

What is **+5 Grow Atlantic?**

+5 Grow Atlantic is an awareness campaign. It will provide you the knowledge and power to take personal responsibility and pride in making a choice today that will change Atlantic's tomorrow.

It is based on a very simple premise, ***what would happen in our community if businesses and citizens shifted only 5% of their current outside Atlantic purchases back into Atlantic?*** The positive results would be tremendous!

By making a conscience decision to shift 5% of your current out side of Atlantic purchases, back into Atlantic, you will be helping to create:

- **143 new jobs**
- **Support the YMCA**
- **Create additional recreational opportunities**
- **Promote population growth by bringing new families to Atlantic**
- **Generate larger tax base to support local services such as sewers, street paving and repair, sidewalks, etc.**
- **Provide a stronger infrastructure for our children's education**
- **Stronger County with local sales option taxes assisting all of Cass County**
- **Stronger school systems throughout Cass County with School Infrastructure Local Option Tax**
- **PLUS much more!**

Who says these things will happen? Nationally known ISU Economist David Swenson completed extensive research on Cass County and Atlantic in order to address this very issue. (The full study is available at the Chamber office.) Based on his research data, one of the most effective ways to increase the amount of economic activity in Atlantic is simply to increase the purchases that are made from local businesses. In general, the more that Atlantic businesses and citizens' purchase from local businesses, the better it is for the Atlantic economy, thus producing a win-win product/service supply and demand climate.

Who is the +5 – Grow Atlantic committee? The +5 Committee members include remarkable cross-section of Atlantic business people and representatives of essential Atlantic services, including: Jolene Sisler, Safeguard Promotional Products and Leanne Pellett, Pretty Woman Finders Keepers Latte Loft, as co-chairs; together with Dave Dunfee, USDA Rural Development; Steve Olsen, Cass County Extension Director; Dr. Wendy Prigge, Atlantic Community Schools Superintendent; Sara Nelson, Cass County Memorial Hospital; and Frank Greiner, First Whitney Bank .

Over \$255 million worth of purchases are currently being made outside of Atlantic in products and services that are available right here in town! Returning only 5% of those purchases back into Atlantic results in a **\$12.7 million** dollar increase to our economy.

Simply put, local choices produce dividends for the community. What could be easier than making a simple decision to shift 5% of your outside of Atlantic spending back into Atlantic?

+5 Grow Atlantic...It's a Great Way to Make a Choice Today to Change Atlantic's tomorrow!

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Buying Local in Cass County and Atlantic, Iowa: An Economic Impact Assessment

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June 2005

Introduction

One of the ways to increase the amount of economic activity in a region is to increase the purchases that are made from local suppliers of goods and services. Generally speaking, the more businesses and people in an area purchase from local suppliers, the better it is for the economy, provided, of course, that both quality and value are not compromised by making a local selection. This short report highlights the economic development potential of increasing purchases of goods and services from local providers rather than providers outside of the county of analysis, in this instance – Cass County, Iowa. County-wide values will then be apportioned to the City of Atlantic.

The analysis relies on an input-output model (I-O) of the Cass County economy. I-O models are detailed, county-level accountings of the transactions that occur within a county among its industries, institutions, and households. By tracking these transactions, we can discern the effects of growth, decline, or a reconfiguration of critical variables in the local economy. In this case we are analyzing all of the commodities that are imported into the region. We are asking a very straightforward question: What potentially happens to the local economy when we substitute 5 percent of our goods and commodity imports with goods and services produced locally?

This report answers that question and is a community education service of the Department of Economics and the College of Agriculture at Iowa State University.

Basic Data and Adjustments

Table 1 demonstrates the dependence of the Cass County economy on imported production inputs. This table lists the components of the \$739.5 million in industrial output in Cass County in 2002. Industrial output is analogous to sales, or more precisely, it is the market value of all goods and service produced in the region. In making those sales, the industries and governments in the county made \$363.4 million in payments for production inputs and \$377.1 million in payments to value added, \$183.9 million of which were payments to workers (employees and sole proprietors).

