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EIGHT REASONS FOR SELF-RELIANCE

By Michael Shuman

[Introduction by Peter Montague: Michael Shuman is vice-president of the Training & Development Corporation in Bucksport, Maine. He has written two books: [Going Local](#) (1998), and [The Smal-Mart Revolution](#) (in press; 2006). Mr. Shuman has also produced a "Smal-Mart Checklist" describing what consumers, investors, entrepreneurs and policy-makers can do to promote self-reliant communities. See <http://tinyurl.com/p5u3z>]

In an era of globalization, why should the Katahdin (Maine) Region consider an economic development strategy of greater self-reliance? A growing body of evidence suggests the best economic development strategy for a region is to nurture locally owned businesses to meet both the existing and emerging demands. Here are the reasons:

(1) Greater Multiplier -- The fundamental building block of community economic development is the economic multiplier. Local production for local consumption reduces "leakages" within the economy and increases the number and speed of consequent transactions from every dollar spent. Local ownership of business means that profits are re-spent within the community. And together, all these factors strengthen local jobs, income, and wealth.

(2) Greater Tax Base -- A greater multiplier within a jurisdiction increases the number and size of the taxable transactions. Local sales allow the capture of sales taxes. Local property use allows the capture of property taxes. And local hiring and local ownership allows the capture of income taxes.

(3) Greater Stability -- The greater the portion of a region's economy that is locally owned, the less vulnerable it is to the instabilities of the global economy. Firms that are not locally owned, such as most paper mills in Maine, are tempted to move to jurisdictions with lower wage and environmental costs. And these departures knock huge, catastrophic holes in the regional economy. Locally owned firms continue producing benefits for the community over many generations. Plus, communities with a high degree of local and public ownership, like university and medical-center towns, tend to be recession-proof.

(4) Greater Character -- Every community has a unique character that reflects its culture, ecology, climate, history, ethnicities, achievements, music, art, etc. Chain stores tend to diminish this character, while locally owned stores tend to enhance it. "Character," of course, is usually what attracts tourists, retirees, and home-based workers -- all increasingly important sources of income for U.S. communities.

(5) Greater Public Health and Safety -- Dependence on certain global imports has created new risks to local health and safety. For example, greater dependence on foreign beef has increased risks of e-coli and mad-cow disease. Greater dependence on foreign fruits and vegetables exposes consumers to higher levels of pesticides and toxics.

(6) Greater Legislative Flexibility -- Communities dependent on a small number of companies not locally owned find themselves making painful legislative compromises -- along with exorbitant payouts through "financial incentives" -- to attract new outside businesses and to hold onto existing businesses. Communities with primarily locally owned enterprises find that they can set wage, environmental, and product safety standards very high, with confidence that existing firms will adapt rather than flee.

(7) Greater Civic Strength -- Several studies have suggested that an economy made up primarily of a large number of locally owned enterprises tends to have a higher degree of civic and democratic participation.

(8) Greater Competitiveness -- As the noted urban planner Jane Jacobs has demonstrated, the most globally competitive cities in the world - places like New York, Chicago, and Los Angeles -- have built their export niches from a base of increasing self-reliance. While communities built around one export industry, such as automobiles in Detroit, tend to rise and fall with the fate of that industry, cities with highly diversified economies and diversified export sectors better weather a variety of global economic conditions.