Mainstreaming Economic Development for inclusiveness, diversity and equality

Literature review

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Introduction

This literature review is the initial phase of Localise West Midlands' research project, Mainstreaming Community Economic Development (CED), funded by Barrow Cadbury Trust (see Appendix 2).

The project takes as its premise that the UK economy, one of the most centralised in Europe, is increasingly recognised as remote from people and society, unequal, exclusive and beyond control. In a more localised, place-based economy, more people have more of a stake, which redistributes economic power, reducing disconnection, inequality, and vulnerability to the sorts of "too big to fail" institutions that led us into the global economic crisis. We had found that research addressing such economic solutions tends to deal with development of micro-projects, treating community economic development as marginal to the mainstream. Instead we were keen to explore how community economic development and stronger local economies can be integrated into the macro and mainstream economy: what are the conditions needed for local economies to be built around SMEs, social enterprises and community groups with support from public sector and larger private companies; and what is needed to ensure that this can become the 'usual' approach of economic policy at local, subnational and national levels so that the greater redistribution and diversity impacts of localisation approaches can be maximised.

The first phase of that project is to produce a critical review of the literature, and particularly evidence, regarding the socio-economic impacts of localised and community economic development approaches. This examines whether:

- CED, localised ownership and supply chains create better social and economic inclusion
- CED, localised ownership and supply chains are more diverse or more locally distinctive
- Places with more CED, localised ownership and supply chains have more income equality
- CED, localised ownership and supply chains give a greater ability to retain money in otherwise disadvantaged areas

- than more centralised and remotely owned economic development approaches.

We focused primarily on identifying empirical evidence of such benefits, but have also reviewed some of the theories around the socio-economic benefits or otherwise of localised and community economic development approaches particularly where empirical evidence was difficult to find.

Many of the key terms we use are interpreted in different ways by different authors. It is useful at this stage to set out what we mean by the main terms we use in this review:

a) Localisation and Community Economic Development approaches

We define **economic localisation** as "*economies that are more decentralised with more local ownership and / or control; with an emphasis on local supply chains and local market opportunities*".

Community economic development (CED): we define purposive CED as economic development led by people within the community and based on local knowledge and local action, with the aim of creating economic opportunities and better social conditions locally.

There are differences in how CED is defined and understood, which we explore below, but in this research it is considered as part of a range of economic localisation approaches. This is because we were keen to explore both 'purposive' localised and community economies, and non-purposive - where an economy with a high proportion of locally owned business has developed organically, and which will always form the majority of the types of economic activity that form an alternative to centralised and remotely owned economic development. We consider (and this is explored in many parts of the literature review) that economic development can be 'community based' either by forming community organisations with social objectives, or by that community's participation as owners, investors, purchasers and networkers.

CED seems to be a more developed concept in Canada and the USA than it is in the UK. The Canadian CED Network defines it as "*action by people locally to create economic opportunities and better social conditions, particularly for those who are most disadvantaged. CED is an approach that recognizes that economic, environmental and social challenges are interdependent, complex and ever-changing. To be effective, solutions must be rooted in local knowledge and led by community members. CED promotes holistic approaches, addressing individual, community and regional levels, recognizing that these levels are interconnected"*(The Canadian CED Network). Many of the Network's case studies reflect this strategic approach.

By contrast some in the UK see it in terms of individual small community based schemes, almost synonymously with 'social enterprise'; IDEA define it in their paper *Smarter CED* as "*a broad term that seeks to cover a variety of 'bottom up' community enterprise in the not-for-profit sector"*(p1) and go on to describe a number of community or social enterprise good practice studies. This understanding of the term is reflected in much literature around UK regional development (Armstrong et al, 2000). There are many case studies of successful such small schemes, but also much literature on their limitations and their dependence on external funding (Harris, 1998; Pearce, 1998; Twelvetrees, 1998). Such schemes are easy for many mainstream economists, focusing more on inward investment approaches, to dismiss as nice but too small to have any real economic impact. The purpose of this research is to identify localisation and CED's much greater potential to be a significant part of the mainstream economy in order to improve inclusion and equality; so we have not considered case studies of such schemes as part of our review except where they have wider significance as we are interested in how the community economic development can work at a scale in which it does have a significant economic and social impact.

The spectrum of relative economic localisation is complex, with at one end businesses owned and run by small community groups such as village shops or wind turbines, and at the other large multinational organisations where the key decision-makers (chief executives, individual owners, shareholders, financial institutions etc) are based far away from the locality with little knowledge of the local community or its interests featuring in the decision-making of the firm. But in the middle are less predictable models involving diverse levels of ownership and control. Many locally owned businesses are franchises with the owners having little control of their policies and where their supplies come from; other franchises have more flexibility. Some multinationals delegate very large amounts of control to local managers, although this is unlikely to include key decisions about major investment or plant closure. These issues of ownership and control are also major factors in community economic development. Another factor of economic localisation is the extent to which profits or surpluses are retained locally, which we discuss at section 1d.

So with our more strategic definition of CED and localisation, we are focusing well beyond the social enterprise or community owned village shop to include firms that are strongly tied into the local economy and where key decision-makers are locally based and engaged with the local economy.

b) Income equality: for our research this includes both redistribution of wealth amongst individuals, assessed for example by comparing wage differentials in different economic environments; and also geographical redistribution i.e. the ability to retain money in a geographical area, particularly a disadvantaged one.

c) Diversity and distinctiveness: this includes economic diversity, i.e. diversity of types of businesses within a given area; number of competitors within a sector within a given area; and local distinctiveness including flourishing of local and cultural variance.

We have specifically chosen to examine diversity and distinctiveness as we consider them to have value in their own right through contributions to sense of place and belonging, area quality, added interest and richness of experience in comparison to homogenisation. More practically, diversity means that there are more different products and services, organisational structures, types of work, roles, shapes and sizes of economic activity to suit a greater diversity of human beings, and increases resilience in comparison to 'monocultural' economic development.

Economies can be diverse in terms of the number of types and scales of business, and product and service types, in an area. Local distinctiveness comes from how distinct those businesses, products, services and their surrounding infrastructure are from those in another area. Distinctiveness need not be rooted in tradition and permanence: the charity Common Ground[1] exists to celebrate the local distinctiveness not just that comes from hundreds of years of local context but also that travels in from migrations and changes.

d) Inclusion and inclusiveness: Our original proposal used the term "inclusiveness". The concept is an economy in which, simply, more people have more of a stake. This more closely relates to economic inclusion than social inclusion but as the two are linked we have considered both.

- Social exclusion can be defined as being unable to participate in society because of a lack of resources that are normally available to others. It can refer to both individuals, and communities in a broader framework.
- Economic exclusion is the inability to participate fully in the economy, whether as a consumer because of (relative) poverty or in terms of earning a living because of worklessness.

We have structured our findings so as to start (section 1) purely with evidence relating to localised and community economies' performance in conventional economic terms such as growth. This section then reviews evidence on how localised and community economies perform comparatively in terms of job creation, which provides a limited level of indication as to who shares in the economic gains of localisation approaches. In section 2 we examine the evidence around comparative impacts of localised and community economies on income equality. Then in section 3, we progress to a review of the evidence specifically on the performance of localised and community economies in generating social inclusion. Section 4 examines evidence around local diversity and distinctiveness; conclusions are at Section 5; barriers to localisation at section 6 and gaps in the evidence are summarised in section 7.

We have found that there is more limited literature on the social inclusion and other broader socio-economic outcomes of community economic development and localisation approaches than we expected – something we hope to address in discussing future work with academics. There are very few studies, particularly UK based and up-to-date studies, that cover the exact area we were looking at or do any comparative analysis of the socio-economic impacts of the different economic development approaches.

We have also found there is a tendency in much literature to make assumptions (often referencing previous assumptions!) on these impacts. Some data does exist, but rarely are there studies directly addressing this; it tends to be incidental findings from research with slightly different purposes. What we have found tends to support that localisation and community economic development approaches have these benefits – or have greater potential to deliver on them - as well as pointing out where it works against such benefits and what can be done about this.

Much of the most relevant literature is about the relative merits of small, local enterprises or of large-scale national or multinational investment; and much of this draws its conclusions on the basis of what the authors see as the logical outcomes of what they describe. For context's sake, below we summarise the rationales that emerge for and against different economic scales.

[1] http://www.commonground.org.uk

The rationale in favour of a localised and community economic approach tends to be: that smaller-scale organisations benefit the area in which they are located through retaining more money in the local economy, through creating more and better local jobs, having a long term commitment to the area, by being more sensitive to local needs and meeting them, by being less bureaucratic, more fleet of foot and better at innovating; that large companies are more subsidised, pay less tax; are able to abuse oligopolistic powers in relation to suppliers, customers and government, that many of the rules and regulations of governments and financiers discriminate against smaller companies; that greater stability is created by a large number of small firms which may grow and fail at different times, rather than the vulnerability that relies on a single large and mobile employer; that community and individual power is better distributed in an economy of small players and in which the community plays a part; and that a highly centralised economic approach has driven the growing inequalities we have seen locally and globally.

