

Twelve Central Findings

I. Local Impact Studies

Roughly three times more money recirculates in a community when spent at a local store in comparison with a chain.

The effect is smaller for restaurants and larger for services.

Even a small diversion of spending (5-10%) back to locally owned retail would generate major benefits (e.g., restaurants, about 75 new jobs in SF and \$4 million I new wages).

The benefits of buy local campaigns may be greater for business-to-business import substitution. Cities tend to have a net tax revenue deficit from chain stores and big boxes in comparison with local stores.

II. Big Box Studies

A new Wal Mart store will depress the number of small retailers, especially those with similar product lines.

A new Wal Mart store will depress county retail wages by .5 to .9%.

New Wal Mart stores are associated with lower social capital and higher poverty rates.

A new Wal Mart or big box complex may increase local restaurant sales.

A new Wal Mart store will generate few net jobs and may even cause a job loss (controversy).

III. General Effects of Local Retail

Local retail is positively correlated with associations (such as nonprofits), “third spaces” (gathering spots such as bars, pubs), the Putnam social capital index, and voter turnout, Local retail is negatively correlated with poverty, infant mortality (a proxy for public health), and crime.

I. Local Impact Studies

A local multiplier is an estimate of the effect of a purchase at a locally owned, independent store in comparison with a non-local store, such as a big-box store or franchise restaurant. Studies consistently show that more money recirculates in a regional economy when spent at a locally owned, independent store. There are various reasons: profits retained in the community by owners, higher purchases of other locally owned businesses, higher taxes (in comparison with tax holidays often given to big box stores), and higher donations to the nonprofit sector.

Civic Economics. 2002. "Economic Impact Analysis: A Case Study." Austin: Civic Economics.

Of \$100 spent at a Borders bookstore, there is a \$13 "local economic impact," compared with \$45 at Bookpeople and \$45 at Waterloo Records. Local economic impact includes direct impact (wages, local purchases, and local profit) and indirect & induced impact (based on an estimate of the multiplier effect calculated on a model of the Austin economy by a national firm).

Ajilore, Gbenga. 2004. "Toledo-Lucas County Merchant Study." Toledo: Urban Affairs Center, University of Toledo. \$100 spent at Thackery's, a locally owned and independent bookstore, generates \$44 that remains in the community, in comparison with \$20 for a Barnes and Noble store.

Institute for Local Self-Reliance. 2003. "The Impact of Locally Owned Businesses v. Chains: A Case Study in Midcoast Maine." Minneapolis: Institute for Local Self-Reliance. Locally owned retailers spent about 45% of their revenue in the two-county area, whereas big-box retailers spent only about 14%.

Civic Economics. 2004. "The Andersonville Study of Retail Economics." Austin: Civic Economics. Local economic impact of \$68 for a local firm versus \$43 for a chain (A sample of stores was taken in each of the six categories—local/chain restaurants, local/chain retail, local/chain services—was used.) Parallel effect when measured by square foot (\$179 for local versus \$105 for the chain). Absolute impact of the chains is greater. Breakdown by sector (local v. chain, per \$100 spent) is for restaurants \$76/60, \$44/27 retail, and \$76/40 for services. The reason for differences across industries is that restaurants depend heavily on employee wages, whereas services depend more on owner wages.

Civic Economics. 2007. "The San Francisco Retail Diversity Study." Austin: Civic Economics. Stores sampled were in four categories: books, toys, sporting goods, and restaurants. This study uses a slightly different terminology and set of figures, but it shows a higher local economic impact for local stores. It also estimates the effects of redirecting 10% of purchase to local stores, e.g., for books, 25 new jobs and over \$1 million in new income for workers, and for restaurants, 73 new jobs and over \$4 million in new income.

