

The New Rules of Localism

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We make the rules and the rules make us. Much of what we see around us: the scale of our production systems, the kinds and quantities of materials that we use, the very shape of our communities, are not the result of some divine intervention nor of some inexorable unfolding of the laws of natural evolution. They are a consequence of the rules we've made, rules that have channeled investment capital, and entrepreneurial energies and scientific genius in certain directions.

For the last 100 years the rules we've devised have encouraged globalism and long distribution lines and absentee ownership and they have discouraged strong, productive and self-reliant geographic communities.

The highway trust fund, for example, automatically channeled hundreds of billions of dollars from gas taxes into massive subsidies for a nationwide automobile based transportation system. FHA's long term, fixed rate mortgages for single family dwellings encouraged urban sprawl. The federal government's policy of providing communities 90 cents on the infrastructure dollar encouraged large scale, capital intensive and resource intensive systems.

The oil depletion allowance artificially lowered the price of non-renewable minerals. Investment tax credits for business lowered the price of machines while higher taxes on labor raised the price of workers. The rules that governed our electricity system rewarded investments in large power plants and discouraged investments in efficiency.

The modern corporation itself is a social invention. At the end of the 19th century our leaders concluded that mass manufacturing required huge amounts of capital investment. So we changed the rules that gave birth to a new entity capable of amassing and channeling that capital. That entity is the modern business corporation, an organizational form with unlimited life, limited liability and the authority to engage in all lines of business. We gave business the tools to grow beyond our capacities to control it. And one hundreds years later these creatures of the state have come to dominate states.

Recently we have been developing new rules on the international level. These are called free trade agreements but the concept of free trade in the 1990s is far different from what it was even 20 years ago.

Traditionally free trade agreements have allowed nations significant autonomy. The new free trade agreements like NAFTA and GATT, however, severely restrict the authority of nations and communities in all matters. The basic tenet and guiding principle of these agreements is that we should not and cannot favor our neighbors. Embedded in all of these free trade documents is the belief that strong communities are obstacles to vibrant economies.

We have made the rules and they have made us. We are reaping what we have sown. We have built a system principally characterized by bigness and separation. We have separated the farmer from the kitchen, the power plant from the appliance, the worker from the workplace, the investor from the investment, the depositor and the borrower from the bank, and ultimately, the government from its citizens.

In brief, we have built a society in which we have separated those who make the decisions from those who feel the impact of those decisions. This is not only undemocratic. It is also inefficient.

We meet today in the nation's capital, a city whose sole function is to make rules. And we come together at an historical moment in which we are engaged in a profound debate about what those rules should be. There is an almost unprecedented willingness to think big thoughts and to propose novel and even radical new rules.

Unfortunately, there is no coherent voice for those who believe in the value of localism, of strong and self-governing communities, humanly scaled institutions and sustainable technologies. There is no strong voice on behalf of those who want to develop rules as if community really matters.

The first step toward stopping the runaway train of globalization is to begin to view our communities and our regions not only as places of residence, recreation and retail but as places that nurture active and informed citizens who

make the rules that govern their lives, and as places whose inhabitants possess the skills and productive capacity to generate real wealth.

We need to establish rules that honor a sense of place and prize rootedness and continuity and stability as well as innovation and enterprise. To achieve these ends these rules must shorten distribution lines and discourage absentee ownership and promote decentralizing technologies that allow for the widest possible ownership.

I assure any budding politician in this audience that embraces such a program that he or she would find wide popular support. For at the same time that globalism has captured the imagination of our leaders, people all over the world are rediscovering the value of community and demanding a say in designing their own futures at the local level.

What would happen if we listened to this almost universal plea for community and, in the felicitous phrase of Senator Bob Dole, really did develop rules that "give power to the people"? What kinds of rules would build strong communities and humanly scaled institutions?

Let me briefly touch on four kinds of rules that can localize economies and reinvigorate democracy.

Garbage and Commerce

In 1970 the Clean Air Act tackled the problem of industrial pollution by raising the height of the smokestacks. That transformed a local pollution problem into a regional acid rain problem. What if the Clean Air Act instead had required that the stacks be lowered and curved and stuck into the front window of the executive suite?

I submit to you that design engineers would rapidly, even feverishly, have developed zero emission production techniques way back in the 1970s.

In 1978 the state of New Jersey banned the import of garbage from other states. In 1982 the U.S. Supreme Court overturned the New Jersey law, ruling that garbage is commerce and therefore the authority of states to legislate in this area is subject to the provisions of what to me is the most important section of the Constitution: Article I, section 8 paragraph 3, popularly known as the interstate commerce clause.

This year Congress is debating a bill that would give states and localities the right to just say no to someone else's garbage. I support the concept. Indeed, to me, garbage should not be accorded the same rights and privileges as other forms of commerce. By definition, garbage is a manifestation of wastefulness, of inefficiency. Shouldn't communities have the right to refuse to be dumped upon by someone else's slovenliness?