The rationale in favour of a more centralised or 'top down' economic approach tends to be: that large multinationals and large nationals can create economies of scale, that they can innovate through their large research and development investments, as well as investing in market intelligence, that they can take advantage of their global outlook to achieve the best prices for their companies and customers, and that they have been at the centre of driving up global GDP and through that bringing huge economic benefits to poorer countries. Their impact is global not local, and benefits everyone rather than a particular neighbourhood. Furthermore they are the natural winners in the economy and local neighbourhoods need to compete to attract and keep them because they can provide the scale of investment needed to make a huge difference to the local economy; they create greater added value through being more capital intensive and provide stability to the wider economy in contrast to the higher death rate of small firms (Balle 2012; Handy 2002; Gerstener, 2002; Collins & Campbell, 1990; Lawless, 1981). Specifically community-led approaches are not rejected in relation to this but are seen as entirely marginal and solely for areas of market failure.

In this literature review our aim has been to examine wherever possible the evidence rather than the rationale, seeking to identify by what economic scale strategies in what circumstances we can best deliver social inclusion, equality and diversity as defined below.

We also recognise that transferring results from one country to another or one time period to another may be problematic. Different countries have different economic, social and political structures and these change over time. One example in comparing the UK with the US or India is that both the latter two countries have their political and economic capitals based in separate cities (Washington and New York; Delhi and Mumbai) while by comparison London functions as both capital types.

1. How localised and community economies perform in conventional economic terms

a) Localised and community economies and economic growth

As outlined above, this section does not directly address the socio-economic outcomes that are our primary area of interest in this research but instead focuses on conventional measures of economic success for comparatively more and less localised and community economies, which clearly have some bearing on socio-economic outcomes and thus help us build the full picture of impact.

A study by Goetz & Fleming (2011) is reported as having analysed 2953 counties in the US and concluded that "*those with a larger density of small, locally owned businesses experienced greater per capita income growth between 2000 and 2007. The presence of large, non local businesses, meanwhile, had a negative effect on incomes*" (Mitchell, 2011).

An EU-wide study, *The Dynamics of Rural Areas* (Bryden & Hart, 2001), undertook case studies in peripheral regions in 4 different countries (Sweden, Scotland, Germany and Greece). In each country they examine two regions that would be expected to be doing relatively poorly because of their peripheral location. They undertake detailed analysis of each region and particularly successful or unsuccessful areas within each region to identify the causes as to why some areas are far more successful than others despite their geographical locational disadvantages. They conclude that there is no single causal explanation but that it is a combination of:

- "*Cultural traditions and social arrangements in the shift from state to market*
- *Infrastructure and periphery*
- *Governance institutions and investments*
- *Entrepreneurship*
- *Economic structures and organisation*
- *Human resources and demography*" (p43).

Meanwhile the factors that are linked to relative economic failure are distant power, poor local networks (or inward looking ones), lack of self confidence, outmigration of the young and dynamic to places where the power is, overdependence on declining economic sectors, and disputes around major controversial decisions leading to distrust.

Underlying these, they conclude, is local autonomy: *"It is far too simple to talk about an entrepreneurial culture being absent or present. A key issue to emerge in this respect is the link with institutional autonomy and performance. Most well performing areas are marked by relatively strong local public institutions, which cooperate well with each other and with the private and civic voluntary sectors including the church. By strong we mean having sufficient autonomy to undertake both hard and soft investments that are highly adapted to the needs of the local people including entrepreneurs. ...It also means that a wide range of individuals and bodies know where to go to get help on a range of questions*". And *"that information on a wide range of significant matters circulates widely and freely.*" (p26) In Scotland, seen as part of the most centralised country in the study, the most successful peripheral area is Orkney where the local authority was able to gain control over income from oil terminals which has given it far greater autonomy than other local authorities in the UK.

On the basis of this study, one primary key to potentially deprived regions' and areas' being successful is for them to have political and economic networks with the power, confidence and competence to decide what is needed for the area. While having inward investment (public and private) can be crucial, the key to failure is to have distant elites impose decisions on the area. This is explored further in section 3d.

Economic diversity in a given area also had some benefits to innovation: *"Innovations cluster in places like Silicon Valley because ideas cross corridors and streets more easily than continents and seas. ... In 1993 three economists found that patents had a remarkable tendency to cite other patents that were geographically close."* (Glaeser, 2011, p36) However the relative failure of Route 128 in Boston shows that it is not just about the clustering of high tech firms: *"this is thought to be precisely because Route 128 firms failed to let go of their traditional norms of corporate hierarchy, secrecy, self sufficiency and territoriality"* (Halpern, 2005, p55). Another example is also given of the failure of BT's *"huge inwardly looking research base"* to effectively innovate (p57). Hall argues that the success of German manufacturing is based on its thousands of small and medium sized engineering companies that *"start with one good new idea and then endlessly refine it*" (Hall, 2012, last paragraph).

While there seems to be much assertion that smaller firms are better innovators we have not identified studies that specifically demonstrate this. The key to innovation in these studies seems to be to have a critical mass of individuals with similar ideas that are able to freely exchange ideas in a discursive way. Their geographical proximity still seems to be a key factor. The evidence does though suggest that large firms can and at least sometimes do stifle this free exchange of ideas (see the Route 128 and BT studies referred to above – Halpern, 2005 p55 and 57 - and Glaeser, 2011, p57-58, referred to below).

Albeit only taking a case study approach, the first few chapters of Monaghan, 2012, describe a range of examples from around the world of economically, socially and environmentally successful community involvement and community governance activities, including in post-tsunami rebuilding, managing public assets and services and management of meadowlands, forests, fisheries etc. One of the largest of these (p45) is the Basque country, "once depressed" now "thriving"; a jobless rate at 10% compared to a Spain average of twice as much; down to co-operatives' successful delivery on employment, civic engagement, equality, wage rates, and resilience to the recession. Further such studies are discussed in sections 3a and 3c of this review.

Monaghan goes on to quote Benello et al (1997) *Building Sustainable Economies: tools and concepts for self-reliant economic change*, that "the absence of 'bottom up' economic leadership is the critical failure of unsustainable communities" and list the symptoms of economic breakdown from 'top down' transformation as "concentrated wealth, alienation between workers/consumers/residents, lack of self-management from big government, lack of finance for small or local businesses, trade wars and unemployment and welfare payments" (Monaghan, 2012 p11). While the Benello source quoted is not empirically backed up, it does to a degree reflect the findings of Bryden & Hart (2001).

But some CED activities – usually in the sense of individual social enterprises - are found to be subsidy-dependent (Harris, 1998; Hart & McFarlane, 2002) and it becomes difficult to track whether their benefits provide a return for public investment. In *Community Economic Development,* Hart & McFarlane (2002) quote research which found that 55 % of social enterprise in Ireland obtained 75 % of their income from subsidies. But they also find lasting social inclusion benefits also deriving from this subsidy which are explored later. This serves to highlight that given its multiple objectives, it is difficult to consider CED's economic benefits in isolation – something also backed up in Armstrong et al (2000) findings on how CED is evaluated.

Lewis & Conaty (2012) describe numerous examples of successful workers' co-operative approaches that have outperformed "free market" companies and approaches on traditional economic measures (growth, profitability) as well as in terms of providing greater stakes for workers, greater pay equality and far better working conditions and benefits better customer service. These examples come from across the world, but in particular North America and Europe, and also cover the last 150 years. The Depression of the 1930s is one period in which they appear to have grown rapidly and initially thrived before being deliberately destroyed by dictators such as Stalin and Franco, and meanwhile being taken over by the state in Italy, Germany and Austria. Following the end of dictatorships they have revived in Germany, Austria, Spain and Italy (p220-221). Others have been undermined by government actions; in some cases by welfare states seeking to provide their services themselves at subsidised rates and in other cases by neoliberal governments seeking to incorporate them in the free (share-based) market.

Lewis & Conaty also provide case studies of large-scale successful co-ops such as John Lewis in the UK and Mondragon (p247 – 251) in Spain where the "per capita levels of income in the valleys surrounding the town of Mondragon are the highest in Europe and the income gap between rich and poor households is the lowest" (p250). They also describe a more collaborative partnership approach in Emilia Romania in Italy (p251 -257). 10% of workers in Bologna work in a Co-op; 60% of the local economic output in Imola (population 100,000) is accounted for by 115 local co-ops; while more generally in Italy co-ops grew from accounting for 2.3% of the large business sector to 8.3% by 2001 (pp251-2).

In the same book they report on a massive rise in community-based finance in the US over the first 10 years of 21st Century: community development loan funds rose from \$1.7bn to \$11.9bn, credit union funds from \$0.6bn to \$11.1bn, Community Development venture capital from \$0.15bn to \$2bn and community development banks from \$2.9bn to \$ 17.3bn (p242).

A different approach is the use of local currencies for local economic recovery, ensuring that local return can be maximised and measured in an area. This approach has a long history and is argued to have proven success in bolstering the local economy, whether private sector or social enterprise: "*Wörgl was an Austrian town which at the height of the Great Depression in the 1930s established employment projects paid for by a town currency which the municipal council agreed to accept in payment of its fees and taxes. The result was a remarkable expansion of the town's economic activity, and with the advocacy of the celebrated monetary economist Irving Fisher it was replicated in a score of American cities*" (Murray, 2010, p48). Lewis & Conaty provide more successful examples of this approach in interwar Germany, Denmark, Austria and the US (pp 61 – 64). However despite local successes all of these systems were eventually declared illegal by various governments, with Treasuries fearful of losing control over the money supply.

