to five times more economic kick for every dollar spent locally. The principal explanation is easy to understand: *Local businesses spend much more money locally.* They hire more local help, especially to perform top-dollar tasks like management, accounting, and legal work; they target more of their advertising dollars on local media; they retain profits through the local owners; they buy more “inputs” and supplies from other local businesses; they do their banking and taxes locally.

Every additional dollar spent by local businesses locally has much more than a dollar’s worth of impact. Because of the economic multiplier, each of these dollars cascades through the local economy many times. In chain stores like Wal-Mart, in contrast, most of the local dollars spent are instantly sucked out of the community to the corporate headquarters half a world away.

Recognizing the power of these studies, two other communities have commissioned researchers to examine the impact of local purchasing. One in Andersonville, Illinois — a neighborhood in greater Chicago — is being performed by Civic Economics, the same consulting firm that performed the landmark study in Austin. Another study in Salt Lake City is being designed to measure the impact on local businesses of a Home Depot and a Super Wal-Mart soon to be operational.

James Carville’s mantra for the first Clinton-for-President campaign — “It’s the economy, stupid!” — is now increasingly becoming the battle cry for Local First campaigns across the country. And to support these campaigns nationwide, the Business Alliance for Local Living Economies (BALLE) is now preparing a book that focuses on the economic case for unchaining America. Look for it this summer. □

Michael Shuman is author of “Going Local; Creating Self-Reliant Communities in a Global Age”; Laury Hammel is Co-Chair of Business Alliance for Local Living Economies (BALLE). Both will be speaking and actively involved in the Second Annual BALLE Conference May 20-23, 2004 in Philadelphia. For details or to register for the conference, visit www.livingeconomies.org; (215) 386-9224, ext. 124.