

## Economic impact and retail therapy

Janet DePace/For the Times-Standard  
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I recently attended a presentation and discussion on "Measuring the Economic Impact of your Local Business."

This presentation was one of the many excellent events that have been sponsored by the organizers of our local Economic Fuel business plan contest.

The college students in the room asked very good questions, and were earnestly interested in how their future businesses could actually impact and contribute to the economy of Humboldt County. To paraphrase what the presenter said: Your businesses will pay local sales tax and maybe property taxes. Those taxes will be used by city and county governments to pay for services provided, like fire and police.

Next, your business will pay rent and maybe wages to local people, who then spend that money in the community.

And finally, it's possible that the goods and services sold by your business will be purchased from other local businesses, and now we're getting into what is called the "multiplier effect" of those dollars. This is where economics actually begins to be interesting and fun.

An example of the multiplier effect goes something like this: Business One milks cows (let's pretend that's all that happens there). Business One milks cows, and the raw milk is sent to Business Two, the creamery, for processing and packaging. Let's say it remains milk and isn't manufactured into yogurt or ice cream. The packaged milk is sent to Business Three, a local store, where Business Four buys it as ingredients in their line of tasty dessert cakes. Those tasty dessert cakes are sold to Business Five, another local store, and placed on the shelf, where I see them and purchase one.

Let's see how hard my dollar has exercised itself in the local community with just my one local purchase.

I purchased the tasty dessert cake from Business Five and they used my money to pay their wages and other expenses. One of those expenses was to purchase the tasty dessert cakes from Business Four, the manufacturer. Business Four used that money to pay their wages and other expenses. One of those expenses was to purchase the milk from Business Three, the local store. Business Three used that money to pay their wages and other expenses. One of those expenses was to purchase the milk from Business Two, the creamery. Business Two used that money to pay their wages and other expenses. One of those expenses was to purchase the raw milk from Business One, the dairy.

If this story reminds you a little of the nursery rhyme, "The House that Jack Built," it's true. That story is about how everything is interconnected, just like the economic multiplier effect in our local economy.

My little dollar helped pay for wages and other expenses in five separate businesses just by purchasing one locally made tasty dessert cake. Now that is economic power. My decision to purchase a locally made product, combined with the decisions of each of the businesses in the supply chain to buy locally, created a multiplier effect in the local community five times more powerful than if I had spent my dollar at Business Five on a product made out of the area.

What started out to be a fairly academic lecture about economic impact of a start-up business in Humboldt County was carried on in a conversation long after the presentation ended. The conversation was exciting as it seemed to present ideas not only about how Humboldt County citizens might survive the coming hard times but actually be able to exercise some influence over how hard the coming times have to be. When those who are able, spend money sensibly on well-chosen items from local sources, we are creating a pathway for recovery.

It was so refreshing and unexpected to think that our shopping habits can definitely have an affect on how well the people in our county weather the economic downturn. It gives the term "retail therapy" a whole new luster. Thank goodness we live in small towns, in a rural county, where what we do each and every day really does have an affect on the well being of our neighbors.

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