Of its \$362.4 million in production inputs, however, 253.7 million, or 70 percent, are estimated to have been purchased from suppliers from outside of Cass County. Those imports could have come from a neighboring county, the remainder the state, the remainder of the nation, or from other countries. No matter, if they didn't come from Cass County, they are imports.

Table 1. Private Sector Industrial Accounts

| | |
|---------------------------------------|--------|
| Total Industrial Output | 739.50 |
| Imported Production Inputs | 253.71 |
| Locally-Supplied Production Inputs | 108.68 |
| Payments to Value Added | 377.11 |
| Employees Wages | 183.86 |
| Proprietor Incomes | 81.39 |
| Returns to Investors | 89.02 |
| Indirect Government Taxes and Charges | 22.84 |

Amounts in \$ millions

These are, however, not all of the imports that are purchased in the county. To the surprise of some, the Cass County economy is much larger than just its industries. It also is home to spending by households and institutions that receive income from sources both outside and within the county economy. Those values are contained in Table 2. According to our model of the Cass County economy, households and institutions purchased an additional \$248.2 million in goods and services from outside of the county. This brings the total imports into the county to \$501.9 million. Were the county to realize an import substitution amount of 5 percent of that value, it would stimulate, potentially, \$25.1 million in additional local sales.

Table 2. Total Import Purchases

| Type of Import | Total Commodity Imports |
|-----------------------------|-------------------------|
| Intermediate (Industry) | 253.71 |
| Household and Institutional | 248.19 |
| Total | 501.90 |

Amounts in \$ millions

There is, however, a catch. County industries and households cannot make import-substituting local purchases for goods and services if the industry does not exist in the county. Moreover, there are a host of specialized commodity imports that simply cannot, will not, or are otherwise highly unlikely to ever be produced in the region. As examples, the region purchases \$11.3 million in refined petroleum products, over \$9 million in automobiles and light truck manufactured goods, and \$8 million in pharmaceuticals and medicines. Oil refineries, automobile plants, or drug manufacturers are not likely to locate in the region.

Accordingly, in order to make this estimation plausible, we need to determine which imported commodities could realistically be substituted for by a local supplier. You can't import substitute if there is no local producer. That means that we had to match up the commodity imports with the list of industries that actually exist in the region. Table 3 lists those values. Of the \$501.9 million in total regional imports, \$289.1 million, or just 57.6 percent, are commodities for which a producing industry was in evidence in the Cass County economy. Taking 5 percent of that amount we get \$14.45 million in potential import substitutes in the region.

Table 3. Imports Produced Regionally by Type of Importing Entity

| Imports | Intermediate | Household and Institutional | Total |
|-------------------------------------|--------------|-----------------------------|--------|
| Commodities Produced Regionally | 146.35 | 142.73 | 289.08 |
| Commodities not Produced Regionally | 107.37 | 105.46 | 212.82 |
| Total Commodity Imports | 253.71 | 248.19 | 501.90 |

Amounts in \$ millions

The Impacts

Two separate input-output analyses were conducted: one for the intermediate imports – those that are demanded by businesses and governments in the region, and one for the household and institutional import demands. In each analysis we identified the top 20 commodity imports and use those 20 commodities to represent the potential economic impacts of all commodity substitutes. We proportionately adjusted each commodity's value so that the sum of the 20 chosen representative commodities for both sets of analysis represented our 5 percent total value, or \$14.45 million in import-substituted local sales.

Tables 4 through 6 detail the impacts. The format of the tables is identical: impacts are compiled first for Cass County, and then an apportionment is made for the City of Atlantic. We first identify intermediate import substitutes (Table 4), household and institutional import substitutes (Table 5), and total values (Table 6). In Table 4, the intermediate import substitutes, the apportioning factor was the average of the number of firms in Atlantic as a fraction of the total number of firms in the county, and the amount of estimated retail and service sales in Atlantic as a fraction of the county total. The apportioning value for Table 5 was the average of the population of Atlantic divided by the population of Cass County and the fraction of retail and service sales in Atlantic compared to the county. Table 4 is weighted by business firms and total sales; Table 5 is weighted by population and total sales. Table 6 is simply the sum 4 and 5.

