

# Promoting Local Consumption

An Economic Solution to Fund Cities: North America



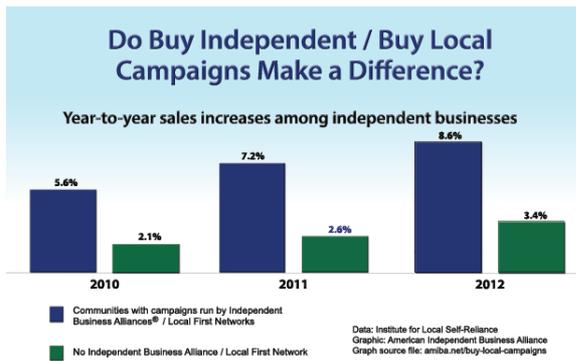
*"Subject to the caveat that the 2000-2007 period was unique in American economic history, results presented are **remarkably robust** in terms of the **positive link** between small firms that are **locally owned** and per capita **income growth**. Medium and larger firms appear to have the opposite effect, especially when they are not locally owned." (Fleming and Goetz 2011)*

Buying local is a major contributing factor to any attempt to rebuild or restore local economies. Strategies and mechanisms that promote local, independently owned businesses could range from supporting small groups of citizens performing "Cash Mobs" to joining large international networks of local business alliances. Both types of actors and the initiatives that they promote and get involved in contribute to spread the discourse on inclusive and environmentally sustainable economic growth via the creation of resilient local economies. Local authorities can play a major role in supporting these types of initiatives in various ways.

## Localists

The broader "localist" movement in North American cities and towns finds guidance at the continental level from organizations such as the Business

Alliance for Local Living Economies (BALLE), the Institute for Local Self-Resilience (ILSR), and the American Independent Business Alliance (AMIBA). At a local level, several U.S. and Canadian cities are part of networks or alliances promoting the pro-local message. Besides, this involvement of cities in such networks is correlated with a greater year-to-year sales increases, as displayed in the chart below: the blue bars on the left represent sales increases in cities with local campaigns, while the green bars on the right stand for sales increases in cities that do not rely on such campaigns. The sales increases on the left doubled the one observed on the right from the time period 2010-2012.