According to Glaeser (2011 chapter 8) the crucial features of successful cities are the ability to administer themselves well and the ability of the local economic community to respond to and take advantage of existing and future economic opportunities. While he sees the development of cities such as Singapore and Gaborone being based on much better administration than their nearby competitor cities, he considers that in most countries the degree of advantage that can now be gained from good administration alone is more limited. His analysis is based on short histories of nine successful cities. While he sees each as unique he describes the ways in which its citizens have been able to bring forward innovations on which the cities success has been built, and then to reinvent new successful activities which have grown out of the past activities. He considers education levels to be the best indicator of current success and in particular the level of college graduates for the generation now in the key local positions.

b) Localised and community economies and job creation

The American website YourEconomy publishes graphs which show that between 1995 and 2009 that 16.9m new jobs were created in the US. More detailed graphs show that a greater number of 22.9m jobs were created by the expansion of existing resident firms. In contrast the number of jobs from start up companies declined by 6.4m, and there was no net increase from relocating firms (YourEconomy, n.d, Growth & Composition section).

According to Glaeser *"Cities like Detroit with big firms have suffered weaker employment growth than cities with more and smaller employers. In metropolitan areas, a 10% increase in the number of firms per worker in 1977 is associated with 9% more employment growth between 1997 and 2000"* (Glaeser, 2011 p58). This relationship holds, no matter what type of industries are involved, how old the companies are or how big the cities are. Glaeser's explanation for this is that the large companies do not create the "*energetic competition and new ideas that are necessary for long term success*" (Glaeser, 2011 p58) but have the power to stifle the diversity and competition that encourages growth.

Job losses in the retail sector from centralisation are well documented, with the most quoted statistic the National Retail Planning Forum's survey of 93 out-of-centre food stores concluding that each brought a minimum net average loss of 270 retailing jobs within a 10 mile radius (Porter & Raistrick, 1998).

A good example of how local firms positively affects employment is the Economic Gardening approach pioneered by Littleton, Colorado, in 1989, which is increasingly popular in the U.S.A. Challenged by the laying off of several thousand citizens when the community's major employers moved away, the council decided to shift its focus from trying to attract large footloose companies, (that could easily relocate) through tax breaks, to concentrate "*on an entrepreneurial approach to economic development that seeks to grow the local economy from within"* (Growing Local Economies, n.d). The resulting 'Economic Gardening' approach focuses on three pillars: provision of information and market research; infrastructure for transport, quality of life and higher education in order to create a favourable environment for entrepreneurs; and connections between local businesses and academic institutions, thinktanks and other businesses (in Gibbon, n.d). According to the Denver Regional Council of Governments, thanks to this approach Littleton experienced a 71 % increase in employment since 1990 to 2008 and a tripling of sales tax revenues (not adjusted for inflation) (Denver Regional Council of Governments, 2010).[2]

Shuman (2006, p33) points out that the comparison is not made, either for specific circumstances or in order to identify a single overarching priority, between the job creation potential of localisation versus inward investment approaches: *"Some economic developers defend subsidies* [to TINA[3] businesses] *by saying that there are simply not enough job-creating opportunities available from LOIS businesses. In rural or inner-city communities, where there are few businesses at all, this seems at least superficially true. But then again, how can anyone possibly know? Was a public request for proposals... announcing that $1 million in business support is available and that the government is now taking bids to see who can provide the most jobs for the fewest dollars, ever formally published in the newspaper? Were the LOIS possibilities ever systematically compared with the TINA possibilities?"* Shuman's questions are good ones and we have not found such systematic comparisons in our literature review, a gap that could usefully be addressed by further research.

c) Localised and community economies and resilience

There has been growing academic interest in the ability of local economies to survive challenges to their viability due to economic downturns.

Simmie & Martin (2010) in a long-term study over 40 years that compares the economic development strategies of Swansea and Cambridge demonstrate that Cambridge has been far more resilient. In the 1970s Cambridge chose to invest in encouraging the growth of small businesses and in particular spin-offs from the University. In comparison Swansea responded to economic difficulties by attracting inward investment. Initially Swansea was successful, in attracting electronics manufacturing companies including Sony and Hitachi, but with economic downturns and changes in technology these firms closed their plants and moved out of the UK. By contrast employment in Cambridge area continued to grow. The authors see the key to this as the extent to which Swansea was locked into existing technologies with the R & D and decisions about adopting new models and technologies being placed elsewhere, while in comparison knowledge, technological development and innovation were intimately linked into the Cambridge economy which also created a more entrepreneurial approach[4].

However, it is generally seen that economic resilience is related to having a wide range of local economic activities and firms rather than to localisation of the economy; the two are related but not the same; and as Simmie & Martin point out in the same study there could be a conflict between having a wide range of local economic activity and the strength that is seen to come from having strongly interrelated local economic networks.

Monaghan (2012, p91) raises concerns about lack of resilience caused by the lack of diversity in the financial and electricity sectors. In particular he cites the Bank of England's Executive Director of Financial Stability, Andrew Haldane (2009) using "*global fish stocks, spread of diseases such as SARS and the deforestation of the Amazon to explain why the economic system failed so spectacularly* [..] *due to a common vulnerability: an absence of diversity*" ([in the financial ecosystem in terms of its behaviour, ownership, activities etc]. See also section 4 on the relationship between the two.

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[2] See http://www.drcog.org/communityprofiles/PDFs/Littleton.pdf

[3] TINA – "there is no alternative"; ie global business inward investment approaches; LOIS – Local ownership and import substitution; terms used by Shuman throughout his book.

[4] It should be pointed out that Cambridge and Swansea are such very different cities in the first place that comparing their recent economic strategies can't be entirely conclusive.

The main hypothesis of Stewart Lansley's recent book *The Cost of Inequality* (2010) is that the inequality resulting from 'shareholder value based capitalism' – a fundamentally non-locally-owned model - caused the economic instability and imbalance that led to our current economic collapse. He presents much evidence and rationale for this but it is by no means a proven theory.

Lewis & Conaty (2012, p299) argue that resilience requires diversity experimentation and innovation, and that in a world in which "two thirds of the global GDP is controlled by 500 corporations that create less than 1% of employment" this cannot be sustained.

d) Localised and community economies and local multipliers or networks

The local multiplier is a way of measuring how money circulates within a network of local businesses – economic activity generating more economic activity in a given area. Rather like an ecosystem, small businesses support other small businesses and the 'local multiplier' measures this. Literature on local multipliers provides us with quantitative measurement of the economic benefit of local businesses to a given area.

US-based consultancy Civic Economics have undertaken a series of studies showing stronger local multiplier effects of locally owned businesses in Austin, Chicago, San Francisco, Grand Rapids, Phoenix and New Orleans (Houston et al, 2007). These studies cover retail, banking and office supplies. Other American studies also reported by the Business Alliance for Local Living Economics as showing similar results across the country in relation to restaurants, bookstores and retail in general. In studies of two areas (Civic Economics, 2009, p2) comparative analysis found that in Austin, Texas, local retailers produced three times as much local economic activity as the chain store did; and in Andersonville, Chicago, an average of 70% more local economic activity was generated by the local businesses, in comparison to the chains.

In the US, local multiplier analysis has played a part in US towns rejecting planning applications from 'big box' retail as they come to understand that despite "*promises of growth and tax revenues*" these retailers "*would create economic costs exceeding benefits, (loss of existing jobs and increased infrastructure demands being the top two*)" (Milchen, 2012, p1). He continues *"Their scrutiny inevitably shows that most income of new chains comes directly from established businesses. For example, an extensive study of new Walmarts at Iowa State University found 84% of sales simply shifted dollars away from existing local merchants. In the larger picture, sales of the 500 largest corporations grew 700% in the past 20 years, yet those corporations are now net disemployers, firing more people than they hire despite record profits".*

The Local Multiplier effect is also used in the UK, often in quantifying the benefits of public procurement (see also section 3a) and is explained in the new economics foundation's Plugging the Leaks (Ward & Lewis, 2002). Discussions around local multipliers relate closely to discussions of how business networks operate and how they can be supported or damaged. Weingaertner & Barber (2010, p18) researched *"the indirect effect of the displacement of manufacturing and other industrial uses in regeneration areas"* (p1670) within Eastside regeneration area, Birmingham. *"Although very few food outlets in the area were directly displaced due to land assembly exercise, the vast majority has found it difficult to remain in the area as a result of the loss of customer base during the transition period"*(p1670). They go on to suggest how this tendency can be addressed: *" If the value of retaining existing businesses in regeneration areas is to be taken seriously, there is a need to understand better the range of businesses active in an area before regeneration starts, providing valuable information for decisions and approaches to support those businesses that are willing to remain in the area. Approaches to help businesses during the transition period can vary from temporary commercial rate relief, re-training, financial support for refurbishment and other mechanisms that will allow independent businesses to start, stay and thrive in the area"* (p1670).

Similarly addressing threats to and protection of local networks, Quinn (1998) argues that some chains actively seek to undermine local competitors by aggressively subsidising their new stores with heavily reduced prices to drive other local shops to close and then raise their prices. He suggests that one response is for local firms to act together to capture some of the benefits of economies of scale.

Demonstrating how attention to business networks can help local economies scale up significantly, Shuman (2006) discusses 'flexible manufacturing networks' in Northern Italy: temporary production teams made up of small locally owned firms producing "*a wide range of complex goods that otherwise would have required a very large economy of scale*" (p145) and leading to a high per capita income appearing linked to high levels of manufacturing employment. Despite widespread decline in European manufacturing from globalisation, in regions such as Emilia-Romagna there were almost 53.000 manufacturing firms by 1996, and almost all of small-medium dimensions. Among the factors that led to this result and to the success of 'flexible manufacturing networks' Shuman concludes the most important to be the social ties among the business heads, the ability of regional and local governments to support these networks through proper policies and a long tradition in inter-firm collaboration concerning also credit and technology. This reflects similar conclusions in Bryden & Hart (2001).

