Forum for Social Economics
Publication details, including instructions for authors and subscription information:
http://www.tandfonline.com/loi/rfse20

The Local Economy Movement: An Alternative to Neoliberalism?

John Posey [a]

[a] University of Missouri-St. Louis , St. Louis , USA

Published online: 23 Dec 2011.

To cite this article: John Posey (2011) The Local Economy Movement: An Alternative to Neoliberalism?, Forum for Social Economics, 40:3, 299-312, DOI: 10.1007/s12143-011-9097-6

To link to this article: http://dx.doi.org/10.1007/s12143-011-9097-6

For Soc Econ (2011) 40:299–312
DOI 10.1007/s12143-011-9097-6

The Local Economy Movement: An Alternative to Neoliberalism?

John Posey

Published online: 14 September 2011

Abstract The economic turmoil of the last 2 years has shown that hyper-globalized capitalism is inherently crisis prone, and that it has been unable to create sustainable prosperity. Unfortunately, the left has failed to convincingly refute Margaret Thatcher's assertion that "there is no alternative." There is, however, a growing social movement that aims to promote small, locally-scaled enterprises. This essay argues that the local economy movement can potentially provide a unifying principle for a new progressive agenda. However, localizers must take seriously the possible loss of gains from trade. In addition, it is important to resist a naive localism that romanticizes the local while ignoring action at other scales.

Keywords Neoliberalism · Localism · Progressive agenda

Over the last 30 years, a hyperglobalized form of capitalism has exercised hegemonic control over the world economy. Legitimated by an ideology known as neoliberalism, the economic order has been characterized by deregulation, privatization, welfare state retrenchment, free trade, capital mobility, and attacks on organized labor. The economic turmoil of the last 2 years has shown that three decades of neoliberalism have failed to produce an economy that is not bubble-prone and that is capable of improving the living standards of most people in the world. Articulating an alternative to neoliberalism is therefore an urgent task. Unfortunately, the left has failed to convincingly refute Margaret Thatcher's taunting assertion that "there is no alternative."

There is, however, a growing social movement that has the potential to challenge neoliberal hegemony. The local economy movement resists globalizing tendencies, preferring instead to nurture small-scale enterprises that serve small geographic areas.

J. Posey (✉)
University of Missouri–St. Louis, St. Louis, MO, USA
e-mail: jposey99@gmail.com

This essay argues that rebuilding local economies can potentially be a unifying principle in building a new progressive agenda. However, it is important to resist a naive localism that fetishizes the local while ignoring governance at other scales. The argument advances as follows: First, I offer a brief description of the rise and fall of neoliberalism, drawing primarily on the work of Robert Brenner. Second, a discussion of the local economy movement is presented, followed by a discussion of critiques of localism. Finally, implications for a multi-scale progressive agenda, from personal, to local, to national, to international, are discussed.

The Failure of Neoliberalism

The last four decades have been characterized by stagnant wages, a succession of boom-bust cycles, and increases in poverty worldwide. This section gives an overview of these economic changes, drawing primarily on the meticulous analysis of Robert Brenner (2006, 2008 and 2009). For Brenner, the underlying source of economic turmoil over the last 40 years has been overcapacity in the manufacturing sector, as articulated succinctly in the following sentence:

> The long-term weakening of capital accumulation and of aggregate demand has been rooted in a profound system-wide decline and failure to recover of the rate of return on capital, resulting largely-though not only-from a persistent tendency to over-capacity, i.e., oversupply in global manufacturing industries. (Brenner 2009, p. 2)

A unique set of circumstances allowed for stable growth in the quarter century following World War II. The U.S. had the only industrial economy that was not destroyed by war, as well as an immense productive capacity capable of producing enough surplus to reinvest, distribute wages, confer generous pensions, provide welfare, distribute capital income, and make massive loans to rebuild Europe and Japan. American manufacturing dominance began eroding in the mid 1960s as other economies around the world recovered and began pursuing export oriented strategies based on cheap labor and the most modern equipment. The declining return on investment (ROI) for manufacturing threatened the American economy with recession, but federal deficits propped up aggregate demand. In the 1970s, deficits were accompanied by an accomodationist monetary policy resulting in some growth, as well as inflation. In the early 1980s, a brief monetarist experiment reduced inflation, and set the stage for even greater deficits caused by tax cuts and massive increases in military spending, a phenomenon known as "military Keynesianism."

