

## Spending Locally Makes a World of Difference

Tuesday, March 6, 2012 | San Diego Business Journal | Jason Hughes

**W**ith all the political rhetoric these days about getting pension costs and other government spending under control, one might conclude slashing expenses was the primary key to economic recovery.

We do need to get government expenses under control, given the record declines in tax revenues seen in recent years. At the same time, we're being menaced by a growing pension liability, trying to support retired public employees with lavish benefits.

But wielding the budget knife doesn't produce a better economy; it only dulls the negative impacts of a bad one. In order to have money for any service the government needs the local revenues that come from sales and property taxes and other sources that depend on goods and services being bought and sold.

### Local Dollars Deliver Services

We need to focus on how best to generate those revenues. Finding a way to create jobs and generate demand for goods and services has been the primary strategy – and a good one. However, we also need to pay more attention to where and to whom we give our consumer dollars if we are to maximize tax revenues which are used for public services and often reinvested in our local economy.

“Buy local” campaigns are nothing new; there have been and continue to be information programs to educate the public on the need to buy local products and services from locally owned and operated businesses. One such effort, the “Shop San Diego Movement,” urges local residents to “think San Diego first when you shop” by patronizing locally owned restaurants, coffee shops and stores, going to local doctors and dentists, and buying automobiles in San Diego.

It's been estimated that 45 cents are reinvested locally for every one dollar spent at a locally owned business, compared to 15 cents reinvested for every dollar spent at an outlet that operates locally but is not based in San Diego. While it may be cheaper to buy things online, keep in mind there are no resultant sales tax revenues or other “trickle down” reinvestment into the community economy to pay for public services from such purchases.

The need to focus on supporting local businesses doesn't rest solely with individual consumers. Locally owned businesses that depend on quality public services and a thriving community also need to pay more attention to the home ZIP codes of those they patronize. For example, law and CPA firms, engineering companies, IT and other consultants, brokers, general and sub contractors, caterers, equipment and office supply vendors – find where they are based. Businesses spend considerable sums on these and other services; businesses should do what they can to be sure what they spend stays in the community and isn't shipped elsewhere.

### Government's Role

Then, there are the largest consuming groups – local and regional government agencies who typically buy from the lowest qualified bidder, regardless of where that vendor is based. Saving tax dollars on the purchase of goods and services might be a paramount virtue, but when those resources are provided by an out-of-town supplier or contractor, the community and region are robbed of the local reinvestment potential of those sales revenues.

If not already in place or being contemplated, public agencies should look for ways to give appropriate preferences to locally based vendors, suppliers and contractors who employ local residents when it's clear their reinvestment in the local community or region would more than compensate the difference between their bid and the lowest one. Perhaps allowing small margin over the lowest bid would work.

# Hughes Marino

Because Where You Do Business Matters™

---

People and organizations are creatures of habit when it comes to where they buy goods and services; they are reluctant to change without good reason. But, it's well worth the effort. Let's assume that 5 percent of San Diego County's \$180 billion gross regional product – \$9 billion annually – is produced by locally owned businesses. If we made a more conscious effort to patronize them, think of the additional positive impacts their local reinvestment activities would have on our region.

Turns out spending – the right way – is a key to helping the economy turn around.

*Jason Hughes is President of [Hughes Marino](http://HughesMarino.com), a San Diego commercial real estate company specializing in San Diego tenant representation and building purchases. Contact Jason at (619) 238-2111 or [Jason@hughesmarino.com](mailto:Jason@hughesmarino.com) to learn more.*