Other exemplary case studies where localisation has scaled up by networking include the Grameen micro-credit schemes in Bangladesh, and Japanese consumer co-ops in which "*clusters of enterprises have developed an architecture of co-operation and joint services that has allowed them to achieve economies of scale and scope while themselves remaining small (or medium) in size*" (Murray, 2010). Such examples provide the benefits of scaled-up product and service offer – and sometimes efficiencies - while maintaining the benefits of local autonomies and diversity.

From our own previous work and discussions the existence and or development of appropriate local supply chains is a crucial aspect of maximising local economic benefits and multiplier effects. There is some discussion of this relating mainly to food supply chains, network theory (Kneafsey et al, 2001 – see section 3f) and business networking, but we have not found substantial amounts of evidence on this.

Public subsidies also affect the economic worth of different types of economic development. Shuman (2006) argues on the basis of a number of individual case studies that economic development subsidies have been heavily biased towards relocating firms. He points out the subsidy levels and other support for locally/community owned and more remote or inward investment business activity. He outlines the scale of subsidies countries end up paying in order to stop corporations moving overseas (2000, p10). The UK example cited is $20 million dollars into Hyster plant in Scotland – $13,000 per job. According to Hyster's website they no longer have a manufacturing presence in Scotland or elsewhere in the UK (Hyster, n.d) As McCarthy & Pollock point out (section 3a) it must be worth considering whether this is the most efficient use of scarce public resources, and Shuman himself asks whether the job creation and local returns potential of different economic development models should be comprehensively compared (section 1b). What we do not have for this review is data on comparative subsidy spends on local community businesses and inward investment scale businesses.

Lewis & Conaty (2012, p321 – 324) refer to the work of Borsodi in the 1950s who analysed 50 years of US data to compare the advantages of economies of scale with the cost of distributing goods to their purchaser: "He concluded that between 50 and 66 percent could be produced and distributed locally and regionally at lower cost." They also say other research backed his conclusions.

e) Conclusions on economic success of localised and community economies

In conclusion there is a good deal of evidence that a greater presence of community economic development or of locally owned and smaller firms delivers economic success in terms of growth, job creation, local multiplier and area resilience, and generally in terms of an area's economic health.

To a certain extent, economic activity that creates more jobs will inevitably have better social inclusion and wellbeing impacts than more jobless growth – as much centralised economic activity can provide – for the simple reason that with more people in employment fewer people experience economic and social exclusion. But job creation does not serve as a proxy indicator due to other factors in economic and social inclusion. Further evidence on that is discussed in the sections below.

The literature we have reviewed strongly suggests that networking of small businesses (as opposed to simply the presence of small businesses on their own) is crucial to positive economic benefits in an area, and it is important to economic decisions to know how businesses interrelate. Local business networking can provide the benefits of scaled-up product and service offer – and sometimes efficiencies - while maintaining the benefits of local autonomies and diversity.

We recognise that there are many different measures of economic success, some of which are not covered in this review, but we have sought to reflect the evidence-based conclusions contained in the literature.

Evidence is particularly incomplete on the comparative job creation success of localised and community economies and more remotely owned economic development, particularly in the context of how public subsidies relate to job creation.

2. How localised and community economies perform in terms of income equality, pay and conditions

There are two main areas of evidence here: firstly how local community economies perform in terms of the pay and conditions they offer in comparison to the more remotely owned or centralised economy; secondly the comparative income differentials within more centralised and decentralised businesses and economies respectively. We examine these in turn below. Literature directly comparing the income equality differences between centralised and decentralised economic environments for both of these has proved scarce. The nearest comparison would be between large and small companies, and even here the evidence is very limited.

a) Comparative pay and conditions of larger or more locally owned businesses

There is US data (we have no direct UK comparisons) on the historic advantages of larger companies' pay and conditions over small – for example in wage levels, benefits, union organising – about a third more on average, for companies with more than 500 employees (Shuman, 2006, p56). Blanchard et al (2012) cite a number of sources in agreeing that *"The existing literature on the firm size compensation effect uniformly concludes that larger firms pay better and offer more benefits*" (Blanchard et al, 2012, p150). Having said this, it is not possible to tell whether either source is looking at average pay within the firm – which can be distorted by high differentials – or at average pay for similar work.

However, this has been falling: *"between 1988 and 2003, there has been a significant drop in firm size-based wage differences (33% in real dollars) and in firm size-based differences in access to health insurance. Small firms are not adding greater compensation or benefits, however; large firms offered less of both in 2003 than in 1985"*. Shuman cites one recent statistical analysis of the relevant economic literature found that between 1988 and 2003 these differences shrank by about a third (2006, p56). Likewise Shuman (2000, p44) makes a case for how (pre-recession) globalised business and free trade had a role in driving down US wage share, with impacts on inequality and with segregation between disproportionately affected versus walled communities. He also highlights (p12) that since the North

American Trade Agreement was signed in 1993, Mexican workers' wages had fallen to 1980 levels despite a 65% increase in direct foreign investment in the country's industrial sector.

Alongside changes to pay levels, and back in a UK context, Lansley's *Cost of Inequality* (2010, p64) talks about the reduction in labour standards, job security, employment conditions "*particularly prevalent in low pay sectors such as care, industrial cleaning, factory packing, hospitality, security, construction and food processing, where there is a heavy reliance on agency work which offers such poorer conditions of work*" and says this is "*in part down to globalisation and the shifting pattern of skill requirements*" as well as to shareholder value maximisation. Shuman (2006) suggests that small business immobility (in comparison to that of remotely owned enterprise) benefits the workforce by providing greater job security.

There is conflicting data (Lansley, 2011, p64; Grant Fitzner, 2006, p17) on whether job security has increased or decreased over the ten to fifteen years before the current recession; perhaps because different sectors have been very differently affected, leading to an average that hides problems. Urwin & Buscha (2012) find that the unemployed and non-participants moving into employment in large firms are two-and-a-half times more likely to do so under temporary contract, when compared to those moving into micro-businesses, but set this against the higher levels of 'churn' in the small business sector (more businesses being created and destroyed) causing job insecurity. They conclude from the data that the fact that small businesses are more likely to employ individuals who are vulnerable to unemployment is a bigger factor in their employees' job insecurity than the 'churn' of the small business sector itself. So on this basis, seeking redistributive employment outcomes it would be better to maximise small business' ability to employ people and adopt policies that increase small business stability rather than to put more emphasis on the role of larger employers.

There is some evidence that worker-owned co-operatives and areas in which such co-operatives have a strong base pay higher wages and provide better working conditions (Lewis & Conaty, 2012 p247 – 257).

Shuman and others suggest that other elements of formal and informal employment conditions are more beneficial in localised economies: for example the greater flexibility to employees' needs from closer relationships and more flexible working practices; and that *"the closeness of the relationships between the people on the top and on the bottom of these small firms also can be a powerful force for empathetic management"*(Shuman, 2006, p57). Shuman does not provide supporting evidence, and it could equally be argued that the more rigid policies of larger companies provide more certainty for employees whereas small company employees are more at the mercy of the owner's generosity of spirit or otherwise. But Urwin and Buscha (2012) cite evidence that small firm employees are not concerned about the less formality, more fluidity and greater flexibility in the employment relationship, and perceive that their managers are concerned about their welfare and treat them fairly. See also small business employees' comparative job satisfaction levels in section 3c.

One of the arguments in favour economic development policies that seek to support investment that is attractive to higher paid groups is that by doing so they will move and invest in the area and create more jobs including higher paid jobs and that the benefit of that investment will then trickle down to help the lower paid. Loftman & Nevin (1995) and others have examined this approach in relation to the development of prestige projects designed to attract inward investment, and conclude that these often disadvantage the less affluent local population as they tend to create only lower paid jobs for the local population as well as diverting scarce public resources away from other investments that would be more in the interests of more excluded groups. Their evidence however tends to be limited and is most convincing in terms of the failure of the proponents of such schemes to demonstrate or even attempt to demonstrate any beneficial impacts for excluded groups in terms of wages or other benefits.

Loftman & Nevin (1995) suggests that were local authorities able to use local labour clauses when letting contracts this could make a significant difference to the benefits to lower income groups. We are aware from our own experience that local authorities do now use what are in effect local labour clauses. We are not however aware of any analysis yet that considers the differences such changes in practice have made.

b) Comparative income differentials

Stewart Lansley's *Cost of Inequality* (p24) reports that "*In 2006 the average earnings of a top 100 chief executive [UK] was nearly 100 times that of the average for all full-time employees*" (as cited in Hills et al, 2009); the Spirit Level (Wilkinson & Pickett, 2010) cites similar data. Equivalent income differential data for small and medium-sized firms was, interestingly, not available. It is to some extent self-evident that in most sectors, income differentials within small companies will generally be smaller than this because the profit margins from smaller amounts of goods or services will not create the necessary surplus that large companies can top-slice from business workings. Exceptions certainly exist in specific small business types such as some types of IT, investment and other specialist companies; but for the products and services that make up the bulk of a local economy such differences are highly unlikely. However, income differentials within the area - and even more within society as a whole - are of more significance to social inclusion and wellbeing outcomes than those within individual companies (Wilkinson & Pickett, 2010).

