Declaration of Independents

How to Win the Fight against the Colonization of Our Local Communities by Big-Box Retailers

by Stacy Mitchell

This is a draft of a lecture delivered on October 28, 2006 at the Annual Lectures of the E.F. Schumacher Society, which will publish the lecture in its final form. It is adapted from the author's book *Big-Box Swindle: The True Cost of Mega-Retailers and the Fight for America's Independent Businesses*, published by Beacon Press in November 2006.

Declaration of Independents

Two hundred and thirty three-years ago, a group of American colonists forced their way onto three ships docked in Boston harbor and dumped more than 90,000 pounds of tea into the sea. This is familiar history to most Americans, but what many do not realize is that the colonists' actions that night were as much a challenge to global corporate power as they were a rebellion against King George III.

The ships were owned by the East India Company, a powerful transnational corporation that had recently suffered losses, in large part because American colonists had boycotted its merchandise. In order to rescue the company and restore its profits, the British parliament passed the Tea Act, which exempted the East India Company from paying taxes on tea it sold in the colonies. The aim was to enable the company to undercut small, local competitors, all of whom were subject to the tax, and drive them out of business.

The British government and the East India Company were betting that the lure of cheap tea would overpower any sense of principle. But they misjudged. The colonists continued to support their independent merchants and boycott East India tea. Their actions in the harbor that night and the British retaliation that followed ultimately led to an organized American boycott of all British goods. Homegrown and locally-made became the fashion of the day. The Declaration of Independence soon followed and the rest, as they say, is history.

Our forefathers and mothers understood that local self-reliance was essential to democracy, and that concentrated economic power was as much a threat to their independence as the British crown.

But sometime in the last two centuries we seemed to have lost track of this vital truth. Today our communities are fast becoming colonies once again, subject to a new crop of powerful transnational corporations with names like Wal-Mart and Target, Home Depot and Barnes & Noble.

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The pace of corporate retail expansion over the last fifteen years has been staggering and unprecedented. Lowe's and Home Depot came from no-where to capture half of all hardware and building supply sales. Barely a blip on the radar screen in 1990, Barnes & Noble and Borders now control half of all bookstore sales. The top five grocery chains had one-quarter of the market as recently as 1998. Today they account for one of every two dollars we spend on groceries.

Every category it seems is now dominated by two or three national chains, and Wal-Mart dominates them all. With 6,000 stores and $300 billion in annual revenue, Wal-Mart captures a stunning one of every ten dollars we spend. Wal-Mart is the country's top retailer of groceries, furniture, clothing, music, toys, jewelry, movies, and countless other products.

Chain retailers are even more powerful than their market shares suggest. Because they are the keepers of the gate through which products must pass to reach consumers, the chains control not only retailing but also manufacturing. They have near absolute power to dictate what goods the global economy produces, how they are made, where they are made, and by whom.

The retail store is therefore the place where our households intersect with much of the rest of the economy. In deciding whether to patronize a locally owned business or a chain store, you are choosing between two very different kinds of economic systems.

Shop at a locally owned toy store and you may well find wooden toys made by Beka, a small, family-owned manufacturer in St. Paul, Minnesota. Some years ago Beka's owners decided not to sell toys to the chains. Doing so, co-owner Jamie Kreisman explained to me, would require moving production to China, and that would mean eliminating the two aspects of the business he and his siblings most love: working with wood and the relationships they have with their suppliers, employees, and customers. "I know the people I order lumber from on a personal basis," he said.

Shop at a locally owned grocery store, like Catalano's Market in Fresno, California, and you are likely to encounter food produced by nearby farmers, like Paul Buxman, a second-generation grower of peaches and nectarines. Buxman nearly went bankrupt selling to big supermarket chains. "When you talk to a man in a cubicle, who has never tasted the fruit, who has never stepped on a farm. . . there is no relationship," he told me. This distance enables the supermarket buyers to drive a brutal bargain, demanding cutthroat prices and truckloads of identically sized fruit—the kind of perfect-looking but tasteless output that only industrial farms can supply.

Buxman nearly lost his farm trying. Then a few years ago, he took a radical step. He stopped selling to the chains and forged relationships with the handful of locally owned grocery stores still left in the region. He bends over backward to give them the freshest, best-tasting fruit, and they honor this relationship by paying a fair price and being flexible about the natural ebb and flow of supply. A peach tree, after all, is not an assembly line.