Swenson, Dave. 2004. "Buying Local in Union County and Creston, Iowa: An Economic Impact Analysis." Department of Economics, Iowa State University. Of \$286 million in industrial production inputs for the county, about 72% went to suppliers located outside Union County. Households and institutions also imported about \$169 million. A 5% import substitution would generate about \$8 million in new production and 144 jobs, using a multiplier estimate of 1.2 to 1.3 (\$1 in import substitution generates \$1.20 to \$1.30 in additional output).

Swenson, Dave. 2006. "Buying Local in Marshall County and Marshallton, Iowa: An Economic Impact Analysis." Department of Economics, Iowa State University. Similar study for another county. He has a very interesting point regarding "buy local" campaigns: "Much greater multipliers in a region accumulate when industries buy from one-another than if households buy from local retailers. This is especially true when industries are buying specialized commodity and service inputs from local suppliers, not just the margined wholesale goods."

Tischler and Associates. "Fiscal Impact Analysis of Residential and Nonresidential Land Use Prototypes." Barnstable, MA. Big box retail, shopping centers, and chain stores produce a

net deficit of tax revenue per thousand square feet (respectively, \$468, \$518, and \$5,168), whereas specialty retail produces a surplus of \$326 per 1,000 square feet.

III. Big Box Retail Studies

Goetz, Stephen, and Hema Swaminathan. 2006. "Wal-Mart and County-Wide Poverty." *Social Science Quarterly* 87(2): 211-226. Studied a large sample of counties with Wal-Mart before 1987 and Wal-Mart added between 1987 and 1998. Poverty rate had higher increases in counties with more Wal-Marts than in those with fewer or none. Three hypotheses are put forward to explain the effect (but no data to support them given):

1. Retail owners forced into lower-paying jobs.
2. Contributions to nonprofits lower.
3. Loss of independent stores leads to loss of entrepreneurial leadership.

Goetz, Stephen, and Anil Rupasingha. 2006. "Wal-Mart and Social Capital." *American Journal of Agricultural Economics*. 88(5): 1304-1310. Again, studied a large sample of counties with Wal-Mart before 1987 and Wal-Mart added between 1987 and 1998. Social capital is defined here as a mix of variables, including the number of nonprofit organizations and voter turnout. Social capital is positively correlated with rural area, women in the workforce, ethnic homogeneity, level of education, non-movers, African Americans, professionals, middle age (not young or old), and agricultural employment. Existing Wal-Marts and additions of a Wal-Mart lower social capital.

Basker, E. 2005. "Job Creation or Destruction? Labor Market Effects of Wal-Mart Expansion." *Review of Economics and Statistics* 87:174-183. Very large data set. A new Wal Mart increases retail jobs by 100, but over the long term 50 are lost as other retailers close, and 20 more wholesale jobs are lost. Median county retail employment was 1500 in 1990, and the average Wal Mart had 300 employees. No effect on restaurants and automotive sales and service.

Neumark, David, Junfu Zhang, and Stephen Ciccarella. 2007. "Effects of Wal-Mart on Local Labor Markets." Discussion Paper No. 2545. Bonn: Institute for the Study of Labor (IZA). www.newrules.org. Claims to improve on Besker's methodology and finds that each Wal Mart store reduced county-level retail employment by 2.7%, or each Wal Mart employee replaces 1.4 other retail employees .

Two studies that survey the Wal Mart literature:

Basker, Emek. 2007. "The Causes and Consequences of Wal Mart's Growth." *Journal of Economic Perspectives* 21(3): 177-198. Surveys the Wal Mart literature, including the local impact studies.

Irwin, E., and J. Clark. 2006. "The Local Costs and Bene fits of Wal-Mart." Department of Agricultural, Environmental and Development Economics, The Ohio State University. Also, there are some good abstracts at <http://www.newrules.org/retail/econimpact.html#2>.