On a local level, if large companies generally pay higher wages than smaller for the same work, then they may raise median wages within the locality, although their higher executive pay rates will increase societal income inequality at the same time. Also in locally owned companies the owner managers are likely to compare their salaries with local salaries rather than global elites. As Layard and others point out the main factor in satisfaction with a salary is how it compares to those you see as your comparators. Blanchard et al (2012) also review evidence concluding that "*communities with a strong entrepreneurial culture experience improved economic outcomes, such as median household income, reductions in poverty and income inequality*".

On a society level, in most measures there is a recognised trend towards increased income inequality over a generation (Hills et al, 2010) which runs alongside the trend towards a more centralised economy. Lansley (2010, p75) cites the doubling of the proportion of UK employees with wages below two-thirds of the median from 1977 to 2009.

The cause of this inequality trend is much debated. *The Spirit Level* (Wilkinson & Pickett, 2010, p249), after summarising the comparative wellbeing, trust, social cohesion and other impacts of different levels of income equality, concludes "… *It is hard to escape the conclusion that the high levels of inequality in our societies reflect the concentrations of power in our economic institutions. The institutions in which we are employed are, after all, the main source of income inequality"* and concludes "*It is not possible to discuss ways of reducing income differences without discussing what can be done about these bastions of wealth, power and privilege*". One of the primary arguments of Lansley's *The Cost of Inequality* (2010) is that the rise in inequality results from a shift from the 1980s onwards to a form of capitalism that prizes shareholder value above all other costs (including the long-term interests of the business let alone the general public good), and that rewards chief executives for increased value of share prices during their period in office (which is often short term) enabling them to buy into this high wage bracket. This model incentivises mergers between companies (followed often by asset stripping) and also creates the low and declining wage share that contributes to inequality. He claims that it is "*the patient building of new companies or expansion of existing ones... on which enduring companies and long-term wealth are founded*." It is hard to see how this model of economy can do other than increase inequalities, or to question that the inequality-exacerbating drivers of this model are not present in a decentralised and place-based economy.

The essay *The Local Trap*, (Born & Purcell, 2010) points out that a more localised or community economy can be anti-redistributive firstly in that "*existing inequalities within the local community can allocate... gains in a way that exacerbates rather than alleviates social injustice*" (citing the example of farmers' market prices excluding those on low incomes) and secondly by a wealthy community increasing its internal trading, capturing its own local spend and substituting this for economic linkages with a poorer area. We would point out that this considers the farmer's market in isolation rather than as part of an economy in which a higher percentage of local people would have a stake by means of employment and ownership. Methods for minimising this potential issue with exclusive local economic activity are explored in section 3d on civic participation and social capital. Also the redistributive and anti-redistributive potential of this dynamic of local economies could usefully be measured against that of inward-investment-seeking prestige projects and of shareholder value models of capitalism in the paragraphs above, and against current economic trends.

The potential of employee ownership in reducing income equality should not be ignored, as it provides a separate income source for people who may not otherwise be in a position to have such investment; and when employee ownership becomes a strategic tool it appears to have positive wellbeing and social inclusion benefits *The Spirit Level* (Wilkinson & Pickett, 2010) cites research conducted in three small Italian towns which found a positive correlation between the number of employee-ownership through cooperatives and health and education level, crime rate and social participation – although it is unclear from the citation whether it could be shown that this was a result or a cause of increased employee ownership. The area around the Spanish town of Mondragon whose economy is dominated by the local worker cooperative structures not only has some of the highest per capita incomes in Europe but also the lowest wage gaps between rich and poor (Lewis & Conaty, 2012 p250). Lewis & Conaty also report on the high levels of remuneration and pay equality within the John Lewis Partnership.

Equally there are a number of case studies that show specific social enterprises and co-ops being concerned about income inequality and disadvantage, and taking action to reduce it. There is also strong logic to suggest that such types of organisations are far more likely to see income equality and reducing disadvantage (at least amongst their own employees) as an aim in itself – for many it is a stated objective – but there is very limited evidence available on the impacts of such organisations on income equality or poverty.

c) Conclusions on income equality

Firstly we should reiterate the difference between pay and conditions and income equality. For the former there was a uniform conclusion that large firms in the US have better pay and formal conditions than small firms (albeit unclear as to whether this related to pay for similar work or to average pay); but also that this difference has shrunk considerably over the last two decades. We suspect both these findings would be reflected in UK.

Evidence on informal conditions and job security is fairly inconclusive; there is a persuasive logic that small business immobility increases job security and that close relationships within local businesses increase empathetic management practices - but no empirical evidence.

Little positive evidence coming to light on how inward investment-orientated prestige projects benefit those in disadvantage in a way that measures up to the public resources they divert. But there is potential for local labour clauses to increase such 'trickle down'.

For most, but by no means all, economic sectors, it does not seem feasible that small businesses' profit margins can support anything like the 100:1 income differentials found in the largest firms. Larger businesses may help raise the income share of those at the lowest end of the scale in an area, although their higher executive pay rates will increase societal income inequality at the same time.

There is some evidence that communities with a strong entrepreneurial culture have better income equality and reduced poverty. The socio-economic outcome focus of many social enterprises ensures that they will always have a role in addressing areas of disadvantage.

It is clear that income inequality has increased during a time of economic centralisation; but there is little conclusion on causality. Despite some anti-redistributive potential resulting from situations where wealthy communities trap their wealth by trading internally rather than linking with poorer areas, it does seem that a model of economy which is driven by shareholder value above business longevity, which encourages mergers and their resultant labour-shedding, and which concentrates economic power in few hands, must create more income inequality than a decentralised economy driven by local profitability within the boundaries of place. But attributing causality is way beyond the scope of this small review.

In summary it seems there are a number of ways in which local community economic approaches can be used to reduce income inequalities and some very limited evidence of a correlation between localised economies and income equality. There is also evidence of a trade-off communities have to face between higher wages and other wellbeing factors such as stability and perhaps equality. Addressing income inequality through local economic approaches seems to be conditional on the detail of the approach taken, and do not automatically translate from the long-term economic health benefits of local economies identified in section 1. This is certainly an area in which further primary research is needed.

3. How localised and community economies impact on social and economic inclusion

a) How localised and community economies perform in terms of redistribution of prosperity to disadvantaged areas and groups

Here we explore how the different economic models can impact on how prosperity is shared to reduce economic exclusion, both in terms of reducing regional disparities and at a district or neighbourhood level.

In 2003 a Government report into reducing regional disparities (ODPM, 2003) concluded that much of government policy was failing to tackle regional disparities in that whilst less prosperous regions were receiving more social security expenditures than the richer regions, they were receiving less of the 'productive' economic development funding such as research and development. One proposed solution was that the Government could maximise the local benefits from procurement to reduce leakages of funding from the poorer regions. This conforms to much thinking on procurement as an economic development tool but leaves aside the issue of how economic development funding should be distributed.

When the economic development emphasis is on being attractive to inward investment, it seems likely that the tendency is to maximise the already attractive, i.e. prosperous and highly developed, areas as a priority, while the potential return on Government investment from indigenous regional growth in less prosperous areas is ignored. The emphasis on wealthy regions for distribution of economic development funding reflects this assumption.

The danger of this assumption is reflected in the CPRE paper *Even Regions, Greener Growth* (CPRE, 2002) which summarises 2001 research conducted by the Institute of Public Policy Research (Hewett, 2001) showing how economic policy overrates the importance of foreign direct investment (FDI): "*employment benefits are often exaggerated (fewer jobs actually materialise than are expected); the costs per job (to the public purse) is higher than reported due to wider costs such as site regeneration; there is a lack of benefit brought to local economies through engagement with local suppliers, technology transfer, new skills and a lack of 'demonstrator effects'; 'bidding wars' between regions mean that the taxpayer pays more than necessary; economic instability arises out of a dependence on volatile of international markets; regional competition can mean simply the transfer of jobs around the UK and therefore Government subsidy for rationalisation; the costs per job is 80% higher for FDI than indigenous businesses*" (p.17) This is a significant set of findings which reinforce questions posed by Shuman on FDI assumptions in section 1b. In summary regional disparities are exacerbated by Government economic development spending based on over-estimates of benefits from any resulting inward investment.

Looking at the more local scale, the local multiplier (used by the new economics foundation and CLES in the UK and by Civic Economics and others in the US, and explored further at section 1d), presents a way of quantifying how much regeneration and other spend can be kept within a disadvantaged area. The *new economics foundation* argue on this basis that regeneration initiatives regularly fail despite huge amounts of public money being invested, because money leaves the local area too quickly through inward investment rather than local supply chain generating approaches (Plugging the Leaks, Ward & Lewis, 2002).

Analysis by the Centre for Local Economic Strategies (Jackson, 2010, p15) of Manchester City Council's (MCC's) procurement spend demonstrates how targeting local procurement to local benefit can be effective in getting public money circulating in areas of need: "*Of the £183,967,557.15 spent upon the top 300 suppliers based in Manchester, some £87,541,509.18 was spent with organisations based in, or with a branch in, the 10% most deprived LSOAs in England. £11,291,186.96 was spent with organisations based in, or with a branch in, the 1% most deprived LSOAs in England.*" 52% of Manchester LSOAs are in the top 10% of deprived LSOAs. 48% of the spend on the top 300 suppliers is in these areas. One can make the assumption that MCC are therefore actively progressing economic inclusion in disadvantaged areas because these areas are getting their "fair share" of contracts with the Council. However the analysis does not go beyond this to report on the difference made by such procurement practices in terms of reducing social and economic exclusion.

