

"Buy Local" Models

11.438 Economic Development Planning

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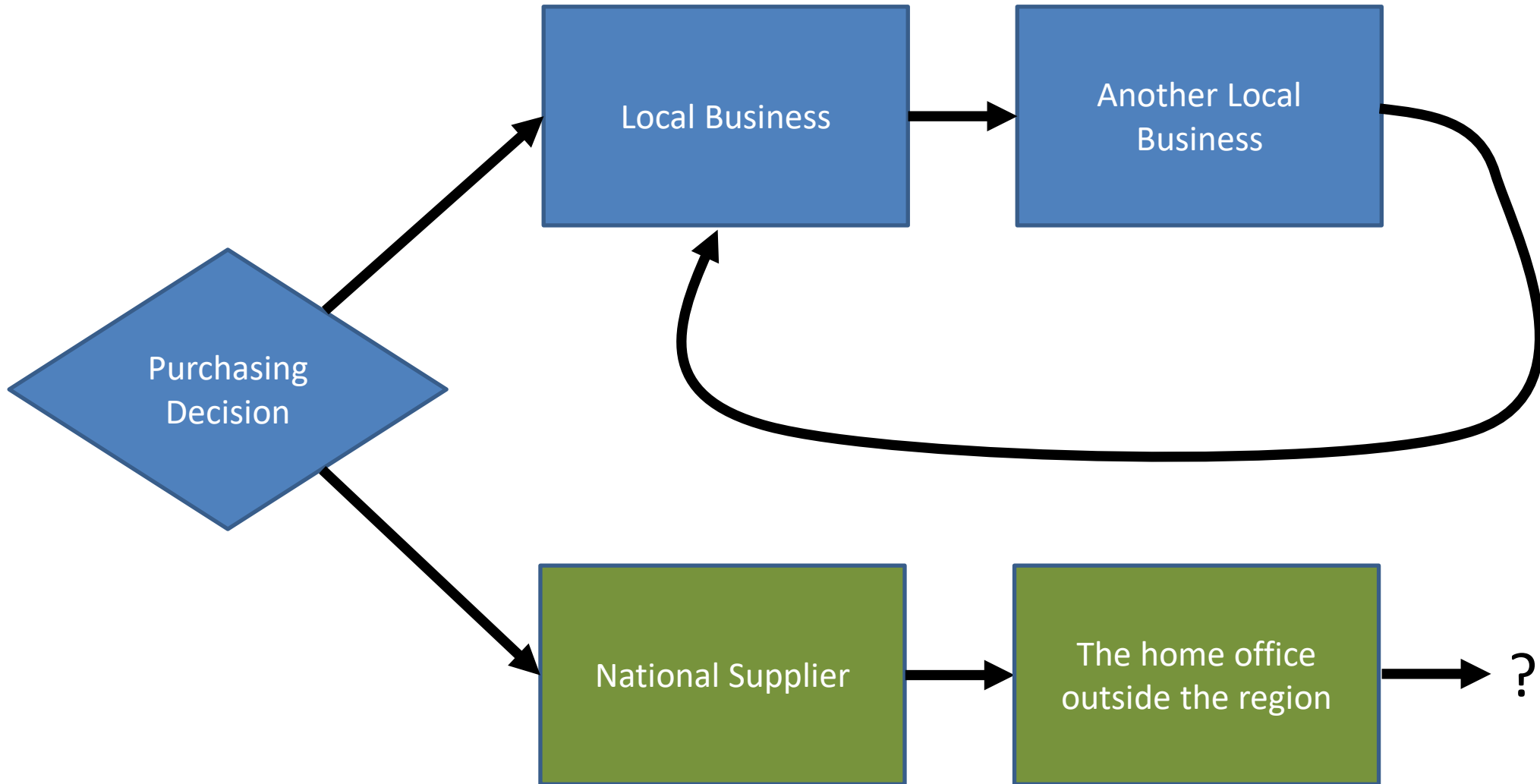
Buy Local- the Concept