Fiscal austerity in the late Bush Sr. and early Clinton administrations led to economic stagnation. The withdrawal of the fiscal stimulus revealed the lack of an economic engine in the economy as a whole. The year 1995 saw a decisive shift in strategy. In the latter half of the 1990s, the Federal Reserve massively expanded money supply, resulting in a large quantity of cheap credit. Americans spent the monetary stimulus on imports, primarily from Asia. America's trading partners then turned around and bought American stocks and bonds, which kept the dollar high (further suppressing American manufacturing) and prevented inflation.

Stepping back, it is worth thinking about how a firm might react to the condition of declining ROI. One strategy was wage repression, aided by union busting state policies. A second strategy was to search for new markets, both consumer and labor, a strategy aided by free trade policies. A third strategy would be to engage in shady business practices (Enron, MCI, Worldcom), which was aided by aggressive deregulation.

But the dominant adaptive strategy, particularly after 1995, was asset price speculation. Loose money led to an absorption problem—holders of capital needed to purchase huge quantities of assets to absorb their liquidity. The demand for assets led to unprecedented increases in asset prices. The problem is that the rise in asset prices were not based on anything in the real economy; asset price speculation became a Ponzi scheme. As a result, boom-bust cycles have become commonplace: Crashes in Russia, East Asia and Argentina, as well as the dotcom crash, preceeded the housing crash.

It should be noted that the crisis-prone tendency of capitalism has been noted by many, particularly those in the Marxian tradition. Neoliberalism cannot be accused of creating crisis-prone tendencies where none existed before. Moreover, while the economic rhetoric of the last 30 years has been that of neoliberalism, it is clear that neoliberalism continues to rely on Keynesian fiscal and monetary stimuli.[1] Still, it is also clear that a mix of neoliberal and Keynesian policies over the last 30 years has failed to produce an economy that is not bubble-prone, or one capable of substantially improving the living standards of most people in the world on a sustainable basis.

Thirty years of neoliberalism have led to wage stagnation, increases in world poverty, and recurring (and ever more severe) bursting bubbles. Free trade, wage repression, and deregulation have not succeeded in creating a new economic engine to solve the basic problem of low ROI. The critical question is whether an alternative to hyperglobalized capitalism can be articulated.

The Local Economy Movement

The last few years have seen a growing interest in the idea of consuming locally produced goods, particularly food. Major writers such as Barbara Kingsolver (Kingsolver et al. 2007) and Michael Pollan (2008) have promited the health, environmental and social benefits of consuming locally produced food. The U.S. Department of Agriculture (USDA) (2009) estimates that the number of farmers markets has tripled in the last 15 years. USDA (2007) estimates that more than 12,000 farms participated in Community Supported Agriculture (CSA) programs in 2007, enterprises that allow local consumers to buy shares of a farm's agricultural output.[2] And in 2007, "locavore" was the Oxford American Dictionary's word of the year (New York Times, December 10, 2007).

While agro-localism is the strongest manifestation of the local economy movement, several thinkers and organizations have promoted a broader vision for

[1] Thanks to reviewer 2 for emphasizing this point.

[2] Although CSA farms are only one half of 1% of all farms, the first CSA in the U.S. was not formed until 1986.

local economies. Michael Shuman (2007) has been a powerful voice in arguing for a Local Ownership/Import Substitution (LOIS) strategy. To this end, Shuman advocates the development of local business directories, resistance to local subsidies for out of town businesses, and leakage studies that show the types of goods that communities import, among other measures. Also advocating smaller and more local economies is the E.F. Schumacher Society, which, inspired by the late economist's slogan, "small is beautiful," promotes ideas for increasing a community's control over its economy, including community land trusts and local currencies (Swann and Witt 1995; Sale 1996).

Another noteworthy voice in the localist dialogue comes from advocates of distributism. Inspired by Catholic social teaching and the writings of G.K. Chesterton and Hilaire Belloc, distributism promotes widespread ownership of the means of production and distribution (Matthews 2009; Truax 2010).

Localism is a diverse movement. Peter North (2010) distinguishes between "immanent localisation" and "intentional localisation." Intentional localizers advocate a transformation of society with a radical reduction in carbon footprints and strong restrictions of multinational corporations. A good example of intentional localism is the International Forum on Globalization, which challenges the positions of the IMF and World Bank on issues such as structural readjustment and free trade (Bello 1998). The Transition Towns movement is another example, advocating a much greater degree of self-sufficiency for both individuals and communities (Hopkins 2008).