As discussed in section 2b, if the local multiplier approach is taken in a wealthy area then this could increase social exclusion by locking in the area's wealth. This ignores the issue of where wealth is 'locked' in more centralised models, and is explored further at section 2b. Section d) on bridging capital provides some thoughts on addressing this.

Less explored is the issue of who disbenefits from increasing a local multiplier in an area that is disadvantaged or not particularly wealthy. The trade that has been 'brought back home' has come from somewhere; how might it be possible to quantify the impacts of this switch on social inclusion and equality? We have not identified answers to this.

Campbell (2000) analyses 60 case studies drawn from five countries (Spain, France, Germany, Ireland, Denmark) and describes five ways third system (i.e. third sector) organisations can affect disadvantaged groups and areas positively other than through direct employment.

- They create a multiplier effect stimulating further jobs and growth at the local level, by usually using local service provisions, thus reducing the leakages of resources from the local economy.
- By often providing services in disadvantaged communities, they create job opportunities in these same areas, thus reducing degrees of inequality among different areas both in cities and rural areas.
- Their service provision often removes obstacles disadvantaged jobseekers usually encounter such as accessing childcare and transport.
- They often support and inter-trade with other third system organisations, thus improving the sector's efficiency locally to provide services and create job opportunities.
- Finally they focus on employing particular groups that are most disadvantaged in the labour market, so providing 'employability' skills and improving future possibility of success in the labour market.

There is older evidence that large-scale financial organisations redistribute resources from poorer areas to more affluent ones. In *Constructing a Sustainable Future: Exploring the Strategic Relevance of Social and Solidarity Economy Frameworks* – Mike Lewis (p7) cites research in Chicago showing that tens of millions' worth of poor people's savings in poor Chicago neighbourhoods were being invested by their banks into richer areas 'with less risk' whilst these individuals themselves could not get consumer loans or housing mortgages from these banks. This exacerbates wealth differences between areas and individuals. Similar research in the UK led to the short-lived 1979 Building Societies Support Lending Act (Boddy, 1980). In contrast, area-based credit unions recycle money within the same community. A study of Leeds City Credit Union found an approximate £10 return for every £1 invested in the scheme by the Council in terms of economic benefit for the city, from increased disposable income (Dayson et al, 2009, p16).

Analysis of the role of co-operatives in dramatically increasing the wealth of the formerly disadvantaged Basque Country[1] (Ramesh, 2011); and of RESO's success in Montreal, (Shuman, 2002) provide good evidence for localisation in positively affecting geographical inequalities. RESO (*Regroupement Économique et Social du Sud-Ouest*) in Montreal (Lewis & Swinney, 2007, p7, Lewis & Conaty, 2012, p168 - 175) is a Montreal local economic development organisation founded firmly on socio-economic goals in an area of major industrial decline. Throughout, the organisation maintained a commitment to 'reaching those hardest to reach' and to emphasis on local ownership and community involvement. Whilst the case study does not attribute direct causality to RESO, the scheme looks to have been a major factor in reversing the area's decline by developing a strong local economy. Others have argued for greater use of CED approaches in urban regeneration projects, because it sees the neighbourhood's existing reciprocal networks as something on which to build solutions, rather than seeing them as a problem as the classical regeneration process does (Atkinson, 2002) and because it balances the conventional over-emphasis on physical regeneration (West, 2002).

Another initiative reported on by Lewis & Conaty, (2012, p175–183) is Coastal Enterprises Inc in Maine. Since 1977 it has levered in $1.8bn to improve the economic prospects of Maine's fisheries and coastal communities. It has concentrated on supporting particular sectors (Fisheries and forestry) and to a lesser extent communities that it understands and through this approach has created 25000 jobs as well as over 1200 affordable houses. They also describe the development of an 'umbrella' initiative across Quebec (The Chantier de l'economie sociale) of which RESO is part, set up in 1996: *"By 2005 there were 7,150 social economy enterprises in Quebec. These enterprises hired 124,000 people and generated $17.2bn in turnover"* (p225).

Examining the opposite extreme of approaches to economic development, Shuman gives the example of Cleveland, USA (2000, p2) which followed a fairly typical inward investment model with public investment into long distance transport infrastructure, tax break zones for inward investment etc. During the 35 years prior to writing, racial segregation had increased to "explosive" levels, with ¼ million of the population below the poverty line and poor educational achievement. Local shops were closing, with job losses as local industries seek lower-wage locations. But Shuman's case study is not presented in a way that can be directly compared with more decentralised approaches or causality investigated.

There are also a number of case studies of the development of prestige projects as ways of attracting inward investment. These are seen as using public subsidy to support the development of facilities such as conference centres, sports facilities, upmarket chain shops and office facilities that will attract tourists and more affluent investors to the city. The approach is seen by McCarthy & Pollock as having been successful in its own terms in Glasgow but not in Dundee. However academic authors generally have concluded that these schemes tend to increase social exclusion by using scarce public resources to at best provide facilities that benefit the more affluent and at worse to positively damage less affluent areas by removing them or undermining their economic vitality (McCarthy & Pollock, 1997; Swyngedouw, Mouleaert & Rodriguez, 2002).

The work of Bryden & Hart (2001, covered in more detail in section 1a) for the EU provides the strongest evidence that local economic and political power is a prerequisite for disadvantaged areas to develop successful economies that are sustainable in the long term; although the attraction of footloose inward investment can clearly bring short term economic benefits to deprived regions and areas. Bryden & Hart also find that the existence of absentee landlords (including those who control major companies) is a major barrier to the economic regeneration of deprived regions.

Stacey Sutton (Sutton, 2010) provides a short review of the arguments for and against regenerating neighbourhoods through national chains versus small-scale independents. She identifies the arguments in favour of large chains as being their greater access to capital resources to bring about fundamental change and their symbolic value in attracting further investment. She identifies the arguments against the national chains as being that they are heavily subsidised, that they homogenise areas, create greater inequality and undermine the power of organised labour, while independents bring greater social and economic benefits to local residents. She also reports on a long-term case study in one deprived urban American neighbourhood. She describes the debates, battles and tensions between local traders, local government and outside interests on how to revitalise the area. The eventually adopted approach built on the existing strengths of the area and its communities. While the successful regeneration of the area seems to be based on the eventual good working relationships between small local firms and the city government, she concludes that the success was based more on how the process was managed than the size of firms involved. To some extent this echoes findings elsewhere (e.g. see section 1) that local powers and co-operation of public and private sectors are key contributing factors to developing strong local economies.

b) Implications for social inclusion of our conclusions on income equality

Benefits to social inclusion could be said to follow from our conclusions above on income equality because there is a causal link between the two. There is clear evidence that income equality creates more social cohesion. Monaghan, 2012, cites various sources on the importance of equality for community cohesion, including a study by the National Centre for Research Methods at Southampton University concluding that "*poverty and inequality are six times more likely than ethnic diversity to cause British people to be suspicious of their neighbours*" (p30). *The Spirit Level* (Wilkinson & Pickett, 2010) also outlines decades of equality research and concludes that more equal societies are better in terms of mental and physical health, wellbeing, trust, crime, educational achievement, social mobility. With more money circulating in the productive economy and less polarised wage levels, levels of community trust and social inclusion will be higher. Similar evidence can also be found in Wilkinson (1996), *Unhealthy Societies* and Layard (2005). Unfortunately our conclusions on how localised and community economies deliver on income equality were fairly inconclusive, with persuasive argument for the less inequality-exacerbating potential of local approaches, but very little empirical evidence.

c) Evidence around localised and community economies' performance in relation to civic welfare and social inclusion

The great majority of studies found relating to this key question are American. This limits their relevance to the very different economic structure of the UK, but in the absence of equivalent UK-based studies they remain useful. Michael Shuman (2006,) cites one of the most relevant: a 1946 study by C Wright Mills and Melville Ulmer which compared communities dominated by one or two large manufacturers versus those with many small businesses. They found that small business communities "*provided for their residents a considerably more balanced economic life than did the big business cities*", and that "*the general level of civic welfare was appreciably higher*"(p58). They concluded that small-business cities had better development and growth of civic spirit; a more balanced economic life and greater industrial stability; more diversified employment; a larger home-owning middle class; greater self-employment; better public health including infant mortality rates; than the cities dominated by a few large firms. Shuman goes on to outline a more recent study by Thomas Lyson, a professor of rural sociology at Cornell University, looking at 226 manufacturing-dependent counties in the United States and concluding that these communities are more "*vulnerable to greater inequality, lower levels of welfare, and increased rates of social disruption than localities where the economy is more diversified*"(p59). Neither study attributed direct causality; but it would clearly be useful to undertake similar studies in current times.

A much more recent US-based paper, *The health and wealth of US counties: how the small business environment impacts alternative measures of development,* (Blanchard et al, 2012) demonstrates that *"communities with a greater concentration of small businesses, ceteris paribus, have greater levels of population health "*(p1). It describes how in the 1980s social scientists tended to conclude that "*bigger was better" as larger firms offered higher-quality jobs in the core sector of the economy*" whereas "*periphery economy firms, in contrast, were either small locally oriented employers who practised nepotism and provided little opportunity for individual growth and advancement or firms that were extremely vulnerable to market competition*" (p2).