Some other Studies on Wal-Mart and Small Businesses:

Artz, Georgeanne, and Kenneth Stone. 2006. "Analyzing the Impact of Wal-Mart Supercenters on Local Food Store Sales." *American Journal of Agricultural Economics* 88(5): 1296-1303. Opening of a Wal-Mart supercenter in a sample of Mississippi counties shows growth of grocery store sales reduced by 17% within two years in nonmetropolitan markets, by 4% in metropolitan counties.

Dube, Arindrajit, T. William Lester, and Barry Eidlin. 2007. "A Downward Push: The Impact of Wal-Mart Stores on Retail Wages and Benefits." U.C. Berkeley. The opening of a single Wal Mart store lowered the average retail wages by .5 to .9% for the entire county.

Hicks, M. J., and K. L. Wilburn . 2001 . "The Regional Impact of Wal-Mart Entrance : A Panel Study of the Retail Trade Sector in West Virginia." *Review of Regional Studies* 31(3): 305 –

13. Net benefit to employment and wages, but the study is typical of the older studies, which was limited geographically and superceded by later work.

Ketchum, B. A., and J. W. Hughes . 1997 . "Walmart and Maine : The Effect on Employment and Wages ." *Maine Business Indicators* 42 (2) : 6. Older study that claims no negative effect of new Wal Marts, but the study was limited geographically and predates the subsequent studies of Besker and Goetz.

Stone, Kenneth. 1995. "Impact of Wal-Mart Stores and Other Mass Merchandisers in Iowa, 1983-1993." *Economic Development Review* 13(2): 60-69. See also Stone, Kenneth. 1997. "Impact of the Wal-Mart Phenomenon on Rural Communities ." Pp. 189 – 200 in *Increasing Understanding of Public Problems and Policies*, Oak Brook, IL: Farm Foundation . Effects of Wal Mart in 34 Iowa towns over a ten-year period. People in towns without a Wal Mart appear to have shifted consumption to Wal Mart towns, resulting in lower sales of general merchandise overall in non-Wal Mart towns. However, for industries that have products lines that directly compete with Wal Mart, such as home furnishing, sales decline in both Wal Mart and non-Wal Mart towns. The paper has many practical tips for small businesses.

III. Correlational Studies

These studies look at general correlates of a strong local business sector.

Goldschmidt, Walter. 1978. *As You Sow: Three Studies in the Social Consequences of Agribusiness*. Allanheld, Osmun, and Co. Classic anthropological study of two rural towns in California's central valley. The town dominated by agribusiness has lower general living conditions, more dilapidated buildings, more concentrated power in decision-making, lower community loyalty, greater social distance between social groups, lower retail trade, and fewer social services, parks, youth facilities, social service organizations, and business establishments.

Tolbert, Charles. 2005. "Minding Our Own Business: Local Retail Establishments and the Future of Southern Civic Community." *Social Forces* 83(4): 1309-1328. This essay reviews the body of research by Tolbert, Irwin, Lyson, and others. The early studies focused on small manufacturing, and the later studies focused on local retail and services. He draws on the concept of the "independent middle-class" (people employed in the independent sector rather than in corporate jobs) based on Robert Johnston's work (below). Local retail in the US has declined from 50-60% to 40-50% of retail employment from 1977 to 1997, with the decline greatest in the South. Strong local retail and small manufacturing are closely correlated. Local retail is also positively correlated with associations (such as nonprofits), "third spaces" (gathering spots such as bars, pubs), the Putnam social capital index, and voter turnout, and it is negatively correlated with poverty, infant mortality (a proxy for public health), and crime. Here is the bibliography:

Blanchard, Troy C., Michael D. Irwin, Charles M. Tolbert, Thomas A. Lyson, and Alfred R. Nucci. 2003. "Suburban Sprawl, Regional Diffusion, and the Fate of Small Retailers in a Large Retail Environment, 1977–1996." *Sociological Focus* 36:313–32.

