

an excerpt from

The Small-Mart Revolution

How Local Businesses Are Beating the Global Competition

by Michael H. Shuman

Published by Berrett-Koehler Publishers

introduction



FROM WAL-MART TO SMALL-MART

Nobody's perfect. Today is the one day each year I permit myself to be a petty thief. As my childhood shoplifter buddies used to explain, there's a thrill in being bad, plus there's cheap stuff to be had. Let me clarify—I don't plan on breaking any laws. My indulgence is perfectly legal, and many would even consider it smart shopping. But I shouldn't mince words. What I'm planning on doing ought to be called "community lifting." I'm going to make my annual summertime sneakers shopping run at Wal-Mart, even if it means snatching just a little bit of well-being from my neighbors.

Why am I doing this? Because for fifteen dollars I can get basic footwear that lasts a year. After twelve months of regular deployment, these puppies smell so bad they just might qualify as weapons of mass destruction. It's high time to bury the old pair and replace them with fresh rubber. And I don't want to spend a penny more than necessary.

Using the WalMart.com online directory, I discover that there are ten stores in the vicinity of my home in Washington, DC—not exactly your typical rural area targeted by the retailing giant. The closest one is in Alexandria, Virginia, sixteen miles away. Following directions from MapQuest, I wind my way through the region's sprawling suburbs, at one point ominously passing the reconstructed side of the Pentagon where terrorists crashed a plane in 2001. My mind flashes on the image of Mohammad Atta, leader of the 9/11 gang, caught on videotape on 9/10 buying his infamous box cutters at a Wal-Mart in Portland, Maine. Forty-five minutes later I arrive. The parking lot is jammed.

At the entrance is posted an official notice from Fairfax County indi-

cating that the Wal-Mart Real Estate Business Trust is now seeking permission to expand the store. Business must be doing well.

Nationally, of course, Wal-Mart is one of America's greatest success stories. It began in 1962, when Sam Walton set up a chain of small variety stores in Kansas and Arkansas. For many years Wal-Marts were only selling novelties in remote rural towns. Today five thousand outlets throughout the United States and in nine other countries sell just about everything. Wal-Mart "Supercenters"—of which there are nearly two thousand in the United States—are each as big as four football fields. As Simon Head writes, "With 1.4 million employees worldwide, Wal-Mart's workforce is now larger than that of GM, Ford, GE, and IBM combined. At \$258 billion in 2003, Wal-Mart's annual revenues are 2 percent of US gross domestic product (GDP), and eight times the size of Microsoft's. In fact, when ranked by its revenues, Wal-Mart is the world's largest corporation."¹

"The secret of successful retailing," Sam Walton wrote in his autobiography, "is to give your customers what they want."

But I digress. Even though the Fairfax store seems larger than a typical National Park and few staff are in the aisles to help, I quickly find my sneakers, the exact same kind I bought last year. A perfect fit! Off to the checkout line.

As I snake my way triumphantly through the aisles, I notice a few other items I could use. We just ran out of Crispix cereal and Chips Ahoy cookies. There's a great horse toy for my daughter Rachel, two years old, and some AA-batteries to fire it up. Hmmmm, now I have to come back with something for Adam, my six-year-old, who's apprehensive about beginning kindergarten. Whew, there's a *Back to School* video, featuring Franklin the Turtle. He'll also like this new Jump Start computer program to help with his math and spelling, and a new folding chair to sit at the computer. And there's the *Guinness Book of World Records* book he and I were talking about the other night—got to get that. Bill Clinton's book, *My Life*, for only twenty-two dollars? What a steal! And all this other stuff: a 120-foot extension cord to vacuum my car, a new plastic box for my loose files, a halogen reading lamp for bedside table, four new glasses for end-of-the-day drinks, a gigantic bottle of Tide, cheap bottles of Advil and Aleve for my chronic back pain that's going to get worse when I carry this load to the car. Enough!