In the US, the authors found that health insurance available through large firms was a major factor in demonstrating the greater health benefits of large business over small; a factor that clearly does not apply in the UK. But the authors maintain that more recently "*an important implication of the small-business sector for public health is that small locally oriented businesses contribute to the collective efficacy of a community*"(p3). It describes the more recent big-business culture and its socio-economic impacts including increased job insecurity, income inequality, downward pressure on the middle class, worsening terms and conditions. It goes on to review the past and more recent evidence that large businesses pay more than small and concludes that this is still the case, and then that despite this, efforts to focus on small business development rather than large will strengthen public health. They cite evidence, including the 1946 Mills & Ulmer study but also more recent evidence, for the increased "*collective efficacy or the capacity and willingness of community members to take responsibility for solving local problems*" (Sampson et al. 1997, 1999 cited in Blanchard et al, 2012, p3) of communities with higher percentages of small businesses, because "*Within the context of public health, collective efficacy is conceptualised as a community-level form of social capital that has been linked to a variety of health outcomes*" (Dominguez & Arford, 2010 cited in Blanchard et al, 2012, p4). Whilst some of these hypotheses are based entirely on a US public health context some health and wellbeing factors will be very similar in the UK; for example the conclusion that "*residents of communities with low collective efficacy experience higher levels of stress due to the lack of social ties and social support*" (Blanchard et al, 2012, p5).

They then conduct analysis to test this hypothesis and conclude "*We proposed that the presence of a strong entrepreneurial culture, measured as the number of small businesses with zero to four employees, would be associated with healthier communities. We find support for this argument. The concentration of small businesses is associated with lower rates of mortality, obesity and diabetes"* and *"These findings provide robust support for our hypothesis that a small-business sector is important for local development and that these effects extend beyond job growth... A place with a greater proportion of small businesses will have a healthier population".* In relation to the applicability of this to countries with different health provision they suggest "*the results are more about collective efficacy and not how one gets health care".*

While there is no comparable UK study, Urwin & Buscha (2012, p40 – see below) also cite a report by the Health and Safety Executive finding that levels of 'work-related illness ascribed to the current or most recent job in the last 12 months' are significantly lower in small and medium-sized workplaces, when compared to firms employing 250+ employees. Urwin & Buscha cite similar comparative findings in terms of employees' job satisfaction and their perceptions of small business employers' honesty and fairness.

Blanchard et al also paraphrase the Mills & Ulmer (1946) conclusion that it is the diffused nature of economic power within a community that creates this wellbeing: *"A strong small-business environment creates a diffusion of economic activity across a larger number of business owners. This results in a pluralistic power structure where a large number of business leaders compete for prestige and influence in local decision-making. Communities with a higher concentration of economic activity through the presence of large employers tended to be dominated by the interests of the corporation (*Mills & Ulmer, 1946*). When community interests diverge from the interests of the corporation, a large employer may threaten to relocate or withhold support*".

The Federation of Small Businesses recently conducted research into the role of small businesses in employing the unemployed in comparison with larger firms, using Labour Force Survey (LFS) data from 1997 to 2011 (Urwin & Buscha, 2012). This concluded that "*92 per cent of movements from either unemployment or non-participation into private sector employment are due to starting up a small business or becoming an employee in an SME.*" The unemployed moving into a job are 30% less likely to take up employment with a large firm compared to a micro-business. As indicators of potential economic disadvantage, women, young people, older (close to or above retirement age) people and those without a degree were particularly likely to move into employment with smaller than larger firms. This demonstrates a strong role played by small business in a socially inclusive economy and the report concludes with recommendations about policy to support the ability of small business to maximise this role. The primary such recommendation is around finding ways to manage and minimise the considerable 'risk' that small businesses take on when employing people vulnerable to unemployment.

Shuman (2000, p34) cites Michael Sandel at Harvard University (1984) suggesting a strong link between the economic circumstances of the footloose economy and loss of community in the US, and recommended state action to "*enact laws regulating plant closings, to protect their communities from the disruptive effects of capital mobility and sudden industrial change*". His more recent *Small-Mart revolution*, (2006, p87 – 88) outlines how the insecurity generated by footloose, remotely owned firms reduces workforce morale (and productivity) and quotes Peters & Waterman (1982) identifying increased absenteeism in such firms and workforce replacement every four years. This relates to social and economic inclusion in that jobs lower down the social scale are more prone to such insecurity than higher. (See also findings on job security, pay and conditions in section 2a).

A CPRE study by Caroline Cranbrook (1998) on local retail, which later led to CPRE's the recent Mapping Local Webs project, identified the wellbeing and inclusion benefits of accessible employment offer in localised rural retail: *"81 shops were surveyed were employing 548 people, 317 working part-time. In addition to the obvious value of providing jobs, the survey revealed many other related benefits. The shops are very flexible and can fit in odd hours at odd times for their staff. Almost all employees either walk to work or travel short distances by car or by bicycle. Another important point was that the majority of employees are women, often with family commitments and young children. They would otherwise find it near impossible to secure paid work in the area"*(p5). This highlights that maintaining local retail in rural areas helps in the often neglected but significant circumstance of rural economic exclusion.

In another rural example, a study by Goldschmidt (1978) reports the differences between communities dominated by large agribusinesses and those characterised instead by small to medium farms. "*Goldschmidt found that communities with smaller farms had 'a higher degree of community loyalty', 'more retail trade', and more 'entrepreneurs' instead of 'wage laborers' when compared with those communities with the large corporate farms. Conversely, he found that communities with the agribusinesses 'had lower living conditions', 'more unstable population', 'poorer physical appearance', and 'greater social segregation', than the communities with small, local farms*". (Glowacki-Dudka, Murray and Isaacs, 2012, p4). Brasier et al. (2007) suggest that community-based agricultural system strengthen community cohesiveness because participants need to cooperate even if they might compete one against the other.

We investigated the social work perspective on localisation and community economies; one of few results was a study of CED in Hong Kong, defining CED as "*as a process that is based on economic activities but that places the claims of social development over those of economic advantage"* (Chan, 2006, p483). This found that "more and more social workers have come to support CED because of worsening employment conditions and changes in government welfare policy" (Chan, 2006, p485). Analysing a number of CED initiatives (methodology unclear) the author notices a positive effect on disadvantaged groups that through CED projects have forged a position in the economy and the community and thus a positive 'identity'. The author concludes that "*in general, these projects have achieved their social objective of reinserting marginalized groups into mainstream production and social processes*" (Chan,2006 , p491).

UK based research (Danson, Lister and Wilson, 2002, p37) drew similar conclusions that even when conventional job creation or direct employment outcomes are relatively small, CED approaches have a disproportionate impact on integrating people into the mainstream economy: for example in the case of Cuthelton Lillybank Employment group, where although only the 25% of those interviewed had found a job through group activities, 100% reckoned that it was useful for training, finding out about opportunities, meeting people and increasing confidence.

Shuman also (p49) quotes Johan Galtung "*Towards a New Economics: on the theory and practice of self-reliance*" that self-reliant communities have less 'externalities': the costs of economic activity that are not paid for directly in the transaction but are paid for by society as a whole - such as pollution but also social and economic externalities. As David Morris puts it: *"Economists like to talk about externalities. The costs of job dislocation, rising family violence, community breakdown, environmental damage, and cultural collapse are all considered "external". External to what, one might ask?"* (Mander & Goldsmith, 1996). Further study could compare social externalities in centralised and decentralised economies.

Helena Norberg-Hodge in an essay in Mander & Goldsmith, 1996, draws on her own experience in describing social exclusion impacts in Ladakh where global marketing presents 'haves and have-nots' and changes people's perception of their own wellbeing in ways not closely related to their quality of life. The Spirit Level (Wilkinson & Pickett, 2010) draws similar conclusions on the widespread marketing of the lifestyles of those at the top on a highly unequal society.

d) Localised and community economies' impacts on and relationships with civic participation, social capital and local governance

High levels of civic participation and social capital are part of what makes a society inclusive, whilst of course certain groups may be left out of such participation, if more people are participating then locally fewer are excluded. Specifically CED approaches are a form of civic participation in themselves and often remain tied to social objectives. Beyond this, many writers find evidence of a link between civic participation and social capital and decentralised economies. Some, such as the oft-quoted 1946 Mills & Ulmer study, are old, some evidence-based, some anecdotal, and some based on logical conjecture.

A study by Blanchard & Matthews (2006) finds evidence to support their hypothesis that there is greater civic and political participation in more economically diverse places. They find that local economic concentration (where a local economy is dominated by a small number of large corporate establishments) is *"negatively associated with traditional electoral participation and protest activities"* (p241). They suggest that "*global patterns of production and consumption have weakened the role of the nation-state as a mediating factor between multinational corporations and the communities in which they operate*" (p241). In places with local economic concentration, local residents became alienated from local decision-making and problem solving; decisions were guided by select leadership circles acting on behalf of the local employers. In more diverse economies, *"diversified configurations of power emerged"*; they suggest that in such places the interests of the community are synonymous with the interests of the local owners. Others conclude that "*[T]he degree to which the economic underpinnings of local communities can be stabilized—or not—will be inextricably linked with the quality of American democracy in the coming century"* (Williamson, Imbroscio, and Alperovitz,2003,p8).

Stacey Mitchell (July 2012) refers to the study by Blanchard and Todd Matthews, which *"found that counties dominated by a few big firms have lower levels of social capital and less engaged citizens than those in which economic activity is dispersed across many locally owned businesses."* and to work by Tolbert (2005) which linked the regional market share of large retail chains with higher rates of poverty, infant mortality, and crime.