Immanent localism is essentially neoliberalism with shorter supply chains. Immanent localism recognizes that as fuel prices rise, businesses will be forced to reduce the volume of long-distance shipping. The popular book, Twenty Dollars a Gallon (Steiner 2009) is an example of immanent localizing, arguing that individuals and firms will reduce vehicle miles of travel if gasoline prices spike. This brand of localizing assumes a continuation of the neoliberal logic, with corporations forced to adjust to changing cost structures.

Local economy advocates, particularly on the strong side of the spectrum, make several claims about the superiority of small-scale enterprises. First, they argue that local economies are more just. In the case of agriculture, for example, farmers who market directly to consumers may retain a greater share of the retail price than will farmers who sell to corporate agri-businesses. Second, localizers argue that strong local economies will be more environmentally sustainable than economies dominated by multinational corporations. For example, localists maintain that corporate farming is not sustainable in the long run because of the petroleum-based inputs it requires, and because of the environmental impact of long-distance shipping of agricultural products. Third, localizers argue that increasing the clout of firms that market primarily to local consumers will enhance a region's economy. Dollars spent in locally owned stores, for example, stay in the region where they can produce multipliers and generate more wealth. Dollars spent in national chain stores leave the region of origin permanently. Finally, particularly in the case of food, localists argue that locally produced products are more healthy than products produced and shipped from thousands of miles away.

A critical question for proponents of localism is whether a smaller-scale economy would represent a genuine alternative to neoliberalism: How, exactly, would a more localized system of production transcend the boom-bust cycle, and allow for a more equitable distribution of wealth?

Is Localism Better?

It is incumbent upon proponents of localism to describe what their system would look like, and how it would work. Leaving aside, for the moment, the question of how to bring about the new economic order, here are a few ways that a more localized economy would be different:

1) Goods would be produced closer to where they are consumed. The distance between production and consumption would be different for different goods. For food, a high percentage might be produced within 100 miles of consumption. For autos, localization might simply mean purchasing products made on the same continent. For curtains and lampshades, the distance might be somewhere in between. While there is no formula to determine how far a good should travel, in general production would occur as close to consumption as is feasible and sensible.
2) There will be a preference for local ownership. Especially in retail, locally owned enterprises would be favored over large national chains.
3) Capital would be less mobile. At the local level, this means that the bank that makes my mortgage will own my mortgage. My mortgage will not be split into 32 pieces and sold to investors from Singapore to Iceland. Nor would my mortgage be the basis for derivative assets. Banks will exist to make loans that can be paid back. At the national and international level, states would have some ability to discourage capital flows. Taking dollars across national boundaries would not be prohibited, but electronic transfers of large fortunes would be slowed and regulated.
4) In such a world, more people would probably be directly engaged in goods production, including both agriculture and small-scale manufacturing. Increasing employment in goods-producing industries would reverse a decades-old trend.

There are three principle reasons that such a world might be preferable to the hyper-globalized capitalism of recent years. First, a more localized economy would give governments at all levels more ability to resist the race the bottom. Under neoliberalism, local and national governments are forced to compete for internationally mobile capital. Regulations and taxes can cause financial capital to be transferred away from a region, and production facilities to be moved elsewhere. As a result, governments have a large incentive to roll back regulations that maintain wages and protect consumers and the environment. Governments have an incentive to play along with rent-seeking holders of capital that demand subsidies of one kind or another. Making it harder to move financial capital and production facilities would give governments a greater ability to maintain wage levels, provide for a social wage, provide public goods and protect the public and the environment.

A region that produces much of what it needs will be a region with some capacity to resist the dictates of capital. By contrast, a region that sells almost all of its output in the global marketplace, and turns to global markets to satisfy its own needs, will be a region forced to dance to capital's tune. Poorer nations that have retained strong agricultural industries will have more room to negotiate with international financial institutions demanding austerity programs than those pursuing pure export-driven growth strategies. Similarly, a municipality able to retain a base of locally owned shops would be able to resist the demands for subsidies and foregone tax revenue proffered by big box chain stores.

The second reason that localism could potentially transcend the failures of neoliberalism is that a more localized economy could help reconnect financial markets to the real economy. Altvater (2009) notes the disembedded nature of financial markets under neoliberalism:

> Financial markets have moreover been disembedded from markets for real goods, services and labour....Financial markets are self-referential; they follow their own logic of development. As a consequence of the all-embracing liberalization of markets in general and particularly of finance since the end of the Bretton Woods regime…the accumulation dynamics of the real economy on the one side and the working of financial markets on the other have been widely dissolved. (pp. 75–76)

Until the 1980s, most bank lending occurred at local levels. Longman and Frank (2008) use the term "relational banking" to describe the system in which bankers established relationships of trust with businesses and individuals. With their local knowledge, bankers were better able to evaluate credit risks. Bankers held on to the loans they made. Money deposited in a bank was generally lent out in the same community.