- Spending money with local vendors provides a “local premium,” or local economic multiplier effect
- One dollar spent locally is then re-spent several times and amplifies the economic value to the community
- Within the community there is more value in spending money in an independent business than a formula-based business

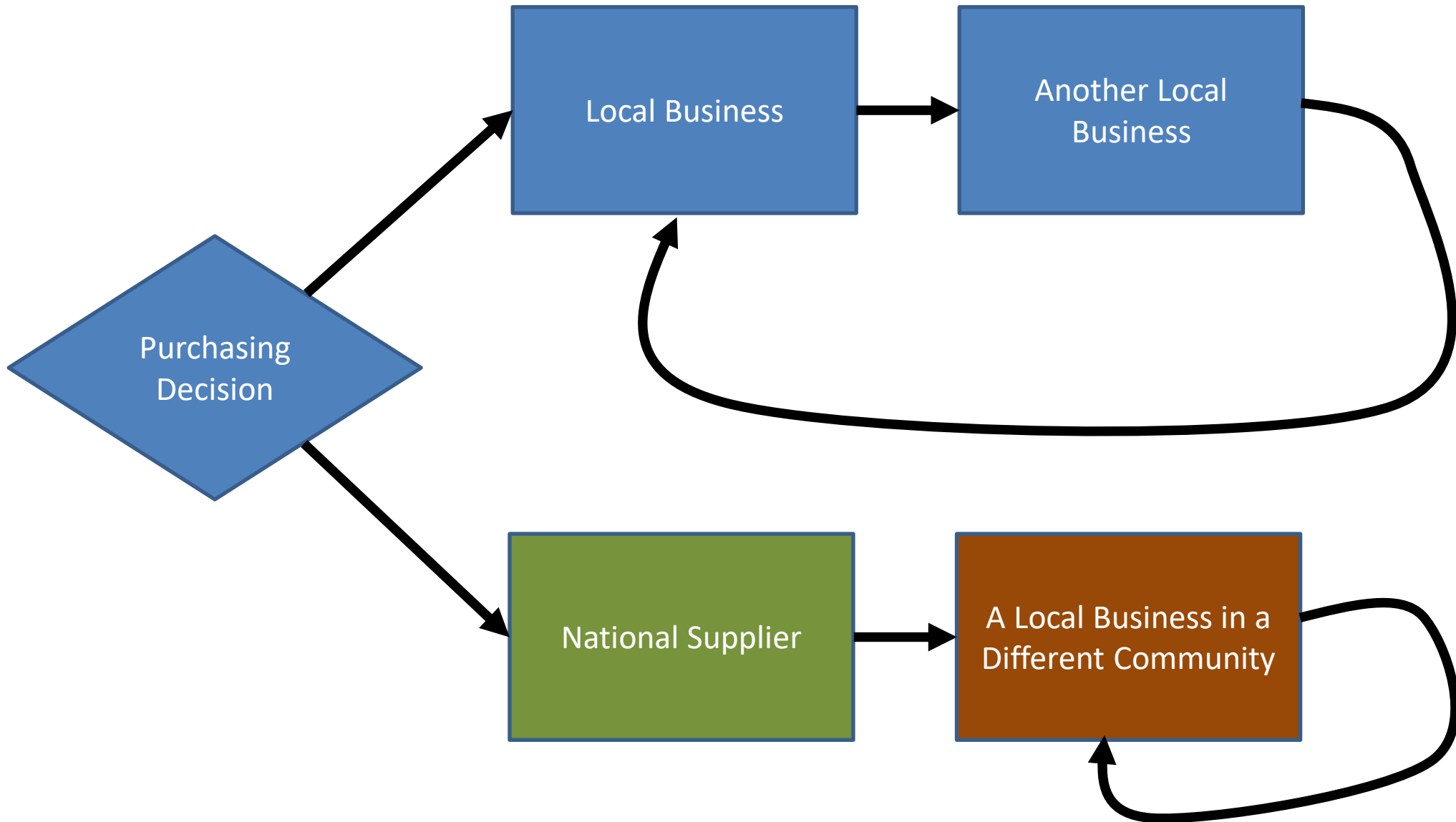
Buy Local- the Practice

1. “Buy Local” movements and membership based non-profits to organize local buying power
2. Local buying initiatives through group efforts
3. Formula-based business ordinances
4. Buy Local preferences in public procurement