I tag the checkout line as if it were home base and finally catch my breath. I consider asking the clerk to put me in a straitjacket so that I won't buy anything else.

It's the week before school opens, so long lines of exasperated parents and their screaming children make the nearly half-hour wait compare unfavorably to my experience squatting in a New Delhi bus station a decade earlier. My own checkout line is so long that by the time I reach the front the brain-dead clerk is relieved halfway through scanning my items. The new clerk begins by ringing me up again for the chair, a mistake to which I politely draw his attention. A bit grudgingly, he removes the extra charge. As I'm about to walk away, I look again at the receipt and discover that I have just parted with \$275; I also realize that the new clerk double-charged me for the one item I came to buy in the first place—those damn sneakers!

Bargains

What kinds of deals did I secure during my whirlwind community-lifting experience? Research shows that the "savings" from shopping at chain stores generally turn out to be vastly overestimated.² A 2002 survey by the Maine Department of Human Services, for example, found that local drugstores actually provided better deals than the pharmacies at Rite Aid and CVS.³ Wal-Mart prescription prices, which fell roughly in the middle of the group surveyed, also varied significantly from place to place, depending on the degree of local competition.⁴

In the days that followed my shopping spree, I decided to do some comparative shopping at various stores in my neighborhood in north-west Washington, DC. It is true that for most of the generic items, Wal-Mart offered prices about 5 to 10 percent less than what I could find locally. Applying the upper end, I "saved" about \$27.50.⁵

But recall that I was overcharged forty-six dollars on two items. Had I not caught these errors in the chaotic checkout process, I would have lost money. Okay, to be fair, Wal-Mart fixed the errors once I brought them to the irritated clerk's attention. Later, however, I learn that an NBC undercover team found that deep discounters like Wal-Mart are overcharging 10 to 25 percent of the time and that these mistakes are three to one against the consumer.⁶ I had assumed that the error was

not deliberate dishonesty, just poor training and low morale. But several recent academic studies have found Wal-Mart scanners yield error rates as high as 8.3 percent of the time, four times the federal standard, prompting investigations by several state attorneys general.⁷

Next, consider the time and money it took me to get to the Alexandria store. That year the Internal Revenue Service allowed businesses to write off about 40.5 cents per mile for auto wear and tear, gas, insurance, and other incidentals. The thirty-two-mile round trip thus cost fourteen dollars. I spent ninety minutes driving round trip and thirty minutes in a checkout line. Assuming I'm worth at least a living wage of ten dollars per hour, that's twenty dollars of my time. The transaction cost of this trip was thirty-four dollars, again, greater than my savings.

When I returned home my wife, whose instincts for taste and quality are far more trustworthy than my own, took one look at my four discount scotch glasses and told me that she was promptly dispatching them to the local recycling facility. She declared the reading lamp too ugly to gain admittance into our bedroom. Rachel's horse toy lasted about a week before it broke, and the pieces scattered to the far corners of the house. The cheap 120-foot extension cord turned out to lack the third safety prong most of our appliances now require, so it now sits on a shelf in the basement gathering dust.

What about the pure joy of shopping, of gliding from department to department while humming Muzak versions of old Top 40 hits? Not. Rather than bump into my neighbors and trade some gossip, I wound up shopping in a sea of strangers who were all as agitated as I was and unwilling to kibitz.

And the biggest loss was this: I never expected to buy most of this stuff in the first place. I came to buy \$15 sneakers, and wound up spending \$275 on a half-dozen bags of junk. Caught up in the superficial frenzy of discounts and deals, I wound up spending nearly twenty times more money than I intended, much of it on goods of shoddy quality in a shopping excursion that wasted two hours of my time and gave me an enormous headache. Even more embarrassing, the sneakers I came to buy, which wound up not having a price tag, actually cost twenty-six dollars, about the same price I would have paid at a dozen other stores in Washington.

Yes, crime doesn't pay.