What would happen if all communities suddenly exercised this authority? What would happen if each factory, each household, each community had to be responsible for its own wastes? I submit to you that we would not only make industries cleaner, we would substantially reduce our consumption of nonrenewable raw materials, affect international trade flows, and decentralize production systems.

Rooted Business

To promote strong communities we need to develop rules that discourage absentee ownership and favor more rooted business forms.

Many branch plants are shut down not because they are unprofitable but because they do not generate profits sufficient to satisfy the absentee owners. For absentee owners the bottom line is narrowly defined. For employee owned firms the cost-benefit calculus involved in deciding whether to close a plant is more complicated. They take into account the impact of plant closings on local schools, on families, on the community as a whole.

Locally owned firms are an important part of the fabric of community life. When employees own their firms they are more active in community affairs. Locally owned firms contribute more to local charities. Their owners get involved not only in public policy issues directly related to their business, but to the overall quality of life of the community.

The organizational form of the business can influence the firm's position on national and even international policies. Three years ago the first cooperatively owned pasta plant was established in North Dakota, owned by hundreds

of wheat farmers, the factory became a member of the National Pasta Association. It was the only member of that Association to oppose NAFTA. All other pasta makers on both sides of the border supported NAFTA because NAFTA would lower wheat prices. But a manufacturing enterprise owned by the wheat farmers themselves is not interested in lower wheat prices, so long as all of its competitors must pay a similar price for wheat.

Business and Scale

We must challenge not only the organizational form of business but its scale. In the early part of this century we devised rules to deal with the evils of bigness and concentrated power. Those rules were and are called anti-trust laws. Traditionally anti-trust laws were used to protect small and community based businesses from predatory behavior by larger firms.

In the last 20 years, anti-trust laws have rarely been used for that purpose. Indeed, at one point Ronald Reagan's anti-trust chief declared that one company owning everything would not inherently violate anti-trust laws!

Nevertheless, anti-trust laws still reflect a time when we valued community. And they can still be used to promote community. For example, the Robinson-Patman Act forbids companies from selling merchandise to one vendor at a price lower than to another unless the discount can be "cost justified" that is, unless it reflects real savings in bookkeeping, or shipping. Even then the discount cannot exceed documented savings to the seller.

In other words, Robinson-Patman allows price breaks when justified but does not allow big business to exercise its power to undermine small business.

This provision of the Robinson Patman Act was the basis of a law suit by the American Booksellers Association against three large publishers who were giving deep discounts to the new mega bookstores that are wreaking havoc with community based small booksellers around the country. The book publishers settled the case late last year by agreeing to treat all stores equally.

Back in the 1930s a number of states tackled the problems of bigness with another set of rules. These were called branch store taxes. The tax increased as the number of branches in the chain increased. The legislatures knew that the bigger the chain, the more removed the owner was from the customer and the worker and the more power the owner could exercise. The branch store tax was a modest attempt to penalize concentrated power.

Price and Cost

Finally, let me offer a set of rules that strikes at the heart of the free market system. Market economies work best when prices accurately reflect the full costs of goods and services. But today the price we pay for goods and services often understates the real costs of getting our products to us.

Consider the cost of our transportation system. Today both political parties are telling us that one of the most important issues is repealing the 4.3 cent federal gas tax. I propose that we not only repeal this tax but that we repeal all state and federal gas taxes and replace them with a financing system that requires cars and trucks to pay their own way.

One of the most influential myths that govern our thinking is that our transportation system is a pay-as-you-drive proposition. Far from it. Transportation related fees cover only about half the costs of road construction and maintenance. And the transportation system doesn't pay even a penny of the enormous social and environmental costs it imposes on society.

For example, a study in Pasadena, California, found that if we had to pay at the pump for the medical, police and fire costs related to accidents, gasoline prices would rise by 20-40 cents a gallon. The Pentagon spends about \$45 billion a year to protect our access to mid east oil. If motorists had to pay this protection money at the pump gasoline prices would rise by another 20-40 cents a gallon. Health costs related to environmental pollution caused by burning gasoline, according to the American Lung Association, would raise gasoline prices by another 40 cents a gallon.

Today welfare is under attack. Both President Clinton and the Republican Party promise to "change welfare as we know it". Well, folks, the biggest welfare cheat in America is the car and the truck. Let's change the transportation

welfare system as we know it. If we do so, I predict, we would dramatically shorten distribution lines and begin to devise more compact communities.

Almost two hundred years ago one of the greatest of all Americans, Benjamin Franklin, wrote the following, "The person who would trade independence for security usually deserves to end up with neither."

We have made that trade. And we have ended up with neither independence nor security. We know in our heart of hearts that globalization is not the solution. This conference intends to convince our minds as well as our hearts that the costs of globalization far out weigh its benefits. As we convince ourselves and our nations of this profound truth, we will then be challenged to address the far reaching question, how do we change our ways? How do we reassert a sense of place and community? We do *so*, I propose, by changing the rules.



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