

Why do we need Local Living Economies?

Rebuilding Community-Rooted Enterprise

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Tens of thousands of independent, locally owned retail businesses have closed in the last decade as corporate chains proliferate. Corporate chains are damaging the environment, undermining the social and civic fabric of our communities, and weakening our local economies. But, as dismal as the trends are, trends are not destiny. Over the last few years, citizens in hundreds of communities nationwide have organized to block chain retail development, build public awareness of the benefits of local ownership, and press for new land use and economic development policies that curb chain store expansion and nurture local enterprise. The New Rules Project, a program of the Institute for Local Self-Reliance, provides a variety of resources to assist these local efforts.

Environmental Degradation

Corporate chain stores are consuming undeveloped land at a staggering pace. According to some estimates, retail space per capita in the U.S. has tripled in the last twenty years. That's not even counting the acres of parking and miles of roadways needed to access these sprawling developments. Most of this growth has been in the form of big box stores. A typical big box store is three to seven times the size of a football field. It requires 1,000 parking spaces and generates 10,000 car trips every day. Even smaller chain stores are typically designed to encourage driving and inhibit walking and other forms of transit. The consequences include habitat loss and rapidly escalating amounts of air pollution and storm water runoff. This massive over-building has also led to an epidemic of vacancy as downtowns and older shopping centers close down. The U.S. is now home to more than 500 million square feet of vacant retail space.

Social and Civic Costs

The decline of locally owned businesses is weakening the social fabric of our communities. Local businesses help sustain a web of social and economic relationships that are critical for a strong community. There's much to be said for the civic value of doing business with our neighbors---people who greet us by name, send their kids to school with ours, and have a vested interest in the long-term health and well-being of the community. Local merchants often sponsor cultural events and become deeply involved in community affairs. Although we hear a lot about the charitable giving of big corporations, one study has found that small businesses actually give more than twice as much per employee to charitable causes as do large companies.

Perhaps most significant of all, the displacement of independent businesses by corporate chains has implications for community self-determination and democracy. Consolidation has meant that assets are no longer broadly owned and locally controlled. Who decides whether to carry produce from nearby organic farms, stock a controversial book, pay a living wage, protect natural resources, or contribute to a local charity? In the case of chain stores, these decisions are made in distant boardrooms, where the values and well-being of the community carry little weight.

Weakened Local Economies

Most people assume that the visible consequences of chain store proliferation---the sprawl, the traffic congestion, the loss of community character---are simply the price of progress. We

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assume that these big corporations bring a host of economic benefits, including new jobs and lower prices that are worth the trade-offs.

But a growing body of evidence and real-world experience is finding that the opposite is true: Communities that are overrun by corporate chains are far worse off economically over the long-run than those that maintain a diversified economy of small-scale, locally owned enterprises. Here's a quick look at some of the economic issues:

- **Jobs and Taxes.** Retail spending is a relatively fixed pie. Just because Target builds a new store, it doesn't mean people are going to need more pairs of socks or gallons of milk. New chain store development invariably causes sales to decline at existing businesses, some of which will be forced to either downsize or close altogether. The resulting job and tax revenue losses typically equal and sometimes exceed the job and tax gains created by the new chain.
- **Public costs.** Spread-out land use patterns are costly in terms of services such as roads, sewers, police, and fire---especially if taxpayers are also maintaining identical services in vacant or underutilized downtowns and neighborhood business districts.
- **Multiplier effect.** Independent retailers keep profits in the local economy and support a variety of other local businesses. They hire local accountants and printers, advertise on local media, and bank with local banks. Much of every dollar spent at a locally owned retail business is thus recycled into the local economy, helping to sustain a wide range of local jobs and opportunities. In contrast, chain stores export profits, keep local spending to a minimum, and require little in the way of local services such as advertising or banking.
- **Fewer choices.** Retail consolidation and chain stores' centralized buying patterns have dramatically narrowed the range of products available. It might appear that chains like Barnes & Noble and Borders Books have given us more options. But, although these superstores house as many as 200,000 titles under one roof, they are more or less the same titles found in each of their 2,000 outlets. Independent bookstores may be smaller, but collectively they stock and, more importantly, promote a vastly broader range of titles than either of the chains. The same is true for every retail sector: as corporate chains take over, small-scale producers are having an increasingly difficult time finding shelf space for their wares.
- **Monopoly Prices:** Surveys have found that prices at major chains, including Wal-Mart and Home Depot, vary significantly from one outlet to the next and are higher in areas where the local competition has been eliminated.
- **Long-term commitment.** Local merchants live in the community and are committed to its future. Footloose global chains are highly mobile. They routinely demand tax breaks and other concessions to stay put and will pick up and leave if the economic winds shift or their business plan changes. Many cities and towns are now home to dozens of vacant big box stores. Wal-Mart alone has nearly 400 empty stores nationwide.
- **The big picture.** A growing body of economic research shows that trading a vibrant downtown with unique local businesses for sprawling cookie-cutter development lessens a

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community's appeal to entrepreneurs and skilled workers, and reduces its long-term prospects for new investment and high-quality jobs.