The Dark Side

Why use terms like “crime” and “community lifting”? Why should I feel bad about doing what millions of Americans do every day with no reservations whatsoever? Because the reality is that every dollar I decide not to spend at my local businesses and instead surrender to Wal-Mart saps just a little bit of vitality from my community, all for bargains that turn out to be largely illusory. Had I spent my \$275 at locally owned stores like Rodman’s or Strosniders, many more of my dollars would have remained circulating in my local economy and boosting the area’s income, wealth, and jobs. My personal gain, which proved illusory, was my neighbors’ loss.

But doesn’t Wal-Mart at least provide a bunch of decent jobs for my neighbors? In fact, the average pay of a sales clerk at Wal-Mart is \$8.50 per hour. The company keeps many employees working in part-time positions to avoid paying health care and other benefits. So many workers live below the poverty line that in 2004 Wal-Mart workers qualified for \$2.5 billion in federal welfare assistance, according to a recent congressional report.⁸ The U.S. government is shelling out as much as \$2,103 per employee for children’s health care, low-income tax credits, and housing assistance. State welfare agencies are making similarly steep outlays. One in four Wal-Mart employees in Georgia has a child in the state’s program for needy children.⁹ This crazy quilt of public policies means that every taxpayer, including those businesses paying their workers decent wages, is effectively footing the bill for Wal-Mart’s low prices.

A recent lawsuit revealed that the night crew is occasionally kept locked in the store past closing and receives no overtime. Issued to every store manager is a booklet called the “Manager’s Toolbox to Remaining Union Free.” When a renegade meat-cutters’ department in a Texas Wal-Mart voted to unionize in 2000, Wal-Mart shut down the department and fired the employees.¹⁰

Wal-Mart is arguably the greatest destroyer of communities on the planet. Vampirelike, it sucks retail transactions out of existing businesses and decimates once-vibrant downtowns. Kenneth Stone of Iowa State University is one of a handful of scholars to study systematically the impact of Wal-Mart’s spread on independent retailers.¹¹ Between

1983 and 1996, at a time when chain stores like Wal-Mart increased their sales by 42 percent, he found that overall retail sales in Iowa plummeted in small towns: by 17 percent in towns with 2,500 to 5,000 people, by 30 percent in towns with 1,000 to 2,500 residents, and by 40 percent in towns with fewer than 1,000 residents.

But dwelling on Wal-Mart is, frankly, a distraction. The only real difference between Wal-Mart and thousands of other chain stores is its degree of success and its take-no-prisoners tactics. I begrudge its methods and mission, not its success. The fundamental challenge for communities struggling to revive their economies is not to destroy Wal-Mart, because a Target or a Sears or a hundred other chains stand ready to take its place. The challenge is, instead, to find ways to nurture competitive local alternatives to Wal-Mart that can revitalize our local economies and our communities.

The Small-Mart Revolution

When you think about Small-Marts, the first things that come to mind are the mom-and-pops and neighborhood stores that have been struggling and disappearing in recent years. Through business tactics that have been, depending on your perspective, brilliant or ruthless, chain stores like Costco and major Internet retailers like Amazon have steamrolled almost every community's homegrown businesses. Five supermarket chains sell 42 percent of all our groceries, Home Depot and Lowe's account for 45 percent of hardware and building supplies, and Barnes & Noble and Borders control half of all bookstore sales.¹² "Most striking of all," writes Stacy Mitchell, a researcher for the Institute for Local Self-Reliance and an astute observer of these trends, "Wal-Mart now captures nearly 10 percent of all U.S. retail spending. Wal-Mart is the largest grocer in the country, the largest music seller, the largest jeweler, the largest furniture dealer, and the largest toy seller."¹³

The increasing visual and financial presence of these powerful chains on our streetscapes, however, can be misleading. Retail is just one of the many sectors that produce wealth for a community, typically representing only about 7 percent of a local economy, and chain stores just half of that. Every box of corn flakes contains the labor and re-

sources of farmers who grow the corn, manufacturers who produce the flakes, accountants and lawyers who support corporate management, utility dispatchers who provide the power and lights, wholesalers who connect the retailers with the manufacturer, and shippers who bring the cereal to the store. The Small-Mart Revolution is about supporting independent and local businesses in *all* of these sectors.

Just as the American Revolution of 1776 was not merely a revolt against the tyranny of the king of England but also a watershed for democracy and freedom, the Small-Mart Revolution is about much more than fighting chain stores. If you spend your shopping hours each week making sure that not a single screw on your workbench comes from Home Depot while your mortgage sits in Wells Fargo Bank, in dollar terms you've made one baby step forward and a hundred-mile leap backward. If your limited time and energy are exhausted in opposing big-box malls, you may have little left to build a community-friendly economy. If you blow your political capital on erecting controversial zoning and trade barriers against businesses you detest, you'll be ill-equipped to implement the policy reforms needed to level the playing field that currently tilts against small business.

In other words: what the Small-Mart Revolution is *for* is more important than what it's *against*. The Small-Mart Revolution aims to improve the prosperity of every community, here and abroad, by maximizing opportunities for locally owned businesses. And since "place-based" businesses already make up more than half of a typical community's economy, the Small-Mart Revolution, for the most part, means doing more of what we already know how to do pretty well. In that sense, it's not terribly radical. But sometimes it's the subtle changes in our lives, in our buying and investing habits, in our business practices, and in our public policies that are the hardest to realize.

The Small-Mart Revolution is against one thing—the vast web of laws and public policies that directly disadvantage small and local businesses. Currently, nearly all business subsidies in this country go to nonlocal firms. These exceed \$50 billion per year at the state and local level, and \$63 billion per year at the national level.¹⁴ The capital markets, as we'll see, also are heavily rigged against small business. Just these two factors alone have suffocated what could have been the Small-Mart Revolution over the past decade. Despite all the hype about

globalization, if we manage to level the playing fields in subsidies and capital access, the next decade might well see a Small-Mart Renaissance.

When the Berlin Wall fell after the Velvet Revolution more than a decade ago, a young political scientist named Francis Fukuyama captured the spirit of the moment in an article audaciously titled “The End of History.”¹⁵ Fukuyama argued that now that capitalism had triumphed over state socialism, only a few minor questions about the future of humanity remain. Even if Fukuyama’s thesis turns out to be right—and a decade later, with Chinese Communists still ruling a fifth of humanity and thriving as Wal-Mart’s biggest suppliers, his pronouncements seem a bit premature—he erred in a more fundamental way. We are now witnessing an epochal struggle between two dramatically different visions of capitalism, the outcome of which will define many interesting and important years of history to come.

One vision can be summarized by former British Prime Minister Margaret Thatcher’s declaration that “there is no alternative” to globalization and its neoliberal tenets of free markets and free trade.¹⁶ All over the world, conventional economic developers have embraced the logic of “there is no alternative”—or TINA—in the form of two imperatives: get Toyota to locate in your backyard, and export your goods as far and widely as possible. These ideas are so widely accepted by politicians, economists, and policymakers across the political spectrum that even to question them is tantamount to heresy.

There is a capitalist alternative gaining acceptance across the United States and throughout the world: economic development rooted in local ownership and import substitution, or LOIS for short. Local ownership means that working control of a business resides within a geographically defined community. And import substitution means that, whenever it’s cost-effective to produce goods and services locally, a community should do so. Together these principles suggest—as such intellectual pioneers as E. F. Schumacher and Jane Jacobs have argued over the last two generations—the virtues of an economy that takes full advantage of local talent, local capital, and local markets.