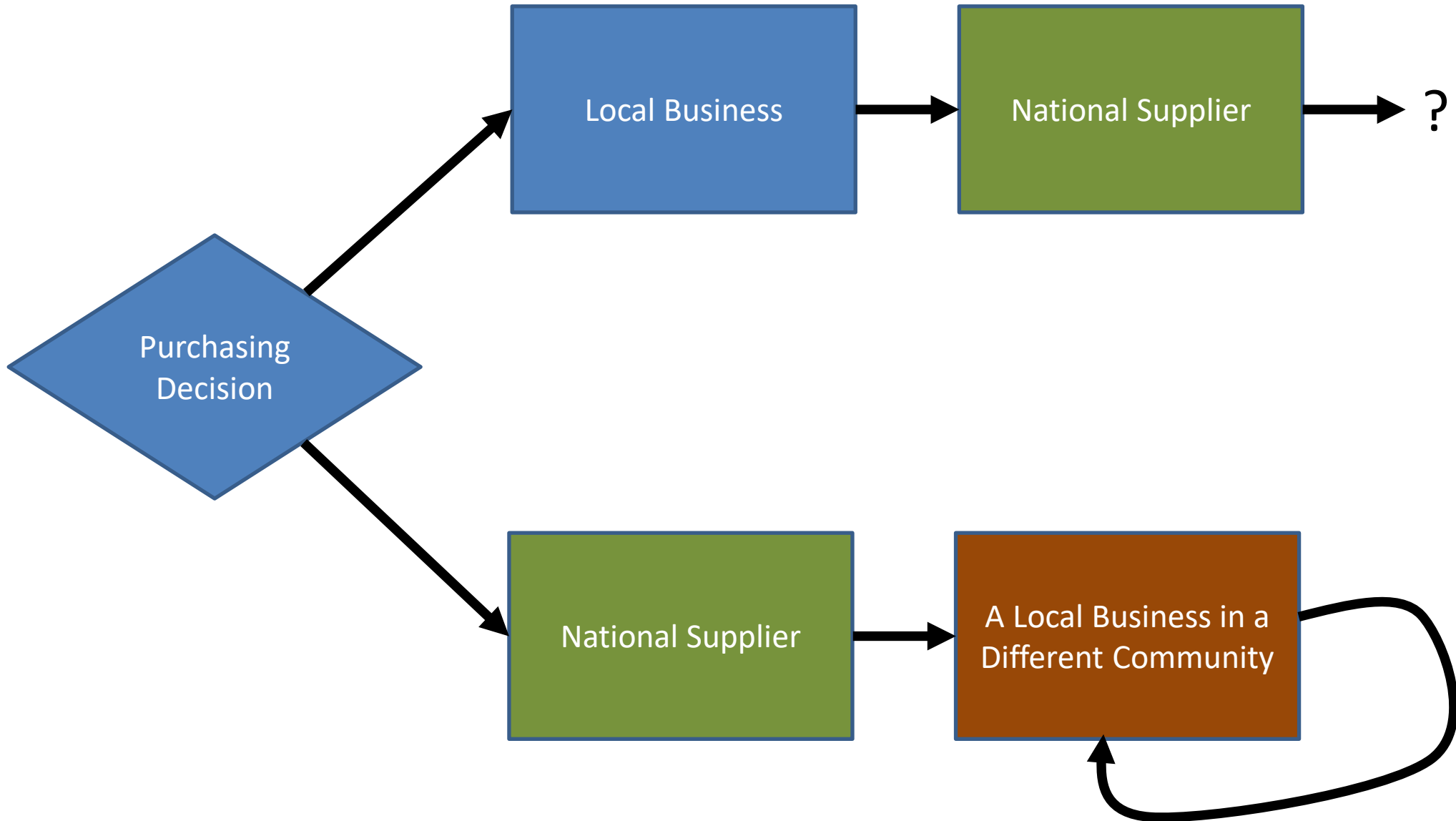
Other Possibilities



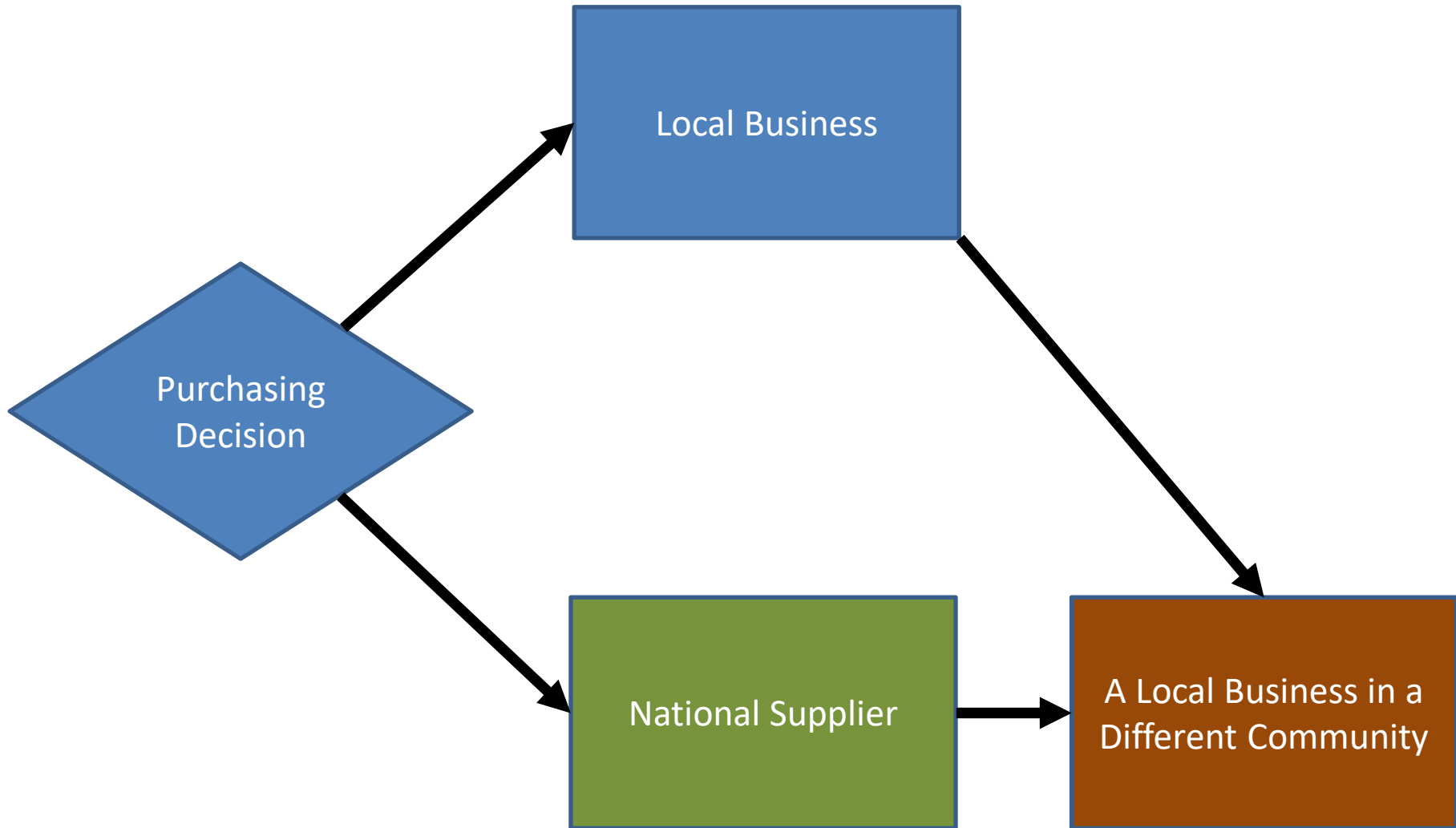
Another Possibility



A Third Possibility