Today, repeals of banking laws and regulations have changed the situation, leading to a rise in transactional banking at the expense of relational banking. Large national banks now make loans all over the country. Banks sell their loans as quickly as possible to third parties, who in turn bundle loans into collateralized debt obligations (CDOs) and sell them to investors. The distancing between mortgage owners and borrowers has been cited as one of the chief contributors to the housing crash (Blond 2009). Localism would encourage lending at smaller geographic scales, with securitization of debt sharply curtailed. Neoliberalism has drained capital out of many communities. Shrewd banking reform could help communities retain capital for local reinvestment. In addition to re-embedding the financial economy in the real economy, localism would help make regions more resilient vis-a-vis the global economy. A region that produces much of what it needs would be less vulnerable to downturns in global markets.

A third possible reason that a more localized economy would contribute to a more sustainable form of growth is that it could be used to combat the increasing concentration of wealth seen under neoliberalism. There are two dimensions to this: a) a feature of the modern economy has been that information technologies and liberalized capital flows have drained communities of capital, sometimes very suddenly (Castells 1998). Localist reforms would provide a counter-balance to the rapid outflow of capital seen in many communities. b) One of the structural reasons that the global economy has lost momentum in recent years is the lack of aggregate demand caused by stagnating wages and declining living standards. Reducing the concentration of wealth would provide an impetus for more household spending and help prop up aggregate demand in a sustainable way.

Potential Disadvantages

There are, as well, several potential disadvantages to a more localized economy. First, economic growth rates may be lower in a more localized economy. Second, localized economies might lose gains from trade. Third, critics from the left have argued that localism could actually reinforce neoliberalism.

Economic Growth Rates

Economic growth rates might well be lower than what was reported in the dozen or so years before the current recession. However, it should be clear by now, that much of the growth reported in recent years was fictitious, based on financial manipulations unrelated to the real economy. Those proposing a more localized economy would need to explain that our expectations about growth rates may need to be revised downward in order to be realistic. Our 401(k)s may not appreciate at 7% per year forever. Ultimately, the economy cannot grow more quickly than the growth in productivity. Coming to terms with this fundamental fact would help wean governments from policies that promote bubbles, and might increase governments' incentives to invest in the kind of technological research that promotes productivity growth.

Gains from Trade

A more serious disadvantage is the possible loss of gains from trade. A brief sketch of some basic ideas of international trade theory may shed some light on economic arguments against trade restrictions. The theory of comparative advantage, outlined by David Ricardo 200 years ago, is probably the best known argument for free trade. Ricardo's example is often cited: Wine and cloth are both cheaper to produce in Portugal than in England. But in England, it is much less expensive to produce cloth than wine, while in Portugal the costs are about the same. For this reason, it makes sense for Portugal to specialize in producing wine, trading its surplus for English cloth. Both countries gain from trade even though Portugal has an absolute advantage in both goods. Although the essential logic of comparative advantage has never been refuted, several of its assumptions may not apply in the real world. Robert Prasch (1996) has outlined a dozen assumptions of comparative advantage with tenuous connections to the modern economy, including the assumption of balanced trade, the lack of capital mobility, full employment of labor and capital and lack of externalities. Milberg (2002) points out that the assumption of balanced trade was the basis for Keynes's critique of free trade.

For most of the last century, the Heckscher-Ohlin (H-O) theory has dominated international trade theory. The essential logic of H-O is that countries are endowed with different resources. Countries tend to export products made with resources with which they are richly endowed, and to import products made from resources that they lack. Sen (2005) notes that despite decades of effort, empirical validation of the theory remains conspicuously thin. Prasch (1996) points out a more fundamental problem: Countries are not simply endowed by nature with resources, particularly resources such as skilled labor. Countries can strategically develop resources in order to build wealth. Treating endowments as an immutable fact of nature consigns some countries to superior positions, and others to inferiority, at least before the magical "long run."

For the last quarter century, a body of thought still known as "New Trade Theory" (NTT) has been at the forefront of scholarship on the topic. NTT is more realistic than earlier theories in three main ways: It allows increasing returns to scale; it allows imperfect competition; and it allows product differentiation (Sen, 2005). Increasing returns to scale is perhaps the aspect of NTT most relevant to localism because it offers a rationale for specialization that does not rest on comparative advantage. Because of increasing returns, it does not really matter which place produces what; it only matters that one place specializes in one thing, while another place specializes in another thing. This line of thinking poses a challenge to advocates of localism: if production is small in scale, then a region loses the economies of scale that it could have with trade.