Or visit Coffee By Design, a local roastery and coffee shop in Portland, Maine. Lining the walls are photographs of the Central American coffee farmers who supply this roastery's beans. Here they stand in front of their coffee bushes, smiling, arm-in-arm with the Coffee By Design's owners, who, having recognized the often unsustainable and exploitive conditions in which coffee is harvested, have opted for direct relationships with the family farmers who grow the beans they buy.

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Small is beautiful in part because it enables an economy built on personal, face-to-face relationships. Not all local retailers can source everything they carry this way, of course. But such relationships are utterly impossible in the chain store economy. If we want to live in a world where there are small farms and small manufacturers who care about their products and their employees, then we must be adamant supporters of independent retailers, because their stores are the lifelines on which these producers depend. As the toy maker Kreisman told me, "Without them, none of us would be here."

When we shop at a locally owned business, we connect to an economy that operates on a human scale. A much larger share of the dollars we spend at a locally owned store remains in the local area. Local retailers not only source some goods from local suppliers, but they buy many other services locally. They hire local accountants, they bank at local banks, they advertise on local radio station.s Studies have found that if you spend a dollar at a local store, anywhere from 54 to 68 cents of that dollar stays in your community.

When corporate retailers come in and displace local retailers, they sever the webs of exchange that link local businesses with one another and with residents, and replace them with a single-track economy where wealth flows in only one direction: out. The chains have little need for local goods and services. Studies have found that upwards of 86 cents of every dollar you spend at a corporate chain leaves the local area.

The big boxes have no room for small manufacturers. Indeed, they have no room for domestic manufacturers of any size. Home Depot and Lowe's recently ordered the toolmaker Black & Decker to slash its costs by moving production out of the country. Since the two chains account for more than one-third of its sales, Black & Decker felt it had no choice but to comply. It laid off more than 4,000 employees. Makers of everything from televisions to toaster ovens have done the same thing. Those who lose their jobs are unlikely to find new work that pays as well. In all but two states, new jobs being created today pay substantially less than those being lost. Along with small business owners, manufacturing workers are the other key pillar of the American middle class that is being undercut by corporate retailers.

The chains' relentless drive to cut costs does not end with shipping jobs to low-wage countries. Even in places where the legal minimum wage is less than 50 cents an hour, retailers still press factories to lower their prices. Workers in these factories suffer not only miserable wages and working conditions, but they have little hope for a better life. Should their wages rise, the chains can cut ties and move production to another factory or even another country in a matter of weeks.

This is one of the great tragedies of a far-flung system of production and distribution: the workers who make the things we buy are largely hidden from our view. They are not present in the red-white-and-blue banners floating over racks of clothing at Wal-Mart or along the brightly lit shelves at Best Buy. The chains count on us to ignore their plight.

We are told that big-box stores represent progress, that they are the product of a kind of natural market evolution.

But none of this looks much like progress. This is not an economic system designed to foster broad prosperity. In fact, what the big boxes most closely resemble, as I have already suggested, are the old colonial economies of the European superpowers, which were organized, not to improve the lives of the local inhabitants, but to extract and appropriate their wealth.

Community Life

One of the best studies ever done of the civic consequences of concentrated economic power was conducted sixty years ago by Walter Goldschmidt, a sociologist working for the U.S. Department of Agriculture. Goldschmidt spent months studying two farming communities in the fertile San Joaquin Valley of California. The towns, Arvin and Dinuba, had much in common. They were the same size, possessed the same rich soil and balmy climate, and produced an identical volume of agricultural crops. Both were about the same distance from major cities and were similarly served by highways and railroads. The two towns differed in only one major respect: Dinuba's economy was composed of many small, family-owned farms, while Arvin's was dominated by a handful of large agribusinesses.

Communities that possess a degree of economic self-reliance more competently care for themselves, while concentrated economic power threatens social well-being and even democracy.

