

DINNER? BEST IN FRANKFURT

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The small business has gone from being the majority in our cities to an endangered species in some cases. In this context, I would like to acknowledge his role as an instrument for economic growth, employment and social welfare, also locally. A role that would justify a more decisive intervention of all public institutions and greater citizen involvement through their purchasing decisions, in what could be the seed of a large "Local Trade Pact".

The Federation of Small Businesses in the UK (Federation of Small Businesses-FSB) is unequivocal: "Our high streets are faced with extinction (..) 2000 small businesses, 3,000 post offices and pubs around 1400 close each year. Since 1990, 40% of bank branches has decided to cease their activity. Ultimately, we headed to disaster."

Without wishing to fall into dramatics, the fact is that the available information in the case of the Spanish state does not offer grounds for optimism either. According to the National Statistics Institute (INE in Spanish), between 2005 and 2008, large stores, small and large retail chains have increased their sales prominently (8.7%, 3.9% and 23.5% respectively), while the so-called "single-location-businesses" or those who work on a single site of less than 2,500 square meters, have declined (2.2%), indicator that confirms the dramatic decline in market share of small businesses since the mid 90s. A trend that, according to INE, following the contraction in domestic consumption resulting from the crisis-or economic downturn, would have been strengthened in the last year but this time (although to a lesser extent) also affecting large stores, small and large retail chains.

The reasons for this are probably different. The growing exclusivity of our cities (with growing rents in most commercial areas), competition from large retail chains (either at the suburbs or at the street), lack of generational or in some cases, non-innovation in products and / or services may be just some of the causes.

In any case, one could argue that small businesses today live a situation of extraordinary weakness in Europe or U.S., if not clear setback. In this situation the question is: Should we bother about it? And if so, how public institutions should get involved?

On the first of the questions, it seems clear that concern, if we consider the fact that most of city councils have been working for years (if not decades in some cases) seeking to strengthen small businesses. Those measures although, have lived together with a promotion of large chains and franchises in the periphery and recently also in our high streets. A model that incidentally, in light of the statistics, has proved inadequate overall in order to guarantee the survival of local shops and businesses.

It is for this reason that, in line with the questions posed, our intention would be here to reinforce the arguments and give the governments part of a discourse that will eventually justify the adoption of more ambitious policies in order to return to small businesses the lost role in urban scene.

Why are small businesses important

The renowned urbanist Jane Jacobs stated in his book "The Nature of Economies" that "in practice, the link between economic development and economic expansion is economic diversity. American activist argued that the degree of diversity conditions the benefits of economic growth, thereby establishing a parallel between nature and biodiversity, between the city and the diversity of its economy. However, according to the New Economics Foundation (UK), the gradual disappearance of small shops and desertification of our high streets or the occupation of those commercial areas by chains or franchises, produced and is producing in practice a reduction in the variety of trade

and products available, which, therefore and according to this view, may harm local economy but not only. The entry of large retailers in selling newspapers and magazines maybe a threat to independent retailers and, what is more disturbing, for the variety of publications available on the market. Something similar happens with CDs and DVDs and even products such as fruits and vegetables, which are left to offer in some cases not part of the ranking of "most sold".

On the other hand, the diversity and size, means that a euro spent in any small business multiply its effect on the environment even by 7 -. Moreover, according to the Federation of Small Businesses, up to 50% of the turnover of small businesses would reverse in the community compared to 5% of the big retailers. See the case of Frankfurt Restaurant in the town of Santurtzi (near Bilbao in the Basque Country -where I live and work-). "The Frankfurt", purchases the vast majority of its supplies in the city, starting with its flagship product (burgers actually), which are bought in "Blanco's Butchery" (with two stores in town, although until recently had three), located just 25 meters away. The same goes for the vegetables that come from the "Frutería Miguelo" at the neighbourhood of Mamariga. Meanwhile, nearby, in a large pizza chain, all orders are placed to the factory in Madrid and later distributed as needed to each of the premises they own in Metropolitan Bilbao.

On the other hand and from a social point of view, one could argue that an economy with a dense network of small and medium enterprises, and therefore also of small traders, represent the best source of employment, welfare and ensuring greater social equity distribution of wealth and benefits of economic growth. In the case of the European Union, Small and Medium Enterprises (SMEs) are already 98% of the total, bringing the order of 66% of employment, 53% of which correspond to micro and small enterprises.

Finally, from an environmental perspective, a model of trade in local or regional level and despite significant challenges, could be better positioned to cope with challenges such as preserving biodiversity or climate change.

Why and how to intervene

We live in a free market economy. In this context it is important that a government estimate and measure the impact and consequences of its intervention in the market as a key player, always aiming to maximize the usefulness and effectiveness of their actions and the best investment of resources.

That said, always from a personal standpoint, state or local governments in this case, should intervene to correct what could be understood as a "market failure", which means one that would occur as result of the operation of a more or less free market and would create undesirable effects on the economy but also on society as a whole.

This intervention, on the one hand, pursue to ensure that all players, small business, franchise or retail chains, operate and market access on equal terms (4), while on the other, would seek higher support to a model where small businesses maintain and strengthen its role. "Higher support" would mean, declaring this mode of retail "strategically important" for a given city.

Last but not least, I would like to call attention to the importance of our purchasing decisions. Decisions, along with aspects such as quality, price or use or non-sustainable production systems or organic, should also take into account the contribution of different modes of retail to local growth and welfare. A final shared effort between government and citizens, in what could be even the seeds for a "Pact for Local Trade". A figure that, in addition to taking a step towards small businesses, would be the best of the contributions towards renewed economic dynamism, social, cultural strategy, key for a comprehensive and balanced sustainable development of cities of the XXI century.

REFERENCES:

(1) Manifesto of the "Keep Trade Local" campaign launched by the Federation of Small Businesses

in the UK. 2008.

(2) According to Self-Employed Workers Association (ATA in Spanish acronyms) the decline in market share reached 46% between 1997 and 2003 in Spain.

(3) The New Economics Foundation (2004). "Clone Town Britain. The survey results on the bland state of the nation".

(4) In fact, there are strong believes that big retail companies could be gathering excessive market power.

There are no comments yet.