However, one implication of NTT is that under certain circumstances, countries may benefit from restricting trade. Milberg (1994) points out that this implication was noticed by Nobel Laureate Robert Lucas, and apparently caused some discomfort for leading NTT theorist Paul Krugman. Sen (2005) argues that increasing returns to scale can lead to violations of free market assumptions. With increasing returns, the possibility of monopoly or oligopoly arises. Firms that enjoy economies of scale may grow to a size that allows them to control prices, a condition incompatible with competitive equilibrium. Moreover, the concept of "strategic trade" emerged out of NTT. NTT implies that a country that gains entry to a certain market first may enjoy advantages of scale over later entrants. For this reason, countries that make a strategic decision to advance a particular industry may enjoy a long-lasting competitive advantage. Thus, although Krugman cautions against deriving a protectionist lesson from NTT, the body of theory has provided some support to those advocating support for infant industries.

More research is needed to analyze the extent to which varieties of localism lose gains from trade. A few speculative conclusions are offered here.

1) From the perspective of a region or a country, it seems clear that some gains to trade could be lost from proposals to rely more heavily on locally produced goods. But it is also obvious to anyone from the rustbelt that some regions have much to lose from trade as well. In all likelihood, there will never be a formula to prescribe the optimal level of openness. Political leaders must make judgments about empirical tradeoffs for the regions they represent.
2) Perhaps reflection on the issue of gains from trade could help advocates of localism introduce more nuance into their theories. It may be that it is counter-productive to attempt to localize everything. Perhaps every metropolitan region does not need its own automobile factory. On the other hand, strategic choices to support some level of manufacturing employment may give regions an economic base with which to trade for other goods that they need. In addition, it is reasonable to hypothesize that a greater reliance on locally owned food would help keep dollars circulating in a local economy, in addition to providing health and environmental benefits.
3) Most international trade theories deal with goods-producing industries. It is not clear how well these theories apply to services such as retail, restaurants and

hospitality, particularly at the local level. For example, a city might make land use decisions that promote smaller hotels that are more likely to be locally owned. Empirical research to estimate the extent to which this might help or harm a city's economy would be useful.

4) Reducing the geographic scale of banks could have the beneficial effect of re-embedding finance into the real economy, avoiding a potential source of speculative asset bubbles.
5) The real world is so far removed from the pristine purity of free markets, that regions and nations must deal with the world as it is. Gaining some insulation from the global economy could help regions avoid the race to the bottom and have a cushion against bursting bubbles.

For these reasons, it seems reasonable to argue that reducing the geographic scale of economic activity may be one useful strategy that regions and nations can adopt to deal with, and perhaps move beyond, the failures of neoliberalism. Some caution will always be warranted, but incremental localism is one option for pragmatic leaders to consider.

Critique From the Left

Another set of disadvantages have been pointed out by critics from the left, who have pointed out the danger of romanticizing the local, or naively rushing to localize (Born and Purcell 2006; Hess 2008). Economies that operate at a small geographic scale are not necessarily more just than larger scale economies—feudalism is one variant on localism, after all. Nor is localism inherently more sustainable—think of slash and burn agriculture. In developing alternative economies based on local production for local consumption, it is important to avoid making the problem worse.

A more serious critique in this vein is that localism runs the risk of reifying neoliberalism (Guthman 2007; DuPuis and Goodman 2005). There are at least a couple of dimensions of this problem. The first concerns particularly localizers who focus on individual purchasing decisions as agents of change. Unless the impulse to buy local is linked to a broader agenda, localism runs the risk of becoming just another consumer preference within neoliberalism. More broadly, one of the processes of neoliberalism has been devolution—the abandonment of responsibility at the national level for the most vulnerable members of society. Governing bodies at the local level have been assigned much more responsibility, but no more resources.

Gough (2004) notes that both upward and downward rescaling can be used to assist both the neoliberal project and a social democratic project. Focusing exclusively on the local as a locus of activity ignores the fact that important struggles remain at the national level, and can have the effect of actually reinforcing neoliberalism. Needed, then, is a multi-scalar agenda that links individual action to a broader local, national and international governing agenda.