Goldschmidt discovered that Dinuba, with its family farm economy, enjoyed a better standard of living. Not only was the median income higher in Dinuba, but there was less income inequality. Dinuba also possessed far superior community infrastructure. The town's paved streets, sidewalks, and garbage services exceeded those in Arvin in both quality and quantity. While Dinuba maintained four elementary schools and one high school, Arvin had but one elementary school and no high school. Dinuba likewise contained three sizable public parks, while Arvin had only a meager playground.

Perhaps most significantly, Goldschmidt discovered that Dinuba had a richer civic life. Dinuba had more than twice the number of civic and social organizations as Arvin. It supported two newspapers, each larger than Arvin's single newspaper. And Dinuba's citizens were much more engaged in public affairs, while their counterparts in Arvin lacked structures for political participation and had largely surrendered decision-making to county bureaucrats.

What Goldschmidt's study demonstrated is that ownership matters. Communities that possess a degree of economic self-reliance more competently care for themselves, while concentrated economic power threatens social well-being and even democracy.

One might expect such findings to have had a powerful influence on public policy. But Goldschmidt met with a hostile reaction. Under pressure from powerful Congressmen affiliated with giant agribusiness, the USDA not only declined to publish Goldschmidt's study, but fired him. The federal government then proceeded to spend the next 60 years fostering the expansion of big business.

Today, it is hard to imagine the federal government even considering the question of whether big corporations might affect democracy and community well-being. Fortunately, a handful of sociologists, including Dr. Thomas Lyson of Cornell University and Charles Tolbert of Baylor University, have rediscovered Goldschmidt and picked up where this earlier research left off.

Rather than case studies, they are conducting large-scale statistical analyses. Their findings consistently show that communities that have a larger share of their economy in the hands of independent businesses are healthier than those dominated by large corporations. These communities have less income inequality, and lower rates of poverty, crime, and infant mortality. Their civic life is also much more robust. Residents are more likely to attend school board and city council meetings, and to join neighborhood organizations. They also vote in higher numbers.

Local ownership ensures that what's good for business cannot be uncoupled from what's good for the community.

What accounts for this? How is it that locally owned businesses strengthen community life and democracy? Or, conversely, what is it about having one's local economy colonized by the likes of Wal-Mart and Walgreen's that undermines the social fabric and makes people less likely to get involved?

There are multiple, interconnected answers to this question. Let me suggest two that I believe are particularly significant.

One is that local ownership ensures that what's good for business cannot be uncoupled from what's good for the community. For local owners the place where they do business is not simply a source of profits; it's home. Because of this, their business decisions usually reflect a broader range of concerns than simply maximizing the bottom line.

Consider, for example, a city that is weighing a proposal to cut property taxes. A chain operating in that city has nothing to lose and much to gain by lobbying for the passage of that tax cut. But a local owner must weigh the financial benefit to her business against the impact the loss of city revenue will have on the schools her children attend.

Independent business owners routinely make decisions that sacrifice profits for community benefits. This is not the case with corporate chains. They routinely sacrifice valuable community assets, such as a beautiful view or the quiet of a neighborhood, in pursuit of their own expansion and profitability. Their decision-making is governed by a single, overriding purpose: to maximize profits. The directors and executives who make the decisions do not have to live with the effects of their actions. If they opt to pave a wetland and pollute the groundwater, it is not their families who end up with compromised drinking water. If they inundate a neighborhood with traffic, it is not their own property values or quality of life that suffers.

Another reason that communities with a larger share of locally owned businesses are healthier is that independent retailers provide a setting for casual interaction with our neighbors. For those fortunate enough to live in a place with a robust local business economy, running one's daily errands is not so much a chore as it is a chance to socialize. Local businesses fulfill this purpose, because they are generally small in scale and embedded within traditional neighborhood business districts or, in smaller cities and towns, along Main Street. In these environments, people tend to get around on foot and are likely to have chance encounters with their neighbors.

Cities and towns that have more social capital are much better at solving problems and are far more resilient in times of adversity.

No one captured the public life of a neighborhood business district better than Jane Jacobs. Drawing on observations of her own Manhattan street, she observed that a sense of neighborhood trust "grows out of people stopping by at the bar for a beer, getting advice from the grocer and giving advice to the newsstand man, comparing opinions with other customers at the bakery and nodding hello to the two boys drinking pop on the stoop… hearing about a job from the hardware man and borrowing a dollar from the druggist. . ."

Most of these small interactions, she continued, are "ostensibly utterly trivial, but the sum is not trivial at all." Chatting with a casual acquaintance at the hardware store may not seem like much, but it is difficult to overstate the community value of such neighborly interactions. They create what sociologies today refer to as "social capital." Cities and towns that have more social capital are much better at solving problems and are far more resilient in times of adversity.

In places that have a robust informal public life, residents are apt to know a much larger and more diverse range of people. This helps to reduce social divisions and to foster empathy and camaraderie, and, ultimately, a sense of responsibility for one another. It's not surprising then that people in these communities are far more likely to volunteer, join a neighborhood group, or run for local office.

Spaces that support an informal public life are no longer common in America. They are almost entirely absent from today's suburbs and corporate retail developments. Walking is not an option in much of today's built environment. So we drive, usually alone, arriving in a vast parking lot, a place that could not be less hospitable to human interaction. Once inside, we negotiated a vast store sized to serve a region, not a neighborhood, so the likelihood that the person in line ahead of us is a neighbor is very slim. In this hyper-individualized existence, it is no wonder that we feel increasingly alienated and disconnected, that we feel no sense of responsibility for our neighbors or desire to become involved in our communities.

Blighted Landscape

Sensing our growing unease about the demise of community, and keen to capitalize on our longings, corporate retail developers have started building places like Easton Town Center. Situated on the outskirts of Columbus, Ohio, Easton Town Center looks, at first blush, like a traditional downtown. It has stores situated around a town square with upper story offices and nearby apartments. There are benches and street lamps.

But this town center is a fake. Rather than local businesses, Easton houses hundreds of national chains like Abercrombie & Fitch and Williams-Sonoma. Pan back from this Main Street scene and you'll see that the whole complex is surrounded by thousands of parking spaces. All of these stores—some 1.5 million square feet of retail—are designed not serve the few dozen households that live here, but to draw shoppers from the entire region. Despite its name, Easton Town Center is not the center of anything. The only geography governing its location is its proximity to the confluence of Interstates 270 and 670. Some 18 million shoppers visit Easton each year, making its town square at once a kind of celebration of walkable places and a major inducement to more driving.

Artificial Main Streets represent one of the latest trends in chain retail development. Every few years, it seems, corporate chains unroll new shopping formats. First there were the strip shopping centers. Then came the enclosed malls, followed by a series of ever larger regional malls. Big-box stores came next, first in single outlets and then grouped together in what the industry calls "power centers." Each successive wave of development undercut traditional business districts. Now these same developers have decided to take the very thing they destroyed—Main Street—and sell it back to us in the form of places like Easton Town Center.

The chains know that by flooding areas with an excess retail space, they can more easily capsize local businesses and cannibalize sales from older shopping centers.

All of this retail development has consumed hundreds of thousands of acres of wetlands and forests, farms and fields. Here's an astounding statistic: Since 1990, the amount of retail store space per person in the U.S. has doubled, from 19 square feet to 38. By comparison, Great Britain has just 7 square feet. And our land binge is even worse than these figures suggest. Because most of this new development is designed for cars, for every square foot of new store space we have built, another three to four square feet has been paved for parking.

What's propelling this expansion is not growth in spending. Over this same period, median household incomes, adjusted for inflation, rose less than 10 percent. Rather, the culprit is a kind of development arms race, as each chain tries to out-do its rivals by building newer and bigger outlets. The chains know that by flooding areas with an excess retail space, they can more easily capsize local businesses and cannibalize sales from older shopping centers.

We do not need or utilize all of this excess retail and much of the country is now strewn with the fallout. More than 100 malls are now dark; another 250 are teetering on the edge of financial collapse. Hundreds of strip shopping centers are vacant. Thousands of big-box stores have been abandoned as well, usually because the company opted to build an even bigger box nearby. Wal-Mart alone has some 300 empty stores, most sitting idle only a mile or two from a new supercenter.

This pattern of land use and way of organizing our daily lives is fundamentally unsustainable. Here's another astounding statistic: Between 1990 and 2001, the number of miles driven by the average household for shopping increased by more than 40 percent. Driving in general has been expanding rapidly, but driving for shopping has grown more than twice as fast as driving for any other purpose. For the country as a whole, shopping-related driving rose by almost 95 billion miles in just eleven years.