Why should it matter exactly who owns a business? And why should we care whether a business serves local or global markets? After all, don’t all businesses contribute to a community’s well-being, no matter

what their ownership and no matter where their markets? Sure, nearly all kinds of businesses offer a community the benefits of jobs, tax dollars, charitable contributions, and local economic stimulus. As we will see, however, LOIS firms deliver these benefits more reliably, more robustly, and more sustainably than the nonlocal alternatives do. That means our choices—as consumers, as investors, as entrepreneurs, as policymakers—can make a huge difference in how well our communities prosper.

Few of us believe the old saying that what's good for General Motors is good for America, because too little of GM remains in America, too many shares of GM stock are publicly traded worldwide, too few Americans actually work for GM (fewer every day it seems), and too many of the benefits are distributed in so many unexpected ways (in hidden Cayman Island bank accounts, for example). The little goodwill we might have once had for the automotive giant has been largely exhausted by its Neanderthal attachment to gas-guzzling SUVs that have resulted in poor sales, plant closures, and massive layoffs. Most of us suspect—correctly it turns out—that local businesses in our community are more directly connected to our well-being. The assets of these small firms are, by definition, sited in the community and owned by people residing there. They almost exclusively hire neighbors. The benefits of their success and the fallout of their failure are experienced directly by residents.

The term “Small-Mart,” as I use it in this book, refers to many different kinds of LOIS business. Most Small-Marts are privately run small businesses, principally sole-proprietorships and partnerships. Some are privately held corporations, and a few are even publicly traded stock companies (though the shares must only be tradable locally). The term also is meant to include nonprofits, cooperatives, worker-owned businesses, public enterprises, public-private partnerships, and anything else anchored to a community through ownership.¹⁷ While I use “Small-Marts” and “small businesses” interchangeably, I should clarify the relationship between the two. Small-Marts don't have to be small, but nearly all are. “Smallness” only matters because most small businesses tend to be locally owned. There are certainly some very large companies, like the Hershey Chocolate Company (as we explore in chapter 2), that are locally controlled and would

qualify as Small-Marts as well. Similarly, a few small businesses have owners living thousands of miles away and would not qualify as Small-Marts. Common sense suggests that these are the exceptions that prove the rule.

Small-Mart Nation

If the Small-Mart Revolution succeeds in seeding, growing, and spreading LOIS businesses, how might your life be different? Let's look ahead twenty-five years, and see what a Small-Mart world looks like.

Your Economy. The first thing you'll notice is how many of your neighbors are running their own businesses, many out of their own homes. Almost everyone else is working for these local firms, enjoying shorter commutes and more time with their families. The idea of a one-company town is obsolete. Even rural communities with a few thousand residents now have twenty-five, fifty, or a hundred companies. Most of these businesses serve local needs, but some also have robust export markets. All these businesses, physically anchored through local ownership, have become powerful gushers of wealth as well as resilient hedges against the kinds of disasters that used to occur when a major, distantly owned employer, moved—or threatened to move—overseas.

Your Purchasing. You're now spending most of your hard-earned money on competitively priced and locally produced high-quality goods and services, where each dollar gets recycled many times within your community. You're buying fresh fruits, vegetables, and chickens grown by nearby farmers, shopping at a small market or co-op (some of which home deliver), and eating out at locally owned restaurants. You're driving less and filling the tank with locally made biodiesel or hydrogen. You own your home, rent from a local landlord, or hold a mortgage from a local bank. Your residence is built from locally available stone and lumber and filled with locally made furniture and household accessories like locally made flatware, plates, and plants. You're using electricity generated by local windpower, hydropower, or solar cells, and bringing down your municipal utility bill through local efficiency measures. (In fact, you may be making money from some of these energy devices by selling surplus power to your neighbors.) You're

donating to local churches and charities. You're sampling emerging local fashions, jewelry, shoes, art, theater, newspapers, books, music, beer and wine, shampoos, and soaps. You're seeing local doctors, dentists, and therapists, using local lawyers and accountants, supporting local schools and public services. Thanks to information distributed by a Local First Campaign, you're confident that very little of this costs more than the nonlocal alternatives and ebullient that some of these choices are actually saving you money. The only real cost is the extra time and attentiveness required to shop carefully, to filter out the allure of false bargains from chain stores, and to deprogram yourself from the appealing but misleading bombast of global advertising.

