

## Buying Locally for the Wrong Reasons

Did you know that every dollar you spend locally turns over seven times in our community? Well, it doesn't.

I'm a big supporter of Buy Local campaigns, so imagine my dismay when an Iowa State University economist went out of his way a few months ago to write an article for the Des Moines Register debunking this particular myth. Don't these guys have anything better to do? Why can't they stick with analyzing hog futures?

David Swenson is the economist in question, and he has an irritating preference for statistics over folklore and wishful thinking. He says a dollar spent locally may eventually change hands in a community seven times (more or less), but that's not the same thing as economic multiplier of 7.0.

This topic is his specialty, and after slicing and dicing the numbers to his satisfaction he ends up concluding "the multipliers I would use to describe the localized economic value of increased local cash-register purchases would range from 1.25 to 1.40 depending on the size and complexity of the regional economy."

The good news here is that he agrees there is value to every community in purchasing locally. One of Mr. Swenson's studies using an impact model of a medium sized northern Iowa county concluded that each million dollars of cash-register sales supports 14 jobs and \$286,000 of incomes annually to workers and shopkeepers there.

Following the publication of his article I sent Mr. Swenson an email to find out if there was a measurable difference in the economic impact between buying from a locally-*owned* store versus a store with local bricks and mortar but whose ownership is out of state. After all, a dollar spent at Iowa City Laundry & Tire ends up in Iowa City Bank & Trust, not wired overnight to faceless evil bankers in New Jersey.

His reply: "The market is the market. It is mostly a value judgment whether local ownership trumps any locally situated firm. The economy doesn't care where you put your deposits, what matters is what you do with them and where. "

Since my economic prowess is limited to unsuccessfully balancing my checkbook every month, I'm not prepared to debate this point. But it seems to me that the good folks at Iowa City Bank & Trust would prefer to have those deposits, and whoever they loan the money to would be more likely to spend it locally.

There have been a number of recent surveys that attempt to measure the impact of Buy Local campaigns. One was conducted early this year by the Institute for Local Self-Reliance (based in Minneapolis) using 1700 businesses in 49 states.

It concluded that independent businesses in communities with an active buy local campaign - operated by a local business organization - reported revenue grown of 7.2% in 2011, compared with 2.6% for those in areas without such an initiative. More than three-quarters of the respondents in cities with an active buy local initiative reported that it had a positive impact on their business.

So pretty much everyone agrees that buying locally benefits the local economy to one degree or another, although it's galling for me to have to temper my Buy Local rhetoric to (gasp!) conform to reality.

If you're looking for a quote to include in your own Buy Local campaign flyer, here's another excerpt from Mr. Swenson's email: "When local businesses and households are able to switch purchases to a local source from an external source, there is a multiplier effect that is beneficial to the regional economy. Importantly, that very same multiplier works in reverse if a community is leaking sales to a nearby community. For every dollar of lost sales to a neighboring market, the community is expected to contract using the same multiplier."

Just don't use the number seven.

*Writers Group member Dave Parsons works in the local business he co-owns on the Coralville Strip.*