Several thinkers have thought constructively about navigating the promises and the pitfalls of localism. Melanie DuPuis and David Goodman have called for a "reflexive politics of localism" that uses local strategies to build a more just society without becoming closed, narrow or xenophobic. Peter North (2009), who calls himself a sympathetic critic of localization, frames the issue as a question of balance: "The localisation debate is about what should be produced where, given the need to balance arguments that larger markets do lead to efficiencies, more consumer choice and cheaper goods, and the right of poor countries to trade their way to prosperity … with the need to reduce transport costs to limit CO2 emissions and respond to peak oil" (p. 10).

Rebuilding Local Economies: The Next Progressive Agenda

The idea of rebuilding local economies is thus potentially useful in the task of forming a progressive response to neoliberalism. Below are some thoughts on how the localism can be a unifying principle in a progressive agenda that encompasses choices at multiple scales, from personal to international.

Personal

Individuals have the capability to choose actions that contribute to the formation of more sustainable and just local economies. Learning how to cook with fresh food, growing some yourself and buying some more from local producers can serve several functions. First, agro-localism functions as an import substitution strategy, keeping money in the community and creating multipliers. Second, buying local food allows family farms to keep a greater share of the retail price, allowing a more just wage for food producers. Finally, buying local goods reduces the need to transport goods long distances, reducing carbon footprints.

It is true that one person's action cannot change the macro-level reality. But we must be aware that each of us reproduces neoliberalism every day in our actions. By choosing to minimize the extent to which we reproduce neoliberalism, we create spaces for alternative social movements to grow.

State and Local

Local governments can do much to promote local economies through land use regulation and transportation planning. Using zoning codes and comprehensive plan updates to promote dense, walkable communities with vibrant main streets can help create districts conducive to locally owned shops and restaurants. Transportation decisions, including the creation of bicycle and pedestrian friendly environments can also help build economies on a human scale. The idea of smart growth is usually advanced for environmental reasons and for the purpose of enhancing quality of life. But it can also help foster an economic development strategy based on local ownership.

Second, local governments can target economic development incentives toward locally owned firms. Development incentives offered to firms often include Tax Increment Financing (TIF), tax abatements, Transportation Development Districts (TDD) and other tools. Targeting these incentives to projects that promote locally owned enterprises rather than national chains can create opportunities for local entrepreneurs and keep dollars circulating within a community.

A third way that local governments can promote local production is to remove obstacles to small-scale agriculture. Allowing crops in front yards, and chicken coops in back, can encourage households to enjoy the benefits of food production while serving as an import substitution strategy for communities.

At the state level, enabling legislation is often necessary to give municipalities flexibility on development incentives. In addition, state-level action to regulate Confined Animal Feeding Operations (CAFOs) would assist smaller-scale meat producers. At minimum, requiring CAFOs to meet the same environmental standards as other large producers of biological waste would remove a large market distortion. Third, state Departments of Transportation can be encouraged to remember that walking and biking are forms of transportation too, and that alternative forms of transportation can promote human-scale economies. Fourth, Linked Deposit Programs allow state governments to deposit state funds in low-interest accounts, with reduced rates then offered by banks to local businesses.

National

Federal action is needed to enable the project of rebuilding local economies. Here are some possible ideas:

1) No more bailouts. Bailouts have not been a rare adjustment to temporary liquidity shortages. Rather, bailouts have been an essential part of the neoliberal project, enabling holders of capital to privatize the profits of their speculation frenzies while socializing the losses. It would be reasonable to argue that the most recent round of bailouts was necessary to avoid an economic depression, given where we were at the beginning of 2009. But going forward, we should seek a system where bailouts, as an enabling agent of neoliberalism, are no longer relied upon. It would be useful for theorists to devise alternative methods for dealing with liquidity crises. David Harvey (2009) suggested, as an alternative to the most recent round of bailouts, the creation of community development banks that invest in rebuilding communities devastated by globalization. The search for other methods should continue.
2) Additional analysis is needed to help reconfigure monetary policy to avoid asset bubbles. As a starting point Congress has the authority to legally make it the mission of the Federal Reserve to avoid asset bubbles. Such a move would give Congress the authority to use its oversight capacity to monitor the central bank's actions in this regard, and hold officials accountable.
3) While open trade is a generally desirable goal, not every trade agreement is a good one. Trade agreements that privilege holders of capital against workers and farmers in the countries involved should be rejected.
4) Banking laws need to favor relational banking over transactional banking. As a start, Congress could re-enact the Glass-Steagal banking regulation act that was repealed in 1999.
5) Target agricultural subsidies toward small farmers, and farms that sell food locally, rather than corporate agriculture.
6) Rebuild the safety net: Neoliberalism has encouraged the gutting of welfare state protections for the most vulnerable in society. State and local governments have

> been assigned increasing responsibility for this task, while receiving fewer resources. In 2009, the budget for Temporary Aid for Needy Families (TANF) was $16.6 billion. According to CNN's Bailout Tracker, the federal government had committed $11 trillion to corporate bailouts by November, 2009 (CNN 2009). Adding one one-thousandth of this amount to the TANF budget would improve conditions in low-income communities immeasurably.

