

## A Range of Jobs

A strategy favoring local, small enterprise is limiting.

I was surprised to pick up the Jan. 8 issue of *EW* and read Michael Shuman's guest column laying out the arguments he wished he had made at our debate during the Sustainability Conference last November. In the spirit of "better late than never," I'd like to respond to some of his statements.

It is simply not true that the Lane Metro Partnership is guilty of "preferring non-local business" in our economic development activities. I tried to make that point repeatedly in our debate. We simply try to help "non-local" businesses relocate here in addition to helping local businesses expand and grow here. The truth is that most of our time and effort is spent helping local businesses both because there are more of them and because they are the most likely candidates to grow and expand here.



The problem with Shuman's argument is that he posits a false "either/or" dichotomy. He believes economic development efforts must target either local businesses or non-local businesses, but can't do both. A corollary of this seems to be that you can either target small businesses or large businesses, but not both.

Most of Shuman's arguments center on retail businesses: Wal-Mart versus small specialty retail or Borders versus the local bookstore. Whatever the merits of this argument, it has nothing to do with economic development as we practice it in Oregon. Economic development here focuses on what is called the "traded sector;" that is, businesses that make, assemble or distribute things for sale primarily outside of its geographic location. This includes things like manufacturing, natural resources, tourism, even call centers. It doesn't include things like grocery stores and bookstores, or for that matter accountants or dentists.

Generally, about two-thirds of a local economy consists of sales of goods and services primarily to people who live in that community. That economy rises and falls based on the income and population of the local area. The remaining one-third of the economy is what we call the traded sector, which means money coming into the area to help support that local, largely retail, economy.

That ratio remains roughly constant over time. If the traded sector grows, the other two-thirds of the economy grows with it. If the traded sector declines, the rest of the economy shrinks as less money circulates in the region to support it. The key to economic development is to help the traded sector grow. That includes existing businesses and start-ups as well as businesses that expand or relocate here from outside the area.

In other states, where a sales tax is a primary source of local tax revenue, there is tremendous competition for large retail outlets among local economic development agencies. In Oregon, without a sales tax, it is far less important to local governments where a retail establishment locates, and therefore our scarce economic development resources are not spent trying to attract or assist retail businesses. Instead, we use those resources in an effort to retain and attract traded-sector businesses and the jobs they produce.

The idea that local businesses don't leave is simply false. Just ask Portland what happened to homegrown Louisiana Pacific. For that matter, look at Nike, which started in Eugene and now is headquartered in Beaverton. Rosen Products was a local high-tech firm that started here but was bought out by a national firm and later left the area.

By contrast, Symantec is an out-of-state company that moved here more than a decade ago. It has not only grown and expanded, it has produced several spin-off companies that are still here. Are those spin-offs local or non-local?

Many of the complaints Shuman makes about non-local businesses are really complaints about big businesses and growing businesses, whether homegrown or imports. The problem is that an economic strategy that embraces small businesses only is a low-wage, low-benefit strategy. What most of us want is a diversified economy that produces a range of jobs for people at different points in their lives, requiring different skills and interests, and providing a variety of employment opportunities. Shuman's strategy of only encouraging small, local businesses cannot achieve this.

In his book *Going Local*, Shuman claims that his strategy doesn't need any government assistance to succeed, that it can prove its superiority in the marketplace. I told him in our debate that this was music to my ears. Unfortunately, we are still waiting to see evidence of that success.

*Jack Roberts is executive director of the Lane Metro Partnership.*

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