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12-2011

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## Localization in Buffalo

## Localization in Buffalo

By Kathleen Moriarty  
University at Buffalo Law Student

### 1. What does localization mean?



Generally speaking, localization is the idea of keeping as much of a region's resources and energy as local as possible - business, employment, agricultural yields, economic goods. Localization also includes an effort to reduce the distance that goods travel between production and consumption.

### 2. What is the economic benefit of buying locally?

Economists refer to the "dollar multiplier effect" as a major benefit of buying local. Spending locally means that more of each dollar remains in Buffalo and is likely to be re-spent in Buffalo as well: the dollar is spent "multiple" times the same place. Some studies estimate that a dollar spent locally has "three times the economic impact as shopping at a national business."<sup>i</sup> The profits of a local business owner are often used to purchase more local products, to pay rent to a local landlord, to be banked at a local bank, to pay local employees, to pay local taxes, etc. While the profits of the local branch of a national chain might pay local employees and taxes, the majority of the profits return to a national headquarters located outside of Buffalo. Simply, local business owners have a more vested interest in spending their own profits locally to help sustain the local economy.

### 3. How does spending locally benefit the environment?

Local spending minimizes the environmental impact of doing business. For instance, most grocery stores are chains owned by national companies. The efficiency of ordering low cost goods in large volume yields greater profits, but the trade-off is often purchasing produce from foreign countries or from large U.S. farms thousands of miles away. The cost per unit might be cheaper, but the amount of gas consumed and the pollution created by the transport of these goods is cumulatively devastating to the environment. A

grocery store, such as the Lexington Coop, is more likely to come from a local farmer. The Coop pays less to transport the goods and is able to support another member of the local economy. Often, the quality of the goods is higher because of the smaller scale on which the goods are produced and because, in the case of produce and because, in the case of other perishables, a shorter transport means less time between harvest and consumption. <sup>ii</sup>



#### **4. Are there any criticisms of localization?**

Many argue that local goods are often more expensive. On its face, this is a legitimate argument. Smaller businesses- whether they're growing produce, raising animals for meat and dairy products, making clothing, or providing other services- often are more expensive. Much of this comes down to the efficiency of high volume production (lower overhead, paying lower wages, greater ability to produce large quantities of goods), which is not generally a characteristic of locally made goods and services. Smaller businesses tend to produce in lower quantity, which means they need to charge more for their products to pay the overhead costs and the cost of what is typically a higher wage to employees. <sup>iii</sup>

#### **5. What are the incentives to pay a higher wage?**

Typically paying a higher wage or a living wage refers to jobs that are traditionally low paying or minimum wage jobs. For employers, higher wages tend to attract more qualified employees, and that those employees are more productive. Employees who are paid a living wage are more likely to continue working for that business, thereby reducing the costs of high turnover: lost productivity, subsequent recruitment and training. Local communities – especially low-income communities – also benefit from a higher living wage because these workers tend to spend their money locally. <sup>iv</sup>

#### **6. Are there any benefits to national chain stores and big box-stores?**

There is some criticism, not of localization necessarily, but of persons or organizations who are purists when it comes to the movement. A large network of independent locally owned and operated businesses is fundamental to the long-term success and integrity of a

community. Some argue, however, that it can help these businesses to have a small presence of nationally owned chain stores. For instance, several years ago there was discussion of a GAP store on Elmwood Avenue. Local businesses and residents were generally opposed to the idea because they saw the store as an intrusion on the vitality of local clothing retail. Proponents of the idea saw it as an opportunity to bring stability to the area, as well as an incentive to bring more shoppers to the district. These advocates maintained that a national chain would be able to sustain a slow growth period longer than smaller local businesses, and that the presence of the “anchor store” would encourage other independents to open. The competition, they argued, did not really exist between the standard offerings of GAP clothing and the more specialized, unique clothing sold at smaller boutiques. Despite the lack of a GAP anchor, Elmwood has done quite well for itself, but that’s not to say that a more struggling neighborhood wouldn’t benefit from an anchor store. For example, the push to put a Bass Pro downtown in a sector where retail is practically non-existent.<sup>v</sup>

## 7. What is a cooperative?



Although they often serve the entire community, co-ops are membership-based organizations that pool resources to provide a common need. Buffalo’s co-op, the Lexington Cooperative on Elmwood Avenue is committed to buying as many local products as it can – for example, Hanova Hills meats, White Cow Dairy yogurt, and Tower Farms produce. The Co-op uses bright yellow cards to let customers know which products are locally produced.

## 8. What is a credit union?

Credit Unions have their roots in nineteenth century Germany and, like co-ops, are member-based. Small German farmers found themselves indebted at such exorbitant rates of interest to moneylenders that these farmers often didn’t yield enough in harvest to pay the money back. In response, farmers pooled their resources to allow smaller farmers to borrow money at low rates of interest from larger, wealthier farmers.<sup>vi</sup>

In today’s economy, credit unions provide a similar service to lower income individuals and smaller businesses. Buffalo’s Cooperative Credit Union offers lower fees, minimum balance requirements, credit counseling, and access to credit that is significantly lower than bank rates.