International

Progressives need to offer an alternative vision for international institutions such as the World Bank and the IMF. Here are three ideas:

> First, austerity measures imposed by these authorities on developing nations under the name of "structural adjustment" have created enough human misery. Progressives should not be afraid to talk about debt repudiation (Glennie 2007).
> Second, import surges have destroyed local agriculture in many developing nations (Kwa and Shah 2008). Some protection of local agricultural markets should be allowed.
> Finally, some limitation on capital mobility would help reduce the threat of capital flight. James Tobin, an economics Nobel laureate, has suggested that a small tax on currency transactions would discourage the kind of speculative currency trading that has been implicated in financial crises around the world (Tobin 1978).

Conclusion

In recent decades, the challenge of deindustrialization has posed a quandary for progressives at all levels of government. Nationally, the left has been deeply divided over the issue of free trade vs. protectionism. At the local level, urban advocates have been at odds over the degree to which the demands of capital should be accommodated, recognizing that pursuing progressive empowerment regimes can promote capital flight. Moreover, the abandonment or retrenchment of the social democratic project, even in strongholds like Scandinavia (and even by left of center parties), shows that the left never fully succeeded in articulating an alternative to neoliberalism. Over the last 2 years, progressives have been at odds over bailouts and monetary policy. In all, it appears that the left is still struggling to devise a humane response to economic turmoil.

This essay has suggested that the local economy movement could potential provide a unifying focus for a new progressive agenda. Localism can help transcend boom/bust cycles and widening inequality for three reasons: 1) Providing some insulation from the international economy can help governments avoid the race to the bottom. 2) Reducing the geographic scale of economic activity could help re-embed the financial sector into the real economy. 3) Localism can provide a counter-balance to the increasing concentration of wealth.

However, the possible losses of gains from trade could be a genuine downside to localism. This essay suggested several reasons why diminished economies of scale may not be such a large sacrifice for nations or regions adopting a local ownership strategy. Additional theoretical and empirical work needs to be done to analyze the magnitude of lost gains from trade under different localist scenarios. In particular, it is worth studying whether localizing ownership of retail, restaurants and hotels would have significant negative economic impacts for regions.

It is also important to avoid romanticizing the local, assuming that local is always better. Local systems must also be held accountable with respect to labor standards and sustainability. Moreover, the urge to localize cannot diminish activism at other geographic scales.

Another possible objection is that the left should not be seeking an alternative just to neoliberalism, but to capitalism itself.[3] There is considerable evidence that boom/bust cycles are inherent to the capitalist system. This is an interesting question to consider. My own tentative conclusion is that there are varieties of capitalism. Localism seems to offer a way to reduce concentrations of wealth and counteract the disembedded nature of finance, while still retaining the positive role of markets in society. Whether localism potentially could or should go beyond this limited goal and produce a genuine alternative to capitalism would be an important debate to have.

The need to find an alternative to neoliberalism is urgent. Despite the various potential pitfalls, promoting smaller enterprises that serve smaller geographic areas is a tool that governments can use to promote equity and sustainability. The notion of rebuilding local economies points to a vision for a more humane economy.

Acknowledgements I am grateful to Karen Flotte for insights and encouragement. Thanks also to the anonymous reviewers.

References

Altvater, E. (2009). Postneoliberalism or postcapitalism? The failure of neoliberalism in the financial market crisis. *Development Dialogue, 51*, 73–88.

Bello, W. (1998). Testimony of Walden Bello before the Banking Oversight Subcommittee, Banking and Financial Services Committee, U.S. House of Representatives, April 21, 1998. Available at: http://www.ifg.org/walden.htm. Accessed August 15, 2010.

Blond, P. (2009). Rise of the red Tories. *Prospect, 155*, 32–36.

Born, B., & Purcell, M. (2006). Avoiding the local trap: Scale and food systems in planning research. *Journal of Planning Education and Research, 26*, 195–207.

Brenner, R. (2006). *The economics of global turbulence: The advanced capitalist economies from long boom to long downturn, 1945–2007*. New York: Verso.