Not only are we moving more miles, but so are the goods we buy. Each year, chain retailers ship, truck, and fly more goods around the world and across the country. Global shipping has been expanding faster than the world's economic output, and is now one of the fastest growing sources of greenhouse gas emissions.

Perhaps most disturbing, corporate retailers are intent on replicating their business model the world over, replacing long-standing traditions of shopping for locally produced wares in local markets with big-box stores that source globally and induce people to drive for their daily errands.

No matter what keeps you awake at night—whether it's the melting ice caps, peak oil, the threat of terrorism, the power of corporations, or the demise of civic engagement—the solution to all of these problems lies in rebuilding our local economies.

Our hyper-mobility—as manifest in our sprawling, car-based settlement pattern and the distances that most of the goods we buy are transported—probably constitutes the greatest environmental threat we face. It certainly accounts for the bulk of the greenhouse gases we emit. But it's a threat our current approach to environmentalism seems unable to solve. Making incremental improvements to a inherently unsustainable economic system will not get us very far. Gains in automobile fuel efficiency, for example, would have to be fairly dramatic to outstrip the rate of growth in driving. Likewise, new regulations are expected to lead to cleaner trucks and diesel fuel, but, if shipping continues to expand at its current rate, these gains will be more than offset by increases in cargo volume.

We need a new way of approaching the environmental crisis. What we need, wrote Bill McKibben in a recent essay for *National Geographic*, might be described as a kind of convivial environmentalism, a movement that taps into our deep aspirations for connection and community to rebuild locally rooted economies, a movement that celebrates the experience of buying a carrot at the farmers market and the pleasure of running into neighbors at the hardware store down the street.

What's encouraging about this vision is its ability to unite a broad range of concerns. No matter what keeps you awake at night—whether it's the melting ice caps, peak oil, the threat of terrorism, the power of corporations, or the demise of civic engagement—the solution to all of these problems lies in rebuilding our local economies.

Monopolizing Consumers

The rewards of reviving local enterprises are many. They include a more diverse culture and a richer customer experience. Walk into Box Office Video in St. Paul, Minnesota, and you will be greeted not by a wall of the latest blockbuster films, but rather by a rack of documentaries. While chains like Blockbuster Video carry only a small number of documentaries and relegate them to the back aisles, at Box Office, documentaries get the best real estate in the store. That's because the owner happens to be a fan. He also believes that the 1970s represent the best era in American cinema. He's delighted to tell you why and has even started a special section just for 1970s films. His enthusiasm is infectious; his customers not only end up renting a much broader range of movies, but they also often leave the store knowing a bit more about film.

> The passion of thoughts of independent owners adds up to so much more than a centralized system and a set of computer algorithms could ever deliver.

Independent retailers play a crucial role in connecting us with a diverse range of products. This is particularly important in the context of film, music, books, and other works of expression. Although their individual stores are typically smaller than Borders and Barnes & Noble outlets, independent bookstores collectively stock a much broader range of books. They each make their own decisions about what books to carry and, more significantly, what books to feature at the front of the store and promote to their customers. Many of our most important and beloved authors would have gone quietly out of print had it not been for a small number of independent booksellers who found their work and started thrusting it into the hands of customers. Without independent bookstores, we face a world where three global corporations—Barnes & Noble, Borders, and Amazon—control what books are published and promoted. As novelist Barbara Kingsolver, who believes she owes her career to a handful of booksellers who read and loved her first book, said, “That seems so un-American.”

Some argue that we will soon be reading, listening to, and watching a vastly broader range of works thanks to online purveyors, like Amazon and Netflix. But the issue is not so much access to a particular work, but rather how one learns about it in the first place. I doubt a couple of online mega-retailers can nurture and sustain a truly diverse marketplace of books, film, music, and other works. The passion of thousands of independent owners, each talking to their customers about books and film and music and making their own recommendations—adds up to so much more than a centralized system and a set of computer algorithms could ever deliver.