Tolbert, Charles, Michael Irwin, Thomas Lyson, and Alfred Nucci. 2002. "Civic Community in Small-Town America: How Civic Welfare is Influenced by Local Capitalism and Civic Engagement." *Rural Sociology* 67(1): 90-113.

Irwin, Michael D., Charles M. Tolbert, and Thomas A. Lyson. 1999. "There's No Place Like Home: Non-Migration and Civic Engagement." *Environment and Planning A* 31:2223–38.

Irwin, Michael D., Troy C. Blanchard, Charles M. Tolbert, Thomas A. Lyson, and Alfred R. Nucci. 2004. "A Multilevel Model of the Effects of Civic and Economic Structure on Individual Nonmigration." *Population* (English edition) 59:567–92.

Lee, Matthew R., and Graham C. Ousey. 2001. "Size Matters: Examining the Link between Small Manufacturing, Socioeconomic Deprivation, and Crime Rates in Non-metropolitan Communities." *Sociological Quarterly* 42:581–602.

- Lyson, Thomas A. 2004. *Civic Agriculture: Reconnecting Farm, Food, and Community*. University Press of New England.
- Lyson, Thomas A., and Charles M. Tolbert. 1996. "Small Manufacturing and Civic Welfare in U.S. Nonmetropolitan Counties: A Regional Comparison." *Environment and Planning A* 28:1779–94.
- Lyson, Thomas A., and Charles M. Tolbert. 2003. "Civil Society, Civic Communities, and Rural Development." Pp. 228–38 in *Challenges for Rural America in the 21st Century*, edited by David Brown and Louis Swanson. Pennsylvania State University Press.
- Tolbert, C.M., T.A. Lyson, and M.D. Irwin. 1998. "Local Capitalism, Civic Engagement, and Socioeconomic Well-Being." *Social Forces* 77:401–27. Focused on small manufacturing.
- Tolbert, Charles M., and Thomas A. Lyson. 1992. "Earnings Inequality in the Nonmetropolitan United States: 1967–1990." *Rural Sociology* 57:494–511.
- Tolbert, Charles M., Thomas A. Lyson, and Michael Irwin. 1998. "Local Capitalism, Civic Engagement, and Socioeconomic Well-Being." *Social Forces* 77:401–28.
- Tolbert, Charles M., Troy C. Blanchard, Michael D. Irwin, Thomas A. Lyson, and Alfred R. Nucci. 2001. "Engaging Business: Civic Engagement and Locally Oriented Firms." *Southern Perspectives* 5:1–4.
- Tolbert, Charles M., Michael D. Irwin, Thomas A. Lyson, and Alfred R. Nucci. 2002. "Civic Community in Small-Town America." *Rural Sociology* 67:90–113.
- Johnston, Robert D. 2003. *The Radical Middle Class: Populist Democracy and the Question of Capitalism in Progressive Era Portland, Oregon*. Princeton University Press. Tolbert mentions this book as an influence. It argues that the middle-class of small businesses, etc., led the reforms of the progressive era.

IV. A Few Recent Books

- Jill Bamburg *Getting to Scale: Growing Your Business Without Selling Out*
- Bo Burlingham, *Small Giants: Companies that Choose to be Great Instead of Big*
- Laury Hammel, *Growing Local Value: How to Build Business Partnerships that Strengthen Your Community*.
- Naomi Klein, *The Shock Doctrine: The Rise of Disaster Capitalism*.
- Robert McChesney, *The Future of the Media: Resistance and Reform in the Twenty-First Century*.
- Bill McKibbin, *Deep Economy: The Wealth of Communities and the Durable Future*.
- Stacy Mitchell, *The Big Box Swindle: The True Cost of Mega-Retailers and the Fight for America's Independent Businesses*.
- Michael Shuman, *The Small Mart Revolution: How Local Businesses are Beating the Global Competition*.
- Williamson, Thad, David Imbroscio, and Gar Alperovitz. *Making a Place for Community: Local Democracy in a Global Era*.