Trends are Not Destiny

The current trends are dismal. But trends are not destiny. Contrary to conventional wisdom, the rise of corporate chains is not simply the result of market forces and consumer choices. Public policy has played a big role in tilting the playing field. Federal policy, for example, currently exempts mail order and internet retailers from collecting state and local sales tax, giving them a 5 to 8 percent price advantage over local stores. Federal and state antitrust enforcement has been virtually non-existent when it comes to checking predatory pricing and other abuses by global retailers. At the local level, cities and towns routinely provide corporate chains with free infrastructure and multimillion dollar tax breaks and direct subsidies. Rarely are these kinds of public funds made available to local retailers, who instead see their tax dollars used to underwrite the growth of their biggest competitors.

It's time to change the rules. Rather than foster concentrated economic power, public policy should support locally owned, community-based enterprises. Five years ago, the Institute for Local Self-Reliance launched the New Rules Project, a national effort to identify and promote polices ("new rules") that strengthen local economies and communities. The New Rules Project has identified numerous polices that can limit chain store growth and strengthen locally owned businesses. We are now working with activists, small business owners, environmentalists, unions, and policymakers to build support for and implement these polices in communities around the country. Here are a few examples of the kinds of policies we are advocating:

- **Mandate humanly scaled stores.** Dozens of cities and towns have banned stores over a certain size. Easton, Maryland prohibits stores that exceed 65,000 square feet (about half the size of typical Home Depot). Hood River, Oregon set its limit at 50,000 square feet. Boxborough, Massachusetts capped stores at 25,000 square feet (smaller than a typical Borders Books). Some urban neighborhoods have chosen smaller limits. The Brookside district in Kansas City, Missouri prohibits stores over 10,000 square feet. When chains like J.Crew and Pottery Barn started showing interest, San Francisco's Northbeach and Castro neighborhoods banned stores over 4,000 square feet.
- **Steer commerce downtown.** If you go down to the planning office and take a look at your town's zoning map, you're likely to find that huge amounts of land on the outskirts of town and along every major road are zoned for commercial retail development. Rather than allowing retail sprawl to crop up willy-nilly all over town, many communities have adopted land use rules that steer new development to areas in or adjacent to the downtown or existing neighborhood business districts. This ensures that new growth compliments existing businesses and does not undermine downtown vitality.
- **Require economic and community impact reviews.** Many communities now require that proposals for new retail development undergo comprehensive economic, environmental, and community impact reviews. To gain approval, the development must meet specific criteria outlined in the law. The criteria vary from community to community, but might include such things as impact on traffic, tax revenue, public costs, storm water runoff, community character, and the local economy.

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- **Cooperate regionally.** In some areas, nearby towns are working together to develop regional policies that limit sprawling chain store development and encourage locally owned businesses. The Cape Cod Commission is one example.
- **Demand diversity.** A handful of communities have restricted or banned formula businesses. These are defined as stores or restaurants that have standardized services, methods of operation, decor, architecture, or other features virtually identical to businesses in other communities. These laws do not prevent a chain from coming in, but they do require that the incoming chain be completely distinct in both appearance and operations. This is a significant deterrent to most chains, which generally refuse to veer from their cookie-cutter approach.
- **Favor the local.** Recognizing the added economic benefits of local ownership, several communities---including Ketchikan, Alaska and Columbus, Ohio---have adopted local purchasing preferences. Under these laws, local businesses are given preference for all city contracts and purchases if the local firm's bid is within a certain percentage (e.g., 5%) of the lowest bid received.

As these examples indicate, the dominance of global retail corporations and decline of locally owned businesses is by no means inevitable. By joining forces with other activists, building greater public awareness of the perils of consolidation, and pressing for new rules at the local level, citizens across the country are beginning to curb the growth and power of corporate retailers and revive their local economies.

GET INVOLVED! NEW RULES PROJECT RESOURCES:

Book: *The Home Town Advantage: How to Defend Your Main Street Against Chain Stores and Why It Matters* by Stacy Mitchell (Institute for Local Self-Reliance, 2000), available at local bookstores or online at www.newrules.org.

Newsletter: *The Home Town Advantage Bulletin*: A free, bimonthly email newsletter that tracks grassroots efforts to curb chain store proliferation and strengthen locally owned businesses. See <http://www.newrules.org/hta/index.htm> for back issues and information on how to sign-up.

Web site: To find out more about the policies described above, visit the Retail section of www.newrules.org, an online clearinghouse of more than 200 model laws and policies.

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