Shuman's explanation is similar, suggesting (2000) "*If the owners of an enterprise live close to the workforce, go to the same church, synagogue or mosque, send their children to the same school, have picnics in the same parks and drink the same water, they have a greater incentive to make decisions responsive to their neighbours' needs"* (p101). This echoes the thinking of the 1946 Mills & Ulmer study.

Shuman also presents conjecture that wider civic engagement and social capital is important for developing a strong local economy; and addressing the interdependency of the two, argues in Going Local (2000, p35) that while civic engagement can form the foundation for a strong local economy, it can't work if the economy works against it, so that the two are mutually reinforcing. Some of the studies referred to in previous sections, such as Bryden & Hart, Glaeser, and Simmie & Martin, strongly support the view that for local economies (in peripheral regions and elsewhere) to be strong and resilient they need strong involvement of economic and political networks with local power that engage well with and are trusted by the wider community.

In fact there are also relationships between civic engagement or social capital and a place's economic success. A Europe-wide (Crucq & Hemminga, 2007) study exploring the relationship between decentralisation and economic growth found a small correlation between more politically decentralised countries and higher GDP growth. The authors also identify advantages and disadvantages of decentralisation, with negative impacts listed as *"extra costs of decentralizing authority, frustration of income redistribution policy, neglecting spillover effects and the smaller economies of scale in the provision of public goods and in the collection of taxes"* and the positive as *"the efficient provision of public good due to better tailoring outputs to specific preferences of citizens, stimulating regional development and fostering intergovernmental competition".*

Halpern also finds strong relationships although not causality between regional economic performance and social capital in various countries including the UK (Halpern, 2005, p63). Of course such economic productivity as traditionally measured tells us nothing about levels of social inclusion and income equality in that place.

Jenkins finds significant economic efficiency and effectiveness in local government (Big Bang Localism, 2004, p112) which could mirror and support that of a decentralised economy including CED approaches. He then (p41) touches on the relationship between economic development and local democracy, describing how local economic development powers have been taken away from local councils, he describes the urban development corporations set up in the 1980s: *"The new UDCs... would be "free of the inevitable delays of the democratic process". Lenin might have said the same... Enterprise Zones and Urban Development Corporations were... little more than conduits for central subsidy, deflecting public investment to where businesses rather than local councils wanted it. This was away from city centres to green field sites on the periphery. It saw a boom in ringroads, warehouse estates, hypermarkets and housing sprawl, the defining emblems of the British landscape in the 1980s and 1990s".* Jenkins points out that city governments in more democratically localised parts of Europe were "*discovering sources of enterprise that eluded Britain's quangos*" (p42). While Jenkins' focus is on the need for more localised and empowered local democracy, his examples support that different scales of economic governance create different scales of economic activity, and supports the mutually reinforcing nature of local decision-making and economic decentralisation that provides a foundation for indigenous local enterprise and community economic development. See also section 3f for more on the circumstances relating to local power that ensure localisation approaches serve social inclusion and equality.

Similar support for the efficiency of more local organisational decision-making can be found from the world of social landlords. Andy Rickets (2006) refers to a report by HQN that demonstrated that small associations led the way in performance across the board and also states that this comes just (weeks after small associations topped the corporation's cost index.

e) Accessibility of goods and services

Another question is whether more decentralised economic approaches gives excluded groups' greater or lesser access to the goods and services that they require in terms of price, accessible locations and social factors. In essence there are two opposing forces as to how centralised service and goods provision affects social inclusion and income equality. Economies of scale can increase affordability and impose accessibility standards across an entire nation-wide business operation. Examples would include standardised disability access on corporate websites, and low-priced foodstuffs in chain supermarkets. Conversely, the same drive to maximise economies of scale and the reduced face-to-face interaction that often results can lead to structures that are much less able to cope with the needs and wants of minority groups, particularly excluded or disadvantaged minorities. Then of course, the centralising of where goods and services are available into single locations can have a negative impact on accessibility; and where competition is eradicated by larger competitors in any sector, prices often rise.

While the above gives the rationale for what impacts there might be, it has been difficult to access comparative evidence to see which impacts are strongest, or to attribute causality. This is due to the difficulty in finding studies on general trends in how retail and service provision has affected accessibility. The majority of the studies concentrated on proving one of the opposing forces relating to economic scales and goods accessibility mentioned above. Indeed the literature examined consists mainly of research using a case study approach to prove either that supermarkets reduce food access or to prove that they increase it (see Findlay and Sparks, 2007 for an indicative list of such research abstracts). Another version of these opposite positions is studies trying to prove that a more localised economy improves goods accessibility through case studies that show the role of small businesses or CED projects in fighting food deserts, or the contrary studies that show the limits of small businesses and projects. In any case, it is difficult to separate out such issues as the supermarket domination of food retail means that smaller shops find it harder to offer good affordable food and because whether or not a new shop increases access depends on what catchment area is studied. A study of economic trends and goods or services access would be more instructive.

A more localised economy is seen by part of the literature as able to improve accessibility because the approach can be more closely tailored to specific local circumstances (Bryden & Hart 2001, Campbell 2000). For instance, Shuman (2006, p69) gives examples of how locally-owned shops in Texas have been able to compete against Walmart by adapting their products or lines to the needs of non-wealthy local people, such as cooling rubs for those without air conditioning, and affordable and culturally diverse foodstuffs. Anecdotally this supports the idea that localised and community economies can adapt better to local needs[5]. Face to face interaction and personal local knowledge are part of this. West Midlands-based Building Bridges Training supported a socially excluded group of people - learning disabled people, often with very low literacy levels and with no access to state disability benefits – to undertake some research into the problems that they faced, from which it can be seen that the 'faceless' and 'one size fits all' nature of much centralised service provision – utilities, phone companies, banks etc – was the cause of many of the extrinsic problems such people face, with many assumptions made as to customers' understanding (Money, Friends and Making Ends Meet Research Group, 2011)

Also the new economics foundation and many others discuss the better accessibility and even sometimes more affordable pricing of local shops in comparison to supermarkets (Simms et al, 2005). Cranbrook (1998) identifies accessibility benefits of local independent shops for the rural poor. The spatial concentration of facilities into zones with large catchment areas, that often results from market forces on planning, provides reduced access for many excluded groups.

[5] Many supermarkets and national chains use customer loyalty cards that provide information on the purchases in particular stores and data systems which analyse shopping patterns with census data to predict the shopping demands of particular area, to help them identify particular goods for certain stores. We have found no discussion of this in the literature let alone evidence of its effectiveness.

Further evidences of how a more localised economy could particularly bring benefits to excluded groups is a study (Bodor et al, 2010) conducted on four census tracts in New Orleans. It found that, while much previous US literature has focused on access to supermarkets in increasing dietary intake of fruit and vegetables, evidences suggested that access to urban small food stores and their in-store availability of foods increased fruit and vegetable intake. The potential benefits of greater local fruit and vegetable availability was especially pronounced for poor households without private transportation, who have a greater reliance on nearby small food stores. The study found also that the presence of local food stores probably had positive effects on vegetable intake even in those households that had access to cars by allowing them to 'fill-in' shopping trips.

On the other hand, economies of scale can make goods and services more immediately affordable and potentially can create more capacity for more diverse ranges of goods, supporting social inclusion. Indeed, other studies have shown how for those living in run-down neighbourhoods local small shops are more economically inconvenient than supermarkets. According to research conducted in Scotland (Cummins et al, 2010, p498) "*the size of store consumers chose to shop in determined the price paid for those items, with those who shop in the smallest stores, in the most deprived areas, paying the greatest price premium*". Nevertheless, the authors believe that small stores are a fundamental source of food provision for low income household: previous research (Williams & Hubbard 2001; Dobson et al., 1994) has shown that disadvantaged groups prefer to shop in small local shops because they can't afford the "bulk-buy" kind of shopping offered by the supermarkets. They conclude that strategies to support stocking policies in small local stores could benefit those on low incomes by lowering prices and increasing quality.

Other research has tried to establish the potential of CED in reducing food deserts; social enterprises and other initiatives set up under community economic development approaches are often initiated with exactly the purpose of providing services or goods that were not previously accessible to certain groups or in certain areas. Supporting this idea is a study into food access conducted in Sandwell (Dowler et al, 2001) which found that local food initiatives such as food cooperatives, 'cook and eat' sessions, breakfast clubs for school children, community cafés and allotment clubs had made a positive contribution to food access. However, another study of the same area (Rex & Blair, 2003) consider such projects' potential to be limited in changing accessibility patterns, because they are very small-scale compared with the broader changes that are happening in the food economy as a whole. In the same research Rex & Blair use 175 semi-structured interviews with shopkeepers to identify the barriers that small businesses encounter in providing healthy food, namely around supply, perishability, crime, competition with larger stores, rent and rates, parking, regulations and long hours.

Another piece of research that shows the difficulty in making judgements about the relationship between accessibility and centralisation, is a 2004 study on the effects of supermarkets on food accessibility in Cardiff(Guy et al, 2004) . The study, part of a Sainsbury funded project, found a positive correlation between food accessibility and big supermarkets opening for the whole city over the studied period, 1989-2001. Although the two authors claim a positive effect of supermarkets over food desert phenomena and advocate for this consideration to be kept in mind by spatial planners, they also admit that the increase of accessibility was much stronger in wealthy areas, while 20 of the 50 deprived areas considered actually decreased their food accessibility as supermarkets increased.

The difficulties in determining the relationