

A Tale of 2 Cities

A local economy can be seen as a big bucket: Money flows in from tourism, government grants, investment gains, pensions, CPP & EI payments, exports, outside work revenues, etc. Unfortunately, money also drains out via buying products on the Internet or outside the community, investing outside our community, CPP & EI premiums, franchise fees from big box stores, credit card interest, federal and provincial taxes, etc. The well-being of a local economy is determined by the difference between what flows in and what flows out. A healthy community has enough resources for everyone, or as a full bucket. Further, it isn't just how money pours in and flows out that matters, what happens to money while inside a community is also important.

LEAKYVILLE

In this community, consumers and businesses look to buy from the lowest possible price wherever in the world that happens to come from. There is no loyalty to support one another here. This community is filled with big-box stores and franchises. On each transaction, 30% stays local and 70% leaves the community. Therefore, if \$100 enters the community, 70% of it leaks away, leaving them with \$30. On the next transaction of that \$30, 70% leaks away leaving them with \$9. 70% of that is \$3 and after another transaction they are left with \$1. In other words, it takes only four transactions for that initial \$100 to completely leave their community. That \$100 benefited only 4 people/businesses and translated into \$143 of economic benefit – the sum of all transactions.

CONNECTOWN

In this quaint town, consumers and businesses try to buy from each other as much as they can. Entrepreneurs thrive with unique independent businesses. Here, 80% stays total after each transaction while only 20% leaves. If that same \$100 enters this community, \$80 is left after the first transaction. On the second purchase, 80% of that is \$64. 80% on the next transaction \$52, then \$41, then \$33, and so on. In this community, it takes over 24 transactions before that initial \$100 disappears - in other words, the \$100 benefited over 24 different people/businesses. The economic benefit is \$499. Connectown is 3.49 times more economically efficient than Leakyville. Of course, this also helps the local tax base thus providing more social benefits to their entire community.

Campaigns such as the 100-mile-mortgage and the “Shop Local” promotion are important. They remind us that by spending our money within our community, we're building a healthy economy that benefits everyone who lives here, including ourselves.

For more reading material about the power of local economies, check out <http://small-mart.org/files/SMChecklists-Patriots.pdf> or log on to www.ciel.com.