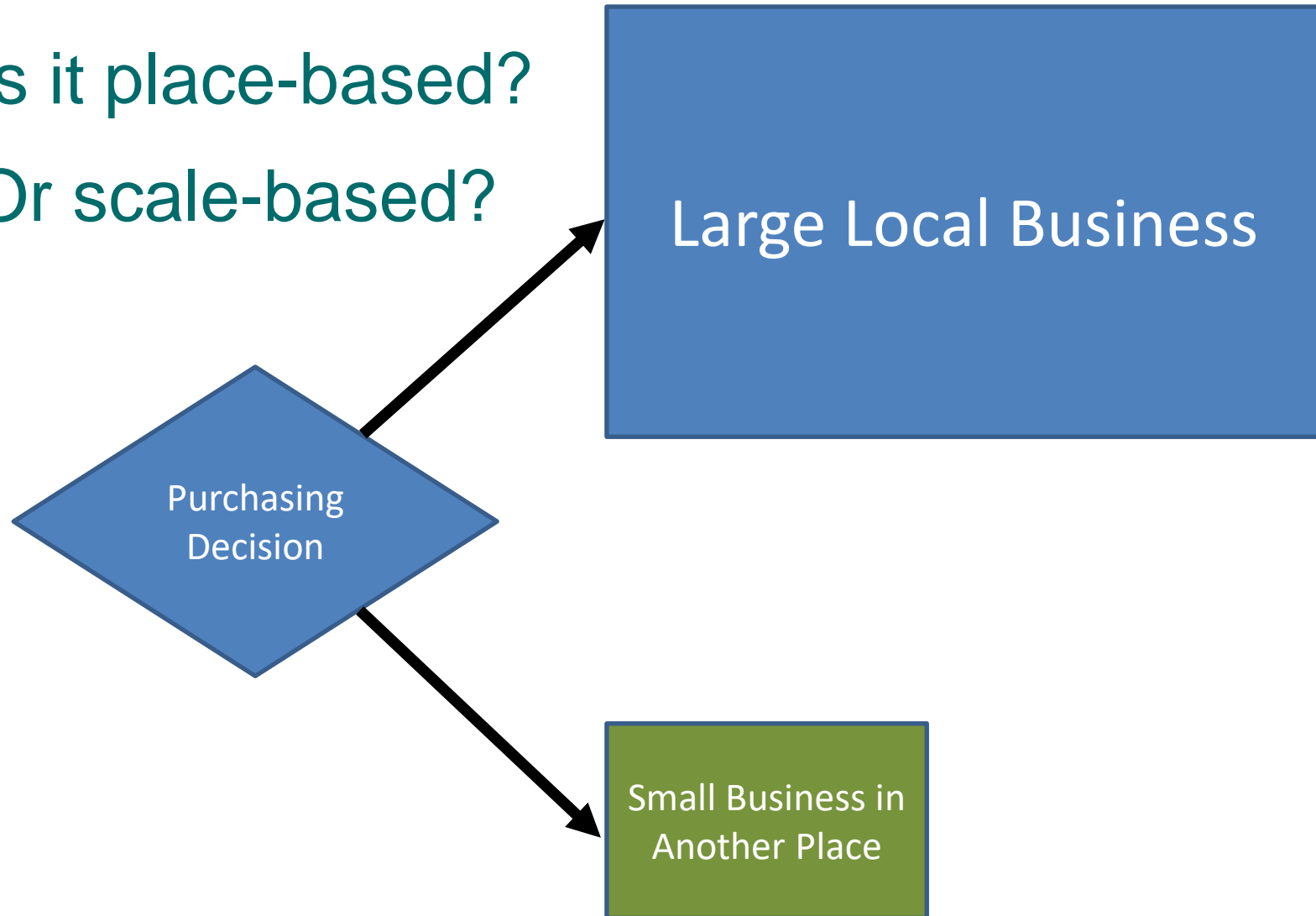


One More Possibility



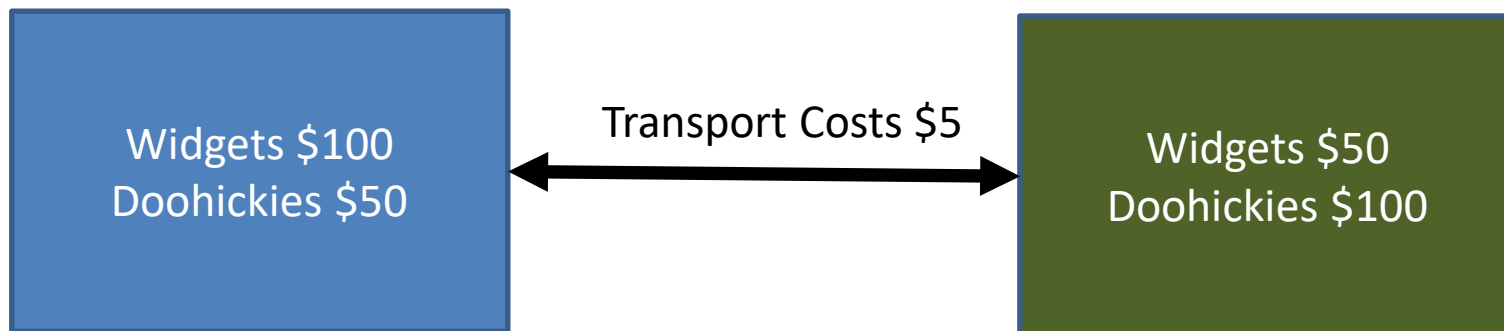
What is the Essence of Buy Local?