Often independent owners are far better at what they do. If you are a customer of Sullivan Drugs, a 150-year-old pharmacy in Lancaster, New Hampshire, chances are good that pharmacist David Rochefort knows you by name. Rochefort keeps a close eye on his patients, talking with them about their health and often compounding special dosages and drug combinations to meet their particular needs. Sullivan Drugs is not an anomaly. According to a year-long study by *Consumer Reports*, most independent pharmacies provide a level of personal attention and health care that goes well beyond dispensing drugs. The study found that on a variety of measures—from the knowledge of the pharmacist to the quality of the health information provided and the speed with which prescriptions were filled— independent pharmacies out-scored all other types of pharmacies, including chains like CVS, super-markets, and mass merchandisers like Target and Wal-Mart, by “an eye-popping margin.”

In Annapolis, Maryland, families regularly gather at Be Beep toy store for family game night, when the owners invite families to hang out and play with the store’s numerous games. “That’s one of the kinds of play that families still do together. We think those are rich experiences,” explained owner Jeff Franklin. Needless to say, today’s fastest growing toy retailers, Wal-Mart and Target, do not offer family game nights.

We are so hypnotized by the notion that the chains are some how a more superior and advanced form of business that we are blind to how much we lose when locally owned businesses disappear. More often than not, local stores are owned by people who possess a level of expertise and passion for what they sell that is unmatched by corporate retailers.

Supporting locally owned businesses does not necessarily entail paying more. You might be surprised to learn that *Consumer Reports* conducted a nationwide survey last fall and reported that the best place to buy appliances was not Best Buy, Home Depot, Costco, Target, or even Wal-Mart. The lowest prices are at independent appliance dealers. Similar studies of hardware stores and pharmacies have likewise found that independents often match or even beat chain store pricing.

How can this be? Many independent retailers now belong to wholesale buying cooperatives, which give them access to the same volume efficiencies that chains enjoy. Local retailers that carry locally produced food and other goods also cut out distribution and shipping costs—a savings that will increase as oil prices rise.

Meanwhile, the chains employ a variety of sophisticated merchandising strategies to create a impression that their prices are lower than they actually are. Big-box stores price key items and even whole departments below cost, making up the difference in other product categories. Once they have eliminated competitors and attained a dominant share of the market, prices rise. In 1999—at the end of a decade that saw nearly 3,000 independent bookstores close—Barnes & Noble and Borders quietly put an end to the across-the-board 10-20 percent discounts they had been offering on books. Surveys in Nebraska and Maine have found that prices at some Wal-Mart stores—those in places where there's no longer much local competition—are as much as 15 percent higher than at others.

Uncle Sam's Invisible Hand

The conventional wisdom is that the rise of the chains is the result of consumer choices. But in fact their growth has been aided and abetted in no small part by public policy. It began in the late 1950s with a tax trick called accelerated depreciation, which fueled an explosion of suburban shopping malls, and accelerated dramatically in the 1990s as cities across the country began funneling billions of dollars in subsidies to chain store developers. These giveaways take many forms: free or reduced price land; property tax breaks; sales tax rebates; free infrastructure; and low-interest loans, to name a few.

Target recently picked up $7 million to build a store in Fort Worth, Texas; over $9 million in subsidies went to a Missouri shopping center anchored by Lowe's; and, in Arizona, the Chandler Fashion Center, home to chains like Barnes & Noble and Pottery Barn, received $42 million. Always an industry leader, Wal-Mart has been first at the public trough, grabbing over $1 billion in public subsidies to fund construction of its new stores and warehouses. Rarely are subsidies given to independent business; instead, they are told they must learn to compete in the so-called free market.

The playing field has been tilted too by the failure of state and federal officials to police predatory pricing and other abuses of market power, which has allowed the big chains to force out smaller rivals not by being better competitors, but simply by being bigger.

The favoritism does not end there. More than twenty states have provisions in their tax codes that enable chains, but not independent retailers, to avoid paying income taxes. This tax loophole has been so heavily utilized by the chains that tax experts have nicknamed it the Geoffrey Loophole, after the Toys R Us mascot, Geoffrey the Giraffe. The Geoffrey Loophole is one of several corporate tax-sheltering schemes that together save companies $8 to $12 billion a year, according to the Multistate Tax Commission.