## 9. What kind of resources are available to someone who is interested in “going local?”

Buffalo is ripe with resources for businesses looking to “go local.” The *Business Alliance for Local Living Economies* (BALLE) is actually an international network committed to building Local Living Economies. BALLE organizes small business leaders to help market themselves as strong economic partners in the community, to provide these businesses with opportunities to participate in the increasingly green

economy and to promote economic justice in local communities. BALLE's local arm is Buffalo First.<sup>vii</sup>

Buffalo also boasts the *Small Business Development Center* (SBDC) located at Buffalo State College. SBDC was designed to provide management and technical assistance to new and existing businesses in Western New York. SBDC takes the resources of the private sector and government agencies to advise small businesses on matters of marketing, organization, finances, and other business details.<sup>viii</sup>

*Buffalo Economic Renaissance Corporation* is also available to assist local businesses with the necessary economic tools and incentive programs. The City of Buffalo is a state and federally designated Renewal Community, which affords small businesses in Buffalo unique economic opportunities and assistance.<sup>ix</sup>

*MicroBiz Buffalo* is a not-for-profit umbrella organization that unites area organizations, colleges and universities to provide training courses, credit counseling, business plan development, seminars and business mentoring to individuals hoping to start a business.<sup>x</sup>

## 10. What resources are available for customers who want to buy local?

**WHY EAT LOCAL?**

- Local = Fresher**  
Buying locally grown food means less time passes between when your food was harvested and when it hits your table. It tastes better, too!
- Local = Greener**  
Local foods require less packaging and travel shorter distances, saving on waste and pollution. Because of this, they're often even better for the environment than organically farmed foods (according to a 2005 study by the journal *Food Policy*).
- Local = Healthier**  
Local foods are often better for you: food loses vitamins and minerals as it ages. Food that travels a shorter distance from farm to table is also less susceptible to contamination.
- Local = Economic Harvest**  
Buying from local farmers supports businesses in your community, aiding the overall local economy. Studies show that a single dollar spent locally generates twice as much income for the local economy (according to a 2005 study completed by London's New Economics Foundation).
- Local = Variety**  
Supermarket chains may be interested in only a dozen types of lettuce. They choose what types of lettuce they carry based on how well it ships, its shelf life and marketability. A farmer selling produce locally can cultivate food that is less hardy (or genetically modified to be so) and more interesting—a supermarket can't afford to stock items with a short shelf life.

Buffalo First is the best resource for anyone wanting to buy local in Western New York. The Buffalo First website provides local shoppers with a directory of local independent businesses as well as a coupon book, the super local version of the popular Entertainment Book, that shoppers can purchase to save money at local stores. Buffalo First also organizes events like Eat Local to promote local businesses.<sup>xi</sup>

## 11. What is the role of state

### and local government in localization?

Small businesses can find economic assistance through a variety of local and state efforts. Buffalo small businesses find tax relief through the state legislated Empire Zone Program, which subsidize tax credits to new businesses that create jobs and economic development. The Buffalo Niagara Enterprise, the Erie County Industrial Development Agency and the Empire State Development Corporation serve small businesses by providing incentives that help reduce development costs and operating expenses. Buffalo's Commercial Area Revitalization Effort Program (CARE) also improves the economic vibrance of the city, particularly in the more historic districts, by offering grants for storefront revitalization and security improvement.<sup>xii</sup>



## **12. Can local governments give preferential treatment to local businesses?**

Local businesses often lack the business efficiency or the financial resources to compete with larger, national companies. Local and state municipalities do sometimes give preferential treatment to local businesses, called local procurement preferences or local preference laws. If several companies are competing for a government bid, it is not uncommon for the local contractor to receive a “handicap.” In essence, the local contractor’s lowest price can often be 5-15% higher than the lowest bid and still win out over national or out of state bids. Unfortunately, neither the City of Buffalo nor New York State has any such laws. The City of Buffalo is required by State law to accept the lowest bid on a contract, unless there is a tie. In that case, the local contractor is preferred.<sup>xiii</sup>

## **13. What kinds of subsidies encourage the growth of local business?**

New York State employs the Empire Zone Program and Industrial Development Agencies to encourage the growth of new business by providing tax credits and incentives to businesses that promise job creation and economic development in economically depressed areas of the State. While these programs do help some local businesses, they often bring plenty of new national business to town as well. A potential influx of larger, national chains is often criticized by proponents of the “local first” movement because of the threat to over power smaller, local businesses. However- and we’re seeing this with Bass Pro- the counter argument is that the City of Buffalo needs a few anchor stores or businesses to attract a broader consumer base. The anchor stores have the potential to increase the foot traffic to the smaller stores. A second argument is that larger, national chains use the incentives as leverage when deciding whether to open a business in New York or the City of Buffalo. In fairness, this might be more of a “bluff” than anything else. Every state has similar incentive programs, so it’s more likely that a company has already made up its mind about where to locate and is just trying to squeeze as much blood as possible from the rock. Unfortunately, states (politicians) are not usually in a position to appear hostile to new business and economic growth.

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<sup>i</sup> <http://buffalofirst.org/aboutus>

<sup>ii</sup> <http://buffalofirst.org/aboutus>

<sup>iii</sup> [Choosing the High Road, Businesses that Pay a Living Wage and Prosper](#)

<sup>iv</sup> [Choosing the High Road, Businesses that Pay a Living Wage and Prosper](#)

<sup>v</sup> [Buffalo Pundit, The Gap on Elmwood? May 17, 2005](#)

<sup>vi</sup> [Buffalo First Directory](#)

<sup>vii</sup> [Business Alliance for Local Living Economies](#)

<sup>viii</sup> [Small Business Development Center](#)

<sup>ix</sup> [Buffalo Economic Renaissance Corporation](#)

<sup>x</sup> [MicroBiz Buffalo Aids West Side Business Owners, Buffalo Rising, May 31, 2007](#)

<sup>xi</sup> [Buffalo First](#)

<sup>xii</sup> [Buffalo Economic Renaissance Corporation](#)

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<sup>xiii</sup> Amy Kedron, *Local Advantage in a Global Era: Making Local Procurement Work for New York*.

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