Your Investing. Some of your savings sits in a local bank or credit union, the only entities you are confident will loan out or reinvest this money locally. If you have extra money, you might invest in a neighbor's business you're excited about. Or you might buy stock in one of the many local companies being traded on your local stock exchange. Most of your retirement sits in an IRA, SEP, 401(k), or other vehicle run by a local mutual fund with a diversified portfolio of local businesses. And no matter what your income, you're enjoying the local benefits of a totally revamped Social Security system that places responsibility for trust fund management in state and local hands.

Your Entrepreneurship. For those who ever dreamed of running their own business, this is one of the most exciting moments in U.S. history. The changes in everyone's purchasing habits, outlined above, are opening up all kinds of new niches for locally produced goods and locally provided services. You and other entrepreneurs in the community are now working together to maintain your competitive edge against global giants through local business alliances and national producers' cooperatives that undertake joint advertising, procurement, warehousing, and distribution. You might take advantage of a new generation of "incubators" that support local start-ups with training and capital, or you might accept local credit and debit cards that promote local purchasing.

Your Policymaking. The era of wasting millions of local dollars on luring outside businesses is thankfully over. Your community doesn't stand in the way of nonlocal retailers or manufacturers coming in, but

in the name of the free market, *you no longer pay them any financial tribute*. One reason the small businesses in your community are thriving is that your city government has systematically eliminated dozens of laws and policies concerned with zoning, policing, schools, business practices, government procurement, and pension investment that were once tilted toward nonlocal business. Those few dollars spent on business development are now focused, laser-like, on supporting various elements of the Small-Mart Revolution, like entrepreneurship training and local stock markets.

Your Community. Years earlier, the Small-Mart Revolution got rolling when key members of your community decided to participate in a year-long “visioning” process. They pinpointed unnecessary “leaks” of dollars from your local economy, identified promising local business opportunities that could plug those leaks, and mobilized consumers, investors, entrepreneurs, and policymakers to support those businesses.

Your World. Even though the Small-Mart Revolution began in your backyard, your community and thousands of others like it around the world have gradually come to appreciate that their well-being depends on the participation of every community in every country. The revolutionary step, you realized, was not to increase global trade per se, but to increase global self-reliance. You now generously and freely share technology, business designs, and public policies with partners in the world’s poorest communities. A growing number of communities worldwide producing more of their own goods and services means a significant growth in global wealth, investment, and spending, with fewer environmental problems. Paradoxically, global trade is expanding in absolute terms, even as trade is becoming a diminishing percentage of every community’s economy.

This glimpse of the future defines the logical arc of this book. In the pages that follow, you’ll find arguments, in two parts, on the virtues and the vision of the Small-Mart Revolution. Part I explores the struggle between LOIS and TINA: how TINA is wrecking local economies (chapter 1); why LOIS is a far better basis for economic development (chapter 2); and eight global trends that are making LOIS more competitive (chapter 3). Part II moves from theory to practice and explores

what various constituencies need to do to accelerate the Small-Mart Revolution. The key players are consumers (chapter 4), investors (chapter 5), entrepreneurs (chapter 6), and policymakers (chapter 7). The most effective Small-Mart initiatives, however, are those that bring all these players together as a team of community builders (chapter 8). The final chapter outlines a new philosophy of globalization implicit in the Small-Mart Revolution.