Some explanation of the values is also in order. The first value is *output (or total industrial output)*. Output is analogous to gross sales. *Labor income* is made up of the wages and salaries paid to workers and the normal returns to sole proprietors (farmers, shopkeepers, etc.). *Jobs* represent the number of positions in

an economy, not necessarily the number of workers as workers can have more than one job.

The tables also list four dimensions of economic impact. The *direct effects* refer to the import-substituting purchases (the 5 percent) that are made of the 20 representative industries in the model. When we make purchases from these firms, they require increments of inputs on their own. Those locally supplied inputs are called the *indirect effects*. When workers in the direct and the indirect industries receive their paychecks, they convert their labor incomes into household spending. This spending creates the *induced effects*. The sum of the direct, indirect, and induced effects are the *total economic effects* or economic impacts.

The table also lists *multipliers*. A multiplier is merely the ratio of the total economic effect or impact to the direct value – the total value divided by the direct value. An output multiplier of 1.29 in Table 4 means that for every dollar’s worth of import substituted direct purchases in the region, and additional \$.29 in output is generated. A labor income multiplier of 1.34 means that for every dollar’s worth of labor income paid in the direct sector, an additional \$.34 in labor income is supported in the indirect and induced sectors of the Cass County economy. Finally, the jobs multiplier of 1.33 means that for every job in the direct sectors, 33/100^{ths} of a job is sustained in the remainder of the economy.

In Table 4 we look at intermediate import substitutes. Five percent of the county total yielded \$7.32 million in direct import-substituting local transactions. That would support \$1.95 million in direct incomes to 81.5 jobs. To produce those sales requires an additional \$1.3 million in locally-supplied inputs, paying 14.7 jobs \$417,788. As workers convert their earnings into household spending, they will cause \$840,630 in induced sales, yielding 12.1 more jobs and \$251,133 in additional labor income to the induced workers. In total, import substitutes of intermediate goods and services will yield \$9.5 million in output in the county, \$2.6 million in labor incomes, and 108 jobs. Those values apportioned to the City of Atlantic give \$6.7 million in output, \$1.8 million in labor income, and 77 jobs.

Table 4. Economic Impact of Intermediate Import Substitutes

| Cass County | Direct | Indirect | Induced | Total | Multiplier |
|------------------|-----------|-----------|---------|-----------|------------|
| Output | 7,317,600 | 1,291,245 | 840,630 | 9,449,476 | 1.291 |
| Labor Income | 1,946,427 | 417,788 | 251,133 | 2,615,347 | 1.344 |
| Jobs | 81.5 | 14.7 | 12.1 | 108.3 | 1.329 |
| City of Atlantic | Direct | Indirect | Induced | Total | Multiplier |
| Output | 5,188,004 | 915,462 | 595,987 | 6,699,453 | 1.291 |
| Labor Income | 1,379,970 | 296,202 | 178,047 | 1,854,219 | 1.344 |
| Jobs | 57.8 | 10.4 | 8.6 | 76.8 | 1.329 |

Table 5 gives the household and institutional import substitute values. Those entities would make \$7.14 million in direct, import-substituting purchases in the county to achieve the 5 percent goal. In so doing, they would support 73.8 direct sector jobs paying \$2.6 million in labor income. This change would require

\$970,013 in inputs, supporting another 12.5 jobs and \$345,004 in labor income in the supplying sectors. When workers spent their wages, they would add \$1.1 million in induced transactions into the economy, adding another 15.3 jobs and \$316,882 in labor incomes. In total, this would generate an additional \$9.2 million in county-wide output, \$3.3 million in labor income, and 101 jobs. Those values apportioned to the City of Atlantic give \$5.98 in total economic impact output, \$2.13 million in labor income, and 66.3 jobs.

