TINA vs. LOIS: the small-mart revolution

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In my new book, *The Small-Mart Revolution: How Local Businesses Are Beating the Global Competition,* I draw a distinction between two visions of global economic development: TINA and LOIS. TINA comes from Margaret Thatcher's declaration that *There Is No Alternative*—T-I-N-A—to the global economy and globally mobile corporations. LOIS, in contrast, envisions a world made up primarily of *locally-owned and import-substituting* small businesses. Local ownership (LO) can come in many forms, including a sole proprietorship, a partnership, public ownership, a co-op, a nonprofit, a locally traded stock company, or any other structure that allows people in a given area to control the business. Import substitution means focusing primarily—though not exclusively—on local markets.

LOIS businesses build strong community economies in many different ways, such as by increasing tourism, diversity, social equality, and political participation. Let's focus here, though, on the ways in which LOIS improves a company's environmental performance.

First, the most salient feature of LOIS businesses is that they rarely move, even to more "business-friendly" countries and states. A corollary is that any community seeking sustainability through TINA enterprises will probably fail because these footloose businesses can exercise their option to "exit" whenever they face tougher environmental standards. A good example of this is in my own backyard, Maryland. It is virtually impossible to regulate the chicken industry on the eastern shore, which is allowed to dump 1.5 billion pounds of manure each year into the Chesapeake Bay ecosystem because the two largest producers, Tyson and Perdue, are continually threatening to move to more "business-friendly" jurisdictions in Arkansas and Mississippi. Having an economy largely made up of LOIS businesses enables a community to raise environmental standards with confidence that the anchored enterprises will adapt rather than flee.

When TINA businesses do move on they usually leave communities with a mess to clean up. Part of Wal-Mart's expansion strategy has been to close older stores, open a superstore only a few miles away, and resist resale of the old sites to competitors. There are now some 300 empty Wal-Marts across the country that are causing serious environmental problems from runoff, flooding, and blight.

But LOIS businesses are not only better for the environment than TINA businesses, they also better produce the wealth needed for a community to green itself. TINA jobs, for example, are much more costly than LOIS jobs. A study of the cost effectiveness of tax abatements in Lane County, Oregon, found that 95 percent of the tax abatement dollars had been given to six TINA companies—three of which came, took the benefits, and then shut down and moved elsewhere. The remaining 5 percent went to about a hundred LOIS companies. The cost to the community in tax-abatements was about $23,800 per TINA job and $2,100 per LOIS job. The non-local jobs thus were over ten times more expensive. On a net jobs basis, after taking into account the plant shutdowns, TINA jobs were 33 times more expensive. Throwing away precious local public dollars on wasteful TINA enterprises, as Lane County did, means fewer funds to undertake things such as environmental education or renewable energy projects.

Even if public economic-development dollars are not involved with TINA, these companies generally contribute less to local economic well-being than LOIS firms. In the summer of 2003, for example, a group of economists at Civic Economics studied the impact of a proposed Borders bookstore in Austin, Texas, compared with two local bookstores. They found that one hundred dollars spent at Borders would circulate thirteen dollars in the Austin economy, while the same one hundred dollars spent at the two local bookstores would circulate forty-five dollars—creating roughly three times the jobs, earnings, and tax collections. A dozen other studies worldwide all point in the same direction, and for an obvious reason: Local businesses spend more money locally. Unlike a chain bookstore, for example, a local bookstore has upper-level management, uses local business services, advertises locally, and enjoys a local stream of profits. Just these four items can easily add up to a quarter or more of a given business's expenditures. The bottom line is that every consumer dollar going to TINA that could have just as well gone to LOIS, diminishes local wealth, which means fewer local resources for environmental protection.

Has Wal-Mart become a paragon of green virtue? Since 1993 noted architect William McDonough has helped the Bentonville, Arkansas, giant design more energy-efficient stores. Energy-policy guru, Amory Lovins, is working with the company to increase its transportation efficiency and reduce its impact on the global climate. The founder of Cascadia Organics Farms, Eugene Kahn, is helping the Wal-Mart grocery division, the single largest seller of food in the country, go organic. I admire these sustainability pioneers and concede that improving the practices of the world's largest retailer undeniably does some good.

And yet I cannot help but raise broader questions about what they are trying to accomplish. For example:

- Can a business that ships most of its products many thousands of miles rather than buying from local sources possibly qualify as sustainable in an era of global warming?
- If locally owned businesses selling locally made goods are inherently better for communities and their ecosystems, does it really help the planet if green corporations systematically displace and destroy these firms?
- Can any global corporate model that depends on producing most of its products in repressive countries like China, where labor and environmental advocates are more readily jailed than heeded, be deemed sustainable?

