

Why Buy Local

By Michael H. Shuman
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Don't forget to cast your vote today – your community is at stake. Election Day is over, of course, but the real voting with your wallet takes place continuously. And every time you vote your dollars for chain stores, you are voting for the destruction of your community. It's that simple.

Economic forces are at work today that threaten "this town every town" in America. When you buy groceries or clothes or gasoline, you usually focus on only two questions: Which stores have the lowest prices? And which are most conveniently located? More and more of us then decide to do shopping at super-discount department stores like Wal-Mart. Whatever their virtues, however, these stores systematically suck money out of town and put traditional small retailers out of business.

There are at least four compelling economic reasons to buy instead from locally owned businesses:

First, a locally owned business is likely to produce income, jobs, tax receipts, and charitable donations for a community over several generations. Whenever ownership coincides with the location of a business, all these transactions reinforce one another and pump up the local economic multiplier, the basic building block for community prosperity.

Second, local ownership minimizes the chance of calamity. Across the country, cities have seen their best local companies sell their interests to outsiders and then their hometown plants shutdown. Tragic consequences always follow. Taxpayers thrown out of work become tax-drainers through welfare and unemployment payments. When the tax base contracts, vital services like education, police, and fire must be cut. Property values plummet and, like so many steel and auto towns in the 1970s and 1980s, the community descends into an economic death spiral. Local stores have no plans to move to Malaysia.

A third advantage of local ownership is that once a company agrees to stay indefinitely, the community can better shape its laws and regulations to serve the local quality of life. Today, most communities are held hostage to their largest companies. Near where I live, on the Eastern Shore of Maryland, for example, Tyson and Perdue have successfully fought all legislative efforts to raise wages of their workers and to clean up the billions of pounds of chicken manure they dump into the Chesapeake Bay ecosystem. They deploy one powerful argument: Regulate us and we'll move to more lax jurisdictions like Georgia or Arkansas.

Locally owned companies never practice this kind of extortion. In the National Football League, all but one of the franchises are owned by a single individual, and more than a half dozen have threatened to leave town if their demands for hundreds of millions of dollars for new stadiums and other booty are not met. When Cleveland refused, Art Modell took the Browns to Baltimore. The exception is the Green Bay Packers, a nonprofit owned primarily by the citizens of Wisconsin. Local ownership effectively prevents the Packers from ever threatening to leave town. There will never be Baltimore Packers.

Why do we need Local Living Economies?

Finally, locally owned businesses are, in fact, more likely to succeed than those with absentee shareholders. In 1975 the Sperry Rand Co. decided to shut down any subsidiaries that were not achieving a 22 percent rate of return. One of its companies slated to get the axe was the Library Bureau, the principal employer of Herkimer, New York. The workers, residents, and local banks decided to execute a buyout. In its first year of operation under new management, the newly independent Library Bureau earned a 17 percent rate of return – inadequate for Sperry Rand, but more than enough for Herkimer. It continued to perform profitably for more than a decade.

The Herkimer example underscores that locally owned businesses have much more flexibility and time to become profitable. Having locally owned businesses generate a positive rate of return is far more important to the local economy than having a smaller number absentee-owned companies generating a maximum rate of return. This helps explain why college and state-government towns are among the most recession-proof in the country.

The bottom line is this: If you're hungry, choose a locally owned restaurant. If you need fresh produce, check out the farmers' market. If you're a business, buy inputs for your company from local suppliers. The real power to shape your economy lies in the hands of residents like yourself who vote daily. As they used to say in Chicago, vote wisely and vote often.