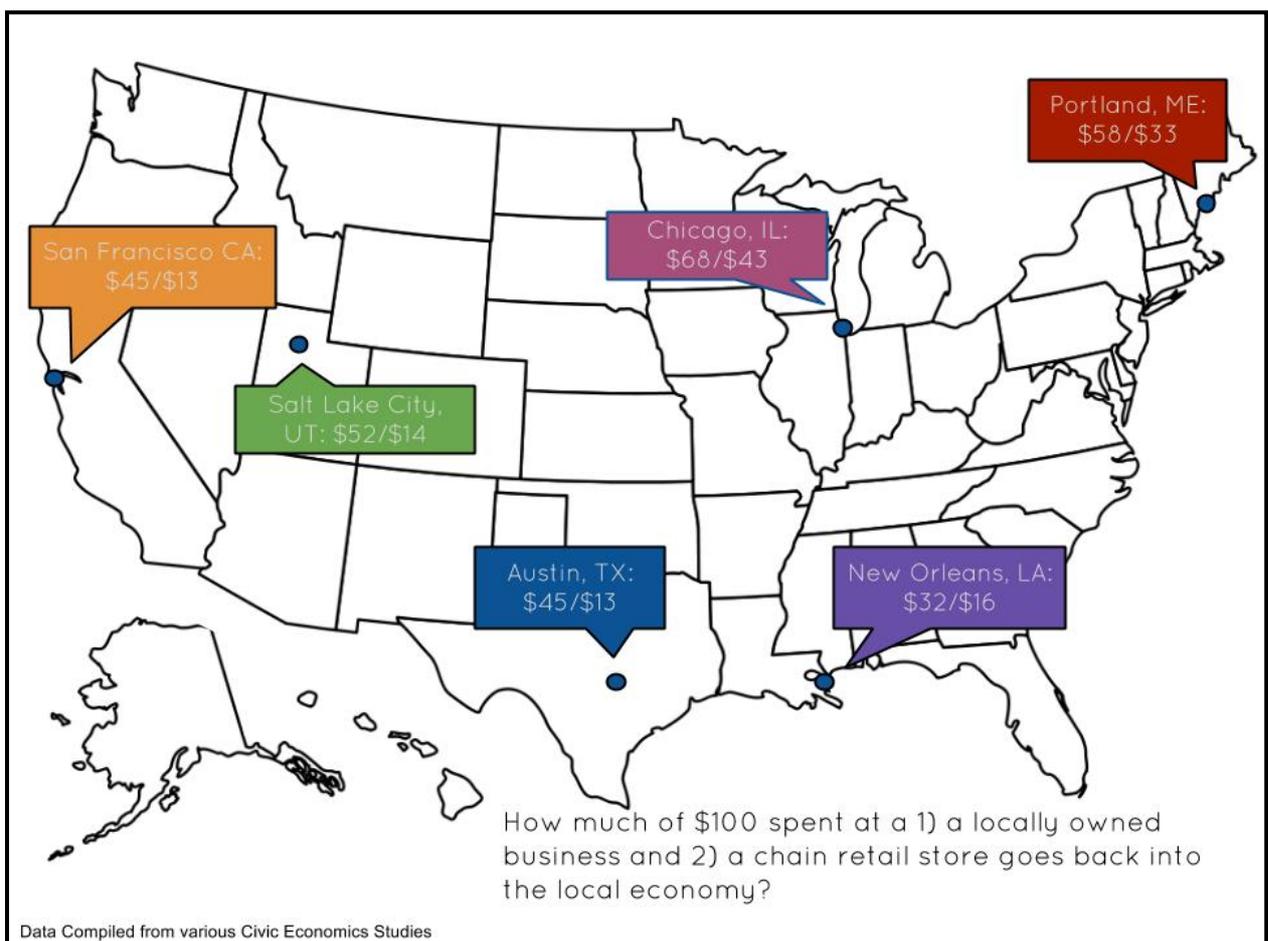
### Retail Impact

One way to assess the impact of local consumption initiatives, largely advocated in studies conducted by Civic Economics, is to do an Economic Impact Study based on retail spending. This kind of analysis compares the economic impact of locally owned retailers to the one of national chains. More especially, it measures businesses economic impact based on the

following indicators:

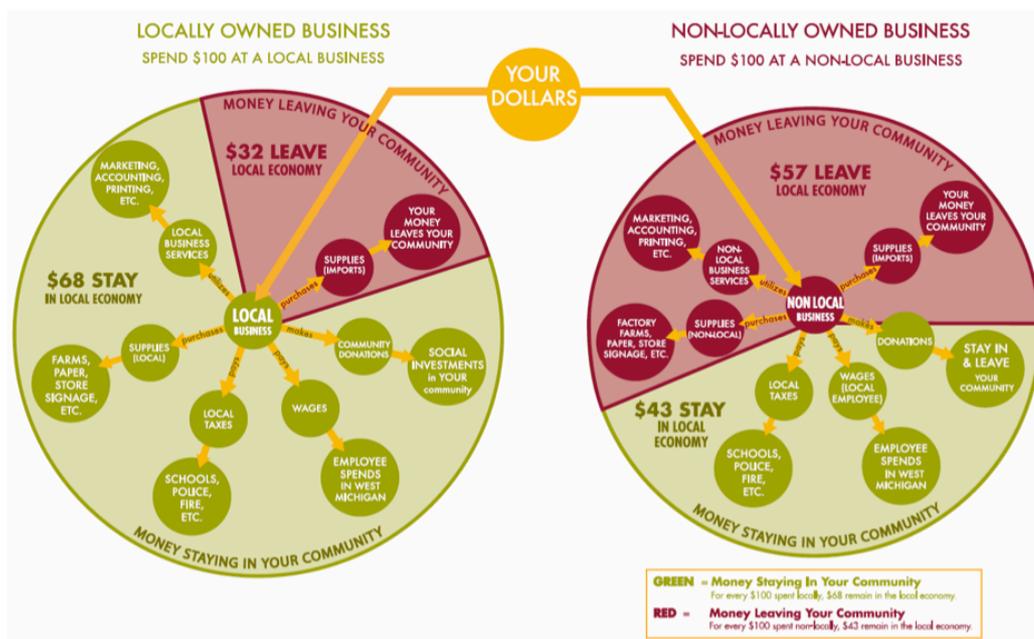
- Profits accumulated by local owners
- Wages paid to local workers
- The internal use of local goods and services within the business
- Purchasing of local goods for resale
- Donations made to community organizations

The map below shows results from various Civic Economics studies in cities across the United States. It should be underlined that the Chicago figure exceptionally contains data from a particular neighborhood in Chicago (Andersonville) and includes business impact analysis of restaurants, as well as retail and service providers. Most figures for spending and economic impact of local restaurants demonstrate larger



returns and impacts on the local economy, which could account for the higher figure of \$68 being returned back to the local economy from spending locally. Several cities and “Buy Local” campaigns use the figure produced by this Andersonville study to support their initiative. The following graph, created and diffused by Local First in Grand Rapids, Michigan, elaborates on the

ways in which money circulates in the local economy and elsewhere. The important finding here is that regardless of the city, the local impact advantage is stronger among locally owned businesses. In most cases nearly twice or three times as much money stays in the local economy when it is spent in an independent business and not in a national chain. ■



**Case Study:** Cash Mobs  
**Location:** Cleveland, Ohio

Concerned citizens in Cleveland, Ohio have initiated a practice that has become an international one in the last few years. “Cash mobs”, inspired from the idea and name of well-known “flash mobs” bring community members together for a conscious act of local spending at a select locally-owned retailer. This initiative aims at showing solidarity with local businesses, increasing sales at the chosen business, and creating a social network.

While the media has given attention to Cleveland for having started the tradition, the first gathering that constituted a ‘Cash Mob’ was in fact undertaken in Buffalo, New York in August 2011. Cleveland’s gatherings have been implemented since November 2011. Such an influx of capital undeniably helps to boost a business and can help to make it sustainable in the long-run. In addition to having economic impacts, cash mobs can provide a social stimulus. Cash mobs are more of an effort to show solidarity than a long – term economic solution, but it is certainly a place to start thinking about how to solve the challenges brought about by the crisis.

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