LOIS businesses fit naturally with "smart growth" or anti- sprawl policies. Smart growth means redesigning a community so that residents can walk or ride bikes from home to school, from work to the grocery store. It means scrapping old zoning laws that do not allow multiple uses—residential, commercial, clean industrial, educational, civic—in existing spaces, because it's better to fully use the town center than to construct new subdivisions on green spaces in the periphery. Because LOIS businesses tend to be small, they can fit more easily inside homes or on the ground floor of apartment buildings. Because they focus primarily on local markets, LOIS businesses place a premium on being easily accessible to local residents. Because TINA businesses tend to be large, they often require new roads to accommodate traffic and cannot be co-located with residences, schools, or much of anything. TINA is the antithesis of smart growth.

Finally, by their nature, TINA businesses maximize global trade linkages and minimize local self-reliance. TINA companies continue to ship a typical meal's ingredients 1,200 miles without accounting for the cost of the pollution and carbon release. TINA means continuing or expanding local dependence on these global suppliers and products rather than growing or otherwise producing these foodstuffs locally. This increases our dependence on foreign imports like oil.

The ecological case for LOIS gets complicated, of course, whenever local goods and services are more expensive than their TINA counterparts. After all, if we spend twice as much money on local food, that's less money available for more efficient appliances and vehicles. But competitive LOIS enterprises actually account for more of today's economy than do TINA enterprises. It's true that LOIS has lost ground to TINA over the past decade—about 3-4 percent of the GDP. That loss often seems greater, because we've seen so many small, local retailers going under. But retail is only 7 percent of our economy. In many other categories—services, finance, small-scale manufacturing, and myriad home-based businesses—LOIS has flourished.

Did LOIS lose ground because of diminishing competitiveness? Perhaps, but other factors seem more compelling. In the United States, state and local authorities are lavishing $50 billion per year on non-local business; the federal government gives non-locals another $63 billion in grants and other non-tax incentives.

Consider other ways that government policies tilt the market against LOIS: Sales tax laws disadvantage local businesses by exempting big mail-order and internet retailers. Income tax laws give breaks to non-local companies that move overseas. International trade laws made under the World Trade Organization (WTO) strip government purchasing agents of the freedom to exclusively source goods locally (a freedom that private purchasing agents enjoy). Securities laws make pension and mutual fund investment in local business impossibly expensive. The list goes on and on.

Had public policy created a reasonably level playing field, chances are very good that TINA would have gained no ground whatsoever over the last ten years. Moreover, if we begin to correct these flaws in public policy today, LOIS can flourish and expand in the coming years, and bring with it myriad environmental and economic benefits.

The rising price of oil, for example, represents bad news for some Americans but great news for local economies. We'll conserve more energy, keep more electricity and oil dollars home, and manufacture more local goods for local distribution. Wal-Mart production in China, when coupled with 10-15,000 miles of shipping, may soon become obsolete.

Here are some other intriguing trends that will weaken the competitiveness of TINA: In many product categories such as food and energy, distribution costs are far greater than production costs. This disparity opens new opportunities for cost savings through localization. Americans are also consuming more and more services rather than goods, a trend for several decades. Services are inherently local (how many people get a massage over the Internet?). And the accelerating decline of the dollar, guaranteed because of our ballooning trade deficit, will increase the cost of imports and make domestic production more competitive.

The bottom line is that the Small-Mart Revolution is already well under way. And unless we foolishly throw gigantic new subsidies or other market advantages to TINA businesses, it will likely accelerate. Wal-Mart and other TINA businesses can green themselves all they like, but at the end of the day sustainability-minded consumers, investors, entrepreneurs, and policymakers will increasingly embrace LOIS for both environmental and economic reasons. As Thomas Jefferson once said, "[T]he good sense of the people will always be found to be the best army."

[We asked Michael Shuman about Lane County's response to problems with subsidizing out-of-state corporations. He replied, "key players in the County appear split on what to do about the abysmal performance of its economic development policies. Most environmental activists are horrified by the numbers, and want to refocus the tax abatements on local business or cut them altogether. Many of the elected politicians, even those who regard themselves as green, seem unable or unwilling to repudiate this TINA attraction/retention game." -Jay Hutchins]