Origins

The Small-Mart Revolution is a direct descendent of my last book, *Going Local: Creating Self-Reliant Communities in a Global Age*, in which I argued that local ownership of business and self-reliance of a community were critical requirements for a prosperous and sustainable local economy.¹⁸ The most enthusiastic readers of that book, initially at least, were the antiglobalization activists recently energized by the Battle for Seattle, where they had all but stopped a meeting of the World Trade Organization (WTO). As months and then years passed by I found many pockets of interest among policymakers, politicians, and community developers, but conspicuously AWOL were those who had the most to gain from the arguments—the proprietors of small business.

Just after *Going Local* went on sale, I traveled to the San Francisco Bay Area, where I had gotten my undergraduate and law degrees and had lived for nearly fifteen years. I was eager to see how the book was doing at one of my favorite locally owned bookstores in Menlo Park. The owners had recently placed signs in the outside windows decrying the dangers that chains like Borders and Barnes & Noble posed to independent bookstores and to the entire publishing industry. Here, I optimistically thought, was the kind of venue where *Going Local* would thrive. I looked for copies on the shelves, found none, and assumed the book was selling briskly. I asked a clerk if she had more copies in the back, and she returned to report that, apparently, after the book had sat on a remote shelf for a few weeks with no sales, the store dutifully sent back its three consignment copies. Even local bookstores fighting for their lives didn't see the relevance of a book that made arguments about why consumers should buy local. But this was my failure, I concluded, not theirs.

I puzzled over how to broaden my audience. On the evening of September 10, 2001, a group of colleagues gathered in a hotel room in Washington, DC, to discuss our participation in an upcoming conference of the Social Ventures Network (SVN), a group of progressive business leaders. Among those attending were Hazel Henderson, one of the intellectual pioneers of a community-and-nature-centered vision of economics, and Edgar Cahn, the architect of Time Dollars. The time, we thought, was ripe to recruit visionary entrepreneurs for this cause.

The next morning, of course, the new century burst into fireballs at the Pentagon and the World Trade Center. By the time SVN conference participants gathered the courage to board transcontinental jetliners several weeks later, they seemed to have a new seriousness of purpose. Stripped of the usual comforts of American security and keenly aware of how fragile life suddenly had become, attendees seemed unusually receptive to our collective message: that the future of small business, the future of community vitality, even the future of humanity depend on a fundamentally new approach to our local economies. At the end of the four-day conference, nearly fifty people stayed another half day to discuss next steps, and out of the intensive discussions was born the Business Alliance for Local Living Economies, or BALLE.

BALLE was not the first organization to organize locally owned business—the American Independent Business Association (AMIBA) had been formed several years earlier—but it brought a new and exciting vision that linked networks of small businesses with the mission of local economy building. The agenda included challenging some of the core assumptions in the economic development community, demanding that politicians stop giving away precious local resources to lure nonlocal business, rethinking public policies that disadvantage small businesses from top to bottom, and building a new movement of businesses and consumers that would train, hire, invest, and buy local. BALLE has since grown to two dozen chapters around the country collectively representing several thousand small businesses. Over the past four years I've visited and spoken to most of these chapters and learned about cutting-edge businesses all around the country. It is their stories, thinking, and lessons that lie at the heart of this book.

I have written this book, however, not just for small businesspeople, but also for ordinary citizens like you and me who are trying to figure

out what to do about our daily choices in shopping, investing, and politics. This is not a tome for policy wonks, though I've added numbers, tables, and footnotes here and there for those so inclined. It's also not an academic book, though I certainly hope students and professors alike will find a few things to learn. It's a book designed for personal awareness and personal action, to guide readers in their inevitable roles as consumers, investors, breadwinners, and voters.

A Vision, Not a Religion

The central argument here is that LOIS businesses are the key to a community's economic future. The more we nurture and support Small-Marts, the more likely we will bring prosperity to all Americans—rich and poor, black and white, male and female, rural and urban, young and old. With greater prosperity for so many diverse groups, we also have a better shot at solving hundreds of other knotty problems bedeviling our society. If we are smart enough to globally share everything we learn about how LOIS businesses can succeed and modest enough to learn about successful LOIS business designs and strategies elsewhere, we can make major strides toward relieving global poverty and saving global ecosystems.

