

Economic Localism Is No Better than Economic Nationalism

Written by Steven Horwitz.

As Black Friday has continued to expand in recent years, one response to its orgy of discounts and deals has been to promote the following day as “Small Business Saturday.” The idea is to encourage people to shop at their local stores rather than at national chains or big-box stores, or perhaps on the Internet. Doing so, argue its proponents, is both moral and good for the local economy, as it keeps jobs and money in “our communities” rather than, presumably, in the hands of faceless and distant corporate masters.

Let’s ignore the irony that the sponsor of this movement is the international corporation known as American Express. Is a moral or economic case for shopping local, whether on the Saturday after Thanksgiving or in general?

There is not. Many of the same arguments made by progressives in favor of shopping local are the same as those made by Trump and his supporters in favor of what they call “economic nationalism.” For the same reasons that shopping local isn’t morally or economically superior to buying from chains and big boxes, neither is buying “Made in the USA.” The most moral and economic choice is to buy from whomever you want based on your preferences about price, service, or any other number of factors.

Big Boxes Employ Locally

If we only shopped from locally-owned businesses, we would be paying higher prices and overall employment and incomes would be lower. The moral and economic cases against buying local are intertwined. Consider the argument that buying local is better because buying from Walmart or Target doesn’t keep money and jobs in the local community. This argument ignores that the average Walmart Supercenter employs around 400 people and the numbers are similar for Target. Those jobs continue to exist because people shop at those stores. The hundreds employed at any given big box store are just as much members of the local community as are the owners of the small business that compete with the big boxes.

To the extent that the prices at the big box stores are cheaper, they enable those who shop there to have income left over to spend on other goods and services, including things from locally-owned businesses, creating jobs that would not exist otherwise. If we only shopped from locally-owned businesses, we would be paying higher prices and overall employment and incomes would be lower. Plus, consumers would not have access to the variety of goods available at chain and big box stores, forcing them to not only spend more

but get less value for it.

Buy National?

The same logic applies to international trade. Those imploring us to “buy local” are falling for the same sorts of fallacies that Trump, and many who voted for him, implicitly accept when they argue for raising barriers to international trade. “Economic localism” is nothing more than a smaller scale version of the “economic nationalism” of Steve Bannon and other Trump advisors.

Increasing duties on imports, thereby forcing more Americans to buy “local” in terms of the global economy, does nothing to create jobs or improve the economic standing of Americans. “Keeping the money in the USA,” like “keeping the money in the community,” harms those it is intended to help, and does so for the same reasons.

Forcing Americans to buy only, or predominantly, American-made products means we will spend more to get less, and the net effect on jobs will be zero at best. Globalized trade certainly shifts the mix of jobs in the US economy, as we have shifted in relative terms from manufacturing to hi-tech or services for example, but does not reduce the total number of jobs. One need only look at the data on overall job growth, and the increased variety of cheaper and better goods available to even the poorest Americans, over the last 30 years to see this.

The moral case for buying local is similarly weak. It’s best seen by making the moral case for buying globally.

The promoters of buying local often argue that buying from international corporations is problematic because so many of their products are bought from China or other parts of the world where wages are low and working conditions are bad. The belief is that by buying from those firms, consumers are supporting the exploitation of workers in those countries, making such purchases morally questionable.

Here is where the economics entangles with the morality: large firms are morally suspect because of the supposed negative economic effects they create. But are those negative economic effects real? Without an extended discussion of so-called “sweatshops” (but do see Ben Powell’s excellent book), two quick points are in order.

How Wages Rise

That Chinese workers have factory jobs that pay as well as they do, compared to the other options available to them, is a result of firms like Walmart buying the products those factories create. Wages depend on the productivity of workers (and the capital they use) along with the value of what they create. When the demand for those Chinese products

goes up, thanks to us buying at Walmart, wages for the workers in those factories rise. And the evidence is clear that rising wages and the pressure of large Western firms are key drivers of improved working conditions.

Buying Chinese made products at Walmart not only doesn't further exploit Chinese workers; it is of positive help to them.

Geography and Morality

The best path toward enriching everyone is allowing everyone to trade with everyone else. It is not clear why people more near to us geographically should have moral weight than those further away. Given the choice between helping a middle-class small businesswoman in our neighborhood or increasing the chances of better employment at a higher wage for much poorer men and women in China, why should we believe that the former is necessarily morally superior?

If human beings deserve our moral consideration by virtue of their humanity, and if those who are worse off economically are deserving of more such consideration, then it would seem that if there is a moral case for anything, it's for buying in ways that help the least well-off, regardless of their nationality or ethnicity.

Certainly most of the progressive proponents of shopping local do not imagine themselves to be guilty of the same prejudices as Steve Bannon and other partisans of Trump's economic nationalism, but the underlying logic is the same. The best path toward enriching everyone is allowing everyone to trade with everyone else.

Buy Wherever

To be clear, my argument is not that buying local is somehow wrong. It's not. But it's also not morally or economically superior to buying from Walmart or Target or even Amazon. Many local businesses offer better products or superior service, or perhaps fill a unique niche that large stores cannot. They also provide better opportunities to socialize with friends and neighbors. Those are all good reasons to buy from local businesses.

But don't fool yourself into thinking that you are somehow benefitting your local economy or doing something that's morally superior. You're just doing what globalized markets with a range of alternatives allow you to do: deciding what elements of your economic activity matter to you and choosing accordingly. Restricting those alternatives, whether through well-intentioned progressive "economic localism" or the darker, reactionary forces of "economic nationalism," harms people, and often those who can ill-afford worsening poverty.

Originally published at FEE.org.