- Is it place-based?
- Or scale-based?



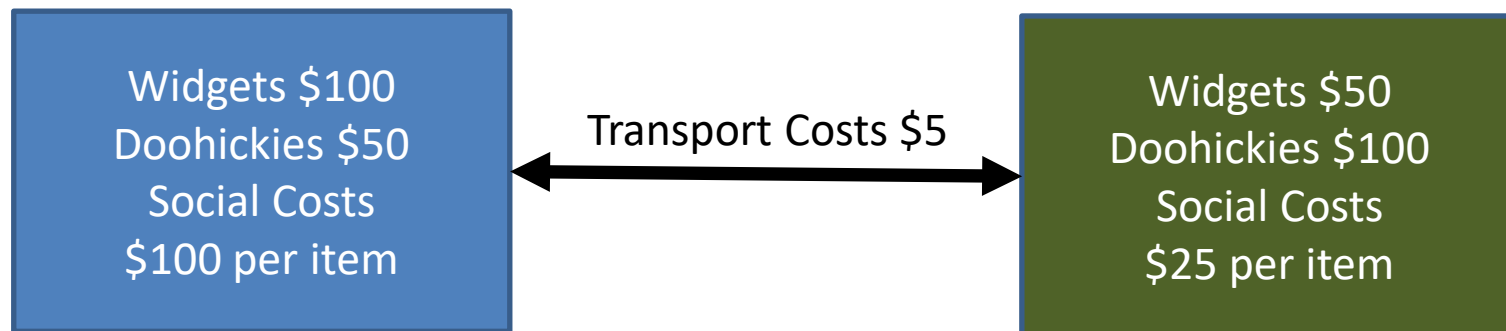
Cost Impacts

- Local costs are often higher
- Does the extra cost provide benefits to consumers?
- Similar to economic arguments on free trade
- Model below- Buy Local costs \$150, “free trade” costs \$105



