

An urgent call to 'buy local'

Job developer Michael Shuman seeks to rebuild struggling communities with home-grown businesses.

By Tim Holt | Contributor to The Christian Science Monitor

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For Michael Shuman it was the equivalent of an earthquake. Seeking cheaper labor in Canada, Toronto-based Branscan Corp. threw 1,400 people out of work by closing two paper mills in Millinocket, Maine, in 2002. The unemployment rate in this region of central Maine skyrocketed to Depression era levels of nearly 40 percent.

Mr. Shuman, an economist and job developer, was called in for damage control. Aided by an \$8 million federal grant, he and his colleagues at Maine's Training and Development Corp. were able to help most of the laid-off workers get back on their feet. But the experience convinced Shuman to do what any sensible person might do after such a calamity: Build something that's earthquake-resistant.

To him, that involves locally owned businesses.

For the past five years, Shuman has been barnstorming across the United States, preaching the gospel of economic "localism." It's an appeal to community values as well as economic self-interest, a call to support locally owned businesses that don't outsource, don't pack up their businesses and leave on a moment's notice, and who recycle their customers' dollars back into the community.

Shuman describes his effort as "a political campaign that never ends." He speaks mostly in small rural communities, often desolate landscapes with shuttered mills and boarded-up storefronts. His campaign has put him in the epicenter of a debate about what's best for the economic health of a community: Locally owned businesses or large, multinational chain stores.

Shuman views struggling communities as untapped resources: vacant land available for new businesses or existing local businesses that want to expand, the numbers of unemployed people who can be hired by local businesses or who might start their own businesses.

"For years, economic developers have looked for new wealth from outside their communities and overlooked the huge opportunities in their own backyard," he says. "The localization movement encourages communities to take stock of these untapped resources. That's especially important as today's economic downturn increases the pressure on every town and city to do more with less."

He points to the Mount Shasta region of northern California, where a timber faller with a bad back started a successful boat repair business, and to Vermont, where two enterprising young mothers started a business weaving recycled fabric and old clothes into new ones.

Rachel Hooper, one of the owners of Burlington's Bobbin Sew Bar, went to hear Shuman speak before starting her business. "It was really inspiring to hear him talk about how small business owners can play an important and positive role in their communities," she says.

Shuman likes to cite a 2003 study by Civic Economics, a consulting and research firm. It examined what happened to every \$100 spent at a chain bookstore and at a locally owned one in Austin, Texas. At the chain, only \$13 went back into the local economy. At the local bookstore, it was \$45.

Big box chains have raised their profile by spending big dollars. To compete, locally owned businesses are banding together for what one organizer calls "grass-roots guerrilla marketing." These low-budget efforts include posters touting the "Top 10 reasons to buy local" and bumper stickers that say "Buy local or bye-bye local." Discount coupon books featuring local businesses help bring new customers through the door, as do catalogs that list locally owned businesses.

In 2006, New Mexico's Los Alamos National Bank began issuing local "community care" debit cards good only at participating local businesses. Cardholder purchases rack up "community points" good toward additional purchases at local businesses; a portion of their purchases goes to a nonprofit of their choice. The idea has proven popular: One out of every 10 Santa Fe residents uses the cards, according to bank officials.

These and other promotions are being spread around the country through the Business Alliance For Local Living Economies. Founded seven years ago by Philadelphia restaurant owner Judy Wicks and Laury Hammel, a Boston health-club owner, BALLE has grown to include some 60 small business networks in the US and Canada. Shuman was involved in BALLE's formative stages, providing the organization with its intellectual underpinnings. In the next few months, he'll be joining BALLE to work full-time on economic development and public policy initiatives.

The organization is still experimenting with what works for small businesses. "We're a young movement," says Mr. Hammel, noting that it's only been five years since BALLE launched its first "buy local" campaigns.

These grass-roots efforts are a good start, Shuman feels, but he also thinks it's necessary to change "fundamentally misguided" government policies that favor nonlocal businesses. By Shuman's estimate, some \$113 billion in tax dollars is spent each year to lure companies into a community, only to have many of them take the money and run in a few years. Why not put the money instead, he says, into building business networks like BALLE and into technical assistance for local entrepreneurs who are much more likely to stay around?

Shuman's "small business is beautiful" campaign has few detractors. After all, the small grocer who knows his customers' names, the hardware store owner who can find just the right widget for you, are icons of retail Americana.

But traditional economic thinking embraces the value of big business, the notion that large concentrations of capital and labor are necessary if consumers want inexpensive cars, refrigerators, and computers.

Large "exporting" businesses, with their broad geographical base of customers, bring in untapped consumer dollars to a local economy, notes Tim Bartik, a senior economist and job development researcher at the Upjohn Institute in Michigan, a nonprofit think tank founded by the pharmaceutical giant. And they often pay higher wages.

But Mr. Bartik is quick to admit that local and state governments don't always spend tax revenues wisely, don't always do the homework necessary to determine if a big, out-of-state corporation will actually pay higher wages, hire local residents, or buy from local suppliers. Too often, he says, these companies are lured for their headline-grabbing, "ribbon-cutting" luster, when the same tax dollars might be better spent training budding entrepreneurs at a small business development center.

It's here that Shuman and mainstream economists find common ground. Shuman, for his part, agrees that "export" businesses add to the economic health of a community, but argues that locally owned businesses can bring in export dollars just as well as the big guys, whether it's from sales of maple syrup or financial services.

The effort to revive local economies is occurring for the most part outside the media spotlight, in Shuman's countless trips to struggling communities, in the growing number of small-business associations sprouting up around the country.

It's a slow process. But Shuman, a born salesman, is optimistic about the movement's future: "In the current economic downturn, Americans are beginning to understand that their future prosperity lies in the community businesses down the street that employ their neighbors, pay the taxes, and promote local relationships and trust."