Table 5. Economic Impact of Household and Institutional Import Substitutes

| Cass County | Direct | Indirect | Induced | Total | Multiplier |
|-------------------------|---------------|-----------------|----------------|--------------|-------------------|
| Output | 7,136,200 | 970,013 | 1,061,059 | 9,167,272 | 1.285 |
| Labor Income | 2,605,635 | 345,004 | 316,882 | 3,267,521 | 1.254 |
| Jobs | 73.8 | 12.5 | 15.3 | 101.6 | 1.377 |
| City of Atlantic | Direct | Indirect | Induced | Total | Multiplier |
| Output | 4,657,649 | 633,107 | 692,531 | 5,983,288 | 1.285 |
| Labor Income | 1,700,644 | 225,177 | 206,822 | 2,132,643 | 1.254 |
| Jobs | 48.2 | 8.2 | 10.0 | 66.3 | 1.377 |

Table 6 combines the previous two tables. Were the county to fully realize a 5 percent import substitution goal, it would generate \$14.45 million in additional local direct industrial output, support a total of 155 direct jobs making \$4.55 million in labor incomes. That enhanced local spending would spur another \$2.3 million in supplying sector industrial output, supporting 27 workers and \$762,792 in incomes. Induced spending would increase by \$1.9 million in the county, and require another 27 jobs paying \$568,015. Total county-wide economic impacts would be \$18.6 million in output, \$5.9 million in labor incomes, and 210 jobs. Apportioned to the City of Atlantic, we would see total output impacts of \$12.7 million, 143 jobs, and \$3.987 million in labor incomes.

Table 6. Total Import Substitutes Economic Impacts

| Cass County | Direct | Indirect | Induced | Total | Multiplier |
|-------------------------|---------------|-----------------|----------------|--------------|-------------------|
| Output | 14,453,800 | 2,261,258 | 1,901,689 | 18,616,748 | 1.288 |
| Labor Income | 4,552,062 | 762,792 | 568,015 | 5,882,868 | 1.292 |
| Jobs | 155.3 | 27.2 | 27.4 | 209.9 | 1.352 |
| City of Atlantic | Direct | Indirect | Induced | Total | Multiplier |
| Output | 9,845,653 | 1,548,569 | 1,288,518 | 12,682,741 | 1.288 |
| Labor Income | 3,080,614 | 521,379 | 384,870 | 3,986,862 | 1.294 |
| Jobs | 105.9 | 18.6 | 18.6 | 143.1 | 1.351 |

Discussion

These values represent the maximum amount of economic activity that could be expected to accrue to the region and the City of Atlantic were the area to achieve the 5 percent import substitution goal. Whether the 5 percent goal is realistic or not, however, is another matter. Businesses, institutions, and households increasingly make purchases from spatially diverse sources. These purchases may or may not be

more efficient and cost effective. Changing behaviors to focus on local purchasing opportunities will necessarily require extensive public education of both the opportunity for the purchases and the localized beneficial economic outcomes that might accrue.

This model is a simulation of how the regional economy is expected to react were the 5 percent goal achieved. If there is slack in the regional economy, as in excess production capacity or significant under-employment, income gains regionally might be realized, at least in part, but expected job gains might not. Similarly, realistically, local purchases only make sense to individuals and businesses if they perceive that they are no worse off for the decision or if the trade-offs make sense to them both socially and economically. If local goods and services are more costly or are offered in only limited selections, then the propensity to buy locally will diminish. This model cannot adjust for these important considerations. The model is an accounting framework, not a behavioral model.

Finally, and notably, all categories of multipliers are very low in this analysis. The reason is that linkages in the region are comparatively lean – there is a limited number of industrial types in evidence in the region. Enhanced local spending in this area does not yield the kind of local economic impact payoffs as would be the case in a larger economy with a more diverse and rich set of industries.

This is indicative of many rural area economies. A buy local campaign may assist in boosting those linkages, but it will take time. That effort would also be working against the urbanization and specialization forces that are already prominent in Midwestern economies that are yielding in places like Cass County and Atlantic, Iowa, incrementally lower and lower regional economic multipliers annually.

GROW
+ 5
ATLANTIC

**By 'shifting' 5% of your
out-of-town shopping back into
Atlantic, we can...**