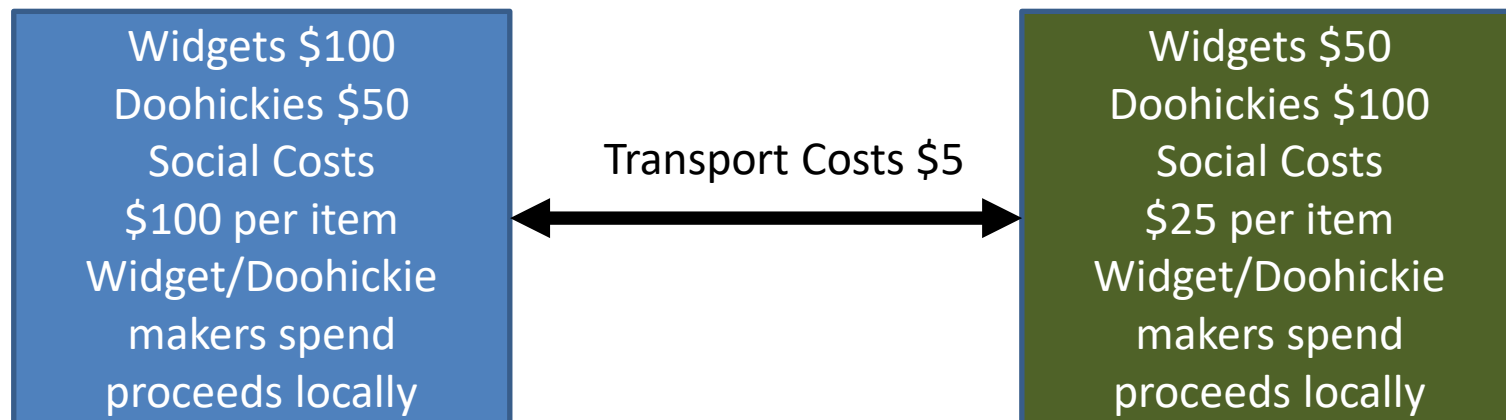
Cost Impacts with Externalities

- Before, Buy Local costs \$150, “free trade” costs \$105
- Now, Buy Local costs \$350 for Blue Town and \$200 for Green Town, costs \$230 for “free trade” model
- Buy Local works for Green Town but not Blue Town



Cost Impacts with Financial Recycling

- Model so far is just focused on overall *costs* in one transaction
- The costs are also income for providers
- Does that income flip the economic argument on its head?



“Buy Local” Movements

- Over 200 organizations nationally
- “Local Currency” movements are at one end (for example, *Ithaca Hours*)
- Usually membership based organizations that produce maps and operate Buy Local days and campaigns

Local Buying Initiatives

- “Small Business Saturdays” – traditionally the Saturday after Black Friday
- Buy Local cards to provide discounts or incentives
- “Buying Groups” get small businesses together to group purchase at a discount

Formula Based Business Ordinances

- “Why do you allow all those chain stores and banks downtown?”
- Can you stop them via local ordinance?
- What is a chain, anyway?
- Do we want to keep community banks out?
- More common in CA
- Not always prohibition

<https://sebastopol.municipal.codes/SMC/17.340.070>

Buy Local Procurement Preferences

- Local ordinance requiring that municipal purchases prefer local businesses
- Sometimes tied to food procurement
- Los Angeles discounts the effective cost of local bids by 8%
- Chicago gives 2% on Chicago-based businesses, another 4% if a majority of the employees actually live in Chicago, and businesses in high-poverty & low-employment parts of the city can get another 6%.

Buy Local Procurement Preferences

- What do you do if that costs the city (and taxpayers) more?
- If you are buying bedding for a homeless shelter, should you buy 2/3 as much and buy it locally?
- What about a business located in the next city over, and in a low-income part of town?

Procurement Preferences

Federal Legal Issues

- “Dormant Commerce Clause”: Applies Interstate Commerce Clause to state/local governments, depends on whether city is a “Market Participant” or “Regulator”
- “Privileges and Immunities Clause”: Must generally treat U.S. Citizens like state citizens
- “Equal Protection” challenges: A factor
- “Due Process” & foreign relation challenges

Procurement Preferences

State Legal Issues

- Local preferences could conflict with state preferences (Wyoming case)
- State procurement law conflicts (eg. 30B in Massachusetts)
- Challenges from other states
- Equal protection challenges (can be addressed through proximity requirements rather than set boundary limits)

Buy Local Under Quarantine

- What will today's events do to local businesses?
- Very dependent on their ability to adapt
- Chance for organizing efforts via Buy Local groups for collective deliveries, virtual storefronts
- Gift Cards help with cash flow but are also liabilities (essentially an interest-free loan)
- Debate about direct aid vs. CDFI funding for local businesses

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