If you opt to buy a book at Amazon.com rather than at your local bookstore, you will be rewarded with a 5-9 percent discount because Amazon.com is not required to collect sales tax (in the 45 states that have sales tax). Why should we give a company that has no local employees, does not occupy a local storefront, and hosts no author readings or other events a competitive advantage over a local store that does all of these things?

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In a country that values fairness and independence, where every politician espouses the value of small business, it's troubling to realize the degree to which government has stacked the deck.

In one respect, however, it is good news: it suggests that local businesses are not the obsolete entities that some make them out to be. In fact, given the uphill terrain they have faced, the remarkable wonder of the last decade is not that so many have failed, but rather that so many have been skilled and scrappy enough to survive.

It's good news too in the sense that policy is something we control. We can opt to end the favoritism and instead enact policies that support locally owned businesses. Indeed, across the country, there is a growing grassroots movement afoot to do just that.

Communities Unchained

Earlier this year, two stay-at-home moms in Damariscotta, Maine, heard a rumor that Wal-Mart wanted to build a 187,000-square-foot supercenter in their town. Damariscotta is a coastal village of just 2,000 people. Its downtown is home to numerous local owned businesses, including a grocery store, hardware store, pharmacy, and department store. "When I heard about Wal-Mart, it was like a punch in the gut," said Jenny Mayher. She and her friend Eleanor Kinney decided to fight back. They called a community meeting. More than 80 people turned out and formed a coalition called Our Town Damariscotta. Over the next few months, they led a spirited campaign to persuade residents that the town should reject big-box retailers by adopting an ordinance that would prohibit stores over 35,000 square feet.

As you might imagine, Wal-Mart didn't take any of this lying down. The company spent over $100,000 on a slick campaign of glossy mailings and push polls. They intimated that they might sue and said flat-out that, if Damariscotta rejected their proposal, they would build just across the town's boundaries.

But the strategy backfired when residents of neighboring towns began organizing too. In March, not only did residents of Damariscotta pass the size cap ordinance by a two to one margin, but the movement swept up the coast as citizens in one town meeting after another voted overwhelmingly to ban big boxes.

What happened on the Maine coast this year was a modern day Boston Tea Party. Such tea parties are occurring across the country. Since 2001, citizens groups have succeeded in blocking corporate retail development in some 200 cities and towns. At the Institute for Local Self-Reliance, we have been advising many of these groups, helping them not only beat the big box, but implement long-term strategies for rebuilding their local economies. Today, I'd like to tell you about three of the essential steps that communities are taking to reverse the corporate take-over and revive local enterprise.

1

First, we need to transform government policy. Among the most powerful tools we have for shaping the nature of economic activity in our communities are our local planning and zoning policies. Winston Churchill once said, “We shape our buildings; thereafter they shape us.” The same could be said of zoning. For decades, zoning has undermined community. It has favored large-scale over small, driving over walking, distance over proximity, and absentee over local ownership.

A growing number of communities are now revising these rules. Some, like Damariscotta, are adopting ordinances that insist on humanly scaled stores. Many communities are also barring retail development on the outskirts of town and insisting that new investment instead flow to traditional neighborhood and downtown business districts.

Others require that retail development proposals pass a community impact analysis, in which their effect on other businesses, jobs, the environment, and the social well-being of the town are scrutinized. Those projects found to be harmful are then rejected.

More than two dozen towns and cities have enacted formula business ordinances, which make it almost impossible for chain stores and restaurants to open. The list includes small towns like Port Townsend, Washington, and Bristol, Rhode Island, as well as larger cities. San Francisco, for instance, has barred formula businesses in several neighborhoods and requires them to apply for a special permit to open elsewhere.

Coalitions of local business owners, labor unions, and environmental groups are working in several states to prohibit subsidies and other favors from flowing to corporate chains. This year, Vermont became the first of what will hopefully be many states to close the Geoffrey Loophole that chains use to escape their tax liability.

2

Second, we to need help new local businesses get started. Imagine if we took those hundreds of millions of dollars cities and states spend each year subsidizing corporate retail development and instead channeled it into rebuilding our local economies.

Every community should have an active, well-funded program to revitalize its historic downtown and neighborhood business districts. If they are well-maintained, these compact, walkable areas provide the ideal habitat for locally owned businesses to take root and grow. Such a program enabled Julie Simpson to start a local food market in downtown Culpeper, Virginia, in 2004. Before the local Main Street revitalization program, Culpeper Renaissance, brought the downtown back to life, it would have been impossible for Simpson to start her business. "The building I'm in now was rundown and all the others nearby were boarded up," she said.