Despite this grand (but hopefully not grandiose) vision, I want to underscore that LOIS can only be a modest part of any serious agenda of social change. Put in the language of formal logic, LOIS is a necessary but insufficient condition for many needed global reforms. LOIS is a tool, not a panacea. It provides a set of guiding principles, not answers to every complex question concerning economics and policy.

Readers looking for a hidden agenda, for an all-encompassing ideology, for an answer to every thorny question, will be disappointed. I am deeply suspicious of grand theories about people, history, society, politics, and economics. I distrust those who are incapable of seeing virtues in arguments for differing or opposing viewpoints. My own views are an amalgam of thinking from the right, left, and center.

At the core of my worldview is a belief in *subsidiarity*. That is, I believe that individuals and communities should have enough freedom and autonomy to solve their own problems. To the extent that I embrace collective action, whether public or private, I believe it should

be done as locally as possible, where affected individuals can participate fully in the decision making and can truly know the faces of those touched by their choices. I distrust anything that is not, in the author Kirkpatrick Sale's terminology, "human scale:" big business, big labor, big government, big armies, big charities, big UN agencies, and Big Brother.¹⁹ Government responsibility, power, and budgets should be primarily local, which means it will be smaller at the state level, smaller still at the national level, and only incidental at the global level. Only when there is a very good reason to move power up to a higher level—if, for example, a community is belching smoke across a half-dozen states—should we permit larger political jurisdictions to get involved. I believe that most centralized institutions today, whether the IRS or the WTO, should be slimmed down and have the bulk of their powers and responsibilities returned to communities.

Conservatives will be pleased that I believe deeply in personal freedom, free markets, and local control, with an absolute minimum of federal rules, regulations, and interventions. Much of my writing has been on the virtues of devolution, small business, patriotism, and for-profit business.²⁰ They will be delighted to find in these pages my calls to abolish business taxes, nurture entrepreneurship, and cut wasteful federal spending.

Progressives will be relieved, though, to learn that I believe in markets as tools, not as magic wands. I recognize that markets can neither solve every problem nor deliver every opportunity. Moreover, there are so many imperfections in the typical marketplace that public initiative, guided by strict adherence to the precautionary principle, is still needed to counter or undo them. I am therefore an enthusiastic believer in strong governments and governance, provided these are primarily local. I also embrace the liberal vision of trying to help every human being on Earth achieve decent community, and favor aggressive global antipoverity and environmental protection initiatives, led however, not by large-scale government, UN, or World Bank programs, but by grassroots groups and communities.²¹

Some will conclude I'm just sloppy or opportunistic in allowing so many seemingly disparate thoughts to live in my head. But the more I travel across the United States and share these ideas, the more I believe there is coherence to this worldview, even if it lacks a clear name or

organized party. I have no idea how to situate my views in the current cramped political climate in the United States. You could say that I support progressive ends with conservative means. Color me, neither red nor blue, but purple. With the fastest-growing political faction in the United States being independents, I'm confident that most readers share my aversion to getting pigeonholed by the extremes. I believe that today's deep divisions, widened by radio shock jocks, direct mailers, lobbyists, and interest groups who have anything but our best interests in mind, do not reflect serious divisions of philosophy, but nevertheless freeze opportunities for constructive social action.

I hope the ideas espoused in this book offer fertile common ground for left and right to come together. And maybe, just maybe, in the process of working together to build robust, viable, homegrown economies, even the most uncompromising partisans will begin to see the virtues in their opponents' views, and we, as a nation, as a society, as a civilization, as a species, can begin to make progress on the other issues that divide us.

this chapter has been excerpted from

The Small-Mart Revolution
How Local Businesses Are Beating the Global Competition

by Michael H. Shuman

Published by Berrett-Koehler Publishers

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