Brenner, R. (2008). Devastating crisis unfolds. *Against the Current* 132 (January/February) www.solidarity-us.org/node/1297

Brenner, R. (2009). *What is good for Goldman Sachs is good for America: The origins of the present crisis*. UCLA Center for Social Theory and Comparative History. http://escholarship.org/uc/item/0sg0782h#page-1. Accessed August 11, 2010.

Castells, M. (1998). *End of millennium, the information age: Economy, society and culture, volume III*. Cambridge: Blackwell.

CNN (2009). CNNMoney.com's Bailout Tracker. http://money.cnn.com/news/storysupplement/economy/bailouttracker/index.html. Accessed February 18, 2010.

[3] Reviewer 1 perceptively raises this issue.

Dupuis, E. M., & Goodman, D. (2005). Should we go “home” to eat? Toward a reflexive politics of localism. *Journal of Rural Studies, 21*, 359–371.
Glennie, J. (2007). *Enough is enough: The debt repudiation option*. London: Christian Aid.
Gough, J. (2004). Changing scale as changing class relations: variety and contradiction in the politics of scale. *Political Geography, 23*, 185–211.
Guthman, J. (2007). Neoliberalism and the making of food politics in California. *Geoforum, 39*(3), 1171–1183.
Harvey, D. (2009). The urban roots of the fiscal crisis. Lecture at the American University of Beirut, May 29. Available at: http://davidharvey.org/2009/06/the-urban-roots-of-the-fiscal-crisis-2/. Accessed August 17, 2010.
Hess, D. (2008). Localism and the environment. *Sociology Compass, 2*(2), 625–638.
Hopkins, R. (2008). *The transition handbook: From oil dependency to local resilience*. White River Junction, Vermont: Chelsea Green Publishing Company.
Kingsolver, B. Hopp, S. & Kingsolver, C. (2007). *Animal, vegetable, miracle: A year of food life*. Harper Collins.
Kwa, A. & Shah, S. (2008). Impact of agro-import surges in developing counties. ActionAid International.
Longman, P. & Frank, T. A. (2008). Too small to fail. *Washington Monthly*, November/December 2008.
Matthews, R. (2009). *Jobs of our own: Building a stakeholder society.* Irving: Distributist Review Press.
Milberg, W. (1994). The rhetoric of policy relevance in international economics. The Jerome Levy Economics Institute of Bard College and New School for Social Research, Working Paper 118.
Milberg, W. (2002). Say’s law in the open economy: Keynes’s rejection of the theory of comparative advantage. In S. Dow & J. Hillard (Eds.), *Keynes, uncertainty and the global economy.* New York: Edward Elgar.
North, P. (2009). Ecolocalisation as an urban strategy in the context of resource constraint and climate change - a (dangerous) new protectionism? *People Place & Policy Online, 3*(1), 28–38.
North, P. (2010). Eco-localisation as a progressive response to peak oil and climate change - A sympathetic critique. *Geoforum, 41*(4), 585–594.
Pollan, M. (2008). Farmer in chief. *New York Times Magazine*, October 10.
Prasch, R. (1996). Reassessing the theory of comparative advantage. *Review of Political Economy, 8*(1), 37–55.
Sale, K. (1996). An Overview of Decentralism. Keynote remarks, E.F. Shumacher Society Decentralist Conference. Available at http://www.smallisbeautiful.org/conferences/kirkkey.html. Accessed August 15, 2010.
Sen, S. (2005). International trade theory and policy: What is left of the free trade paradigm? *Development and Change, 36*(6), 1011–1029.
Shuman, M. (2007). *Going local: New opportunities for community economics*. Great Barrington: E.F. Schumacher Society.
Steiner, C. (2009). *$20 per gallon: How the inevitable rise in the price of gasoline will change our lives for the better*. New York: Grand Central Publishing.
Swann, S. & Witt, S. (1995). Local currencies: Catalysts for sustainable regional economies. Available at http://www.smallisbeautiful.org/publications/essay_currency.html. Accessed August 15, 2010.
Tobin, J. (1978). A proposal for international monetary reform. *Eastern Economic Journal, 4*, 153–159.
Truax, J. (2010). Distributism made ridiculously simple. *The Roundtable, Winter, 2010*, 1–5.
U.S. Department of Agriculture (2007). *Census of Agriculture - State Data*, Table 44.
U.S. Department of Agriculture (2009). Farmers market growth: 1994–2009. http://www.ams.usda.gov/AMSv1.0/FARMERSMARKETS. Accessed February 9, 2010.