We also need mentorship programs that pair veteran business owners with a new generation of entrepreneurs. One of the best examples is an initiative of the National Community Pharmacists Association that enables pharmacy students to start their own drugstores right out of school thanks to hands on assistance and financial help from an established pharmacist in their region.

Another need of many new businesses owners is affordable start-up space. Every community should have a retail incubator, a large, centrally located storefront where new entrepreneurs can rent a small kiosk space at low cost, build a customer base, and then move into a full size storefront elsewhere in the community. These buildings could be managed as community land trusts, following the same model that has been used so successfully to create affordable housing. Such an incubator is responsible for many of the long-standing businesses that line the Clark Street corridor on the north side of Chicago.

We also need to find ways to better capitalize local businesses. Even if you are a big believer in local business, much of your savings is probably invested in the stock market through a mutual fund or 401K plan. Right now, we have virtually no mechanisms for investing in our local economies. Cities could help solve this problem by using part of their reserve funds to invest in portfolios of local businesses.

A handful of towns have found innovative ways to finance specific local ventures. Residents of Powell, Wyoming, didn't want to be another Wal-Mart town, so they launched a community owned department store. The store, which sells affordable clothing and house wares, was capitalized by 800 families who bought shares at $500 a piece. The store opened in 2002 and has turned a profit every year since.

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Lastly, and most importantly, we need to public awareness of the importance of locally owned businesses and the hidden costs and dangers of the corporate economy.

Spend a little time in Austin, Texas, and it's not long before you notice the messages. Bumper stickers advise: "Think independently. Shop locally owned." Banners hanging on storefronts read: "Local Spoken Here." Tee-shirts urge, "Keep Austin Weird." Circular yellow decals on the entrances of local businesses feature a blue armadillo in sun glasses and the words, "Austin Independent Business Alliance." Indeed, the armadillo is everywhere—in newspaper ads, on the cover of a free guide to locally owned independent businesses, on posters that urge "Break the Chain Habit." All of these messages are part of an ongoing educational campaign by the Austin Independent Business Alliance, a coalition of some 350 local businesses.

Launched four years ago, the campaign uses the media, local events, in-store marketing materials, and advertising to detail the benefits of local businesses and urge residents to support them. According to business owners, the campaign has had a remarkable impact on people's shopping choices. "Locally owned" has become a selling point, something that many residents actively seek out.

Similar initiatives have been launched in more the four dozen cities and towns across the country. They are succeeding in changing shopping choices in places as far flung as Bellingham, Washington, and Portland, Maine. They are also giving independent businesses a newfound voice at city hall and more clout with local developers and other private entities.

It's too early to tell, but all of this local activity may well herald the beginnings of a sea change in our priorities as a society. Implemented more broadly, these initiatives could usher in a future America that is not dominated by a handful of global corporate giants and is instead a place of thriving, entrepreneurial local economies and vibrant, self-reliant communities.

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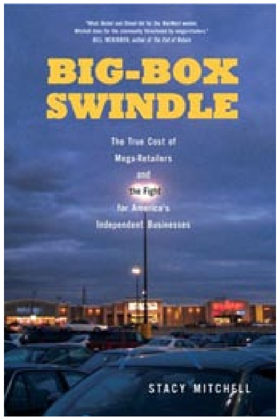

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Stacy Mitchell is a senior researcher with the New Rules Project (www.newrules.org), a program of the nonprofit Institute for Local Self-Reliance (www.ilsr.org). A frequent speaker at conferences and public forums, she has advised numerous communities on strategies and policies to strengthen locally owned businesses. Her latest book, *Big-Box Swindle: The True Cost of Mega-Retailers and the Fight for America's Independent Businesses* (Beacon Press, 2006) (www.bigboxswindle.com), was described by author Bill McKibben as "the ultimate account of the single most important economic trend in our country." Mitchell regularly contributes articles and commentaries to magazines and newspapers, and produces an acclaimed email newsletter, *The Hometown Advantage Bulletin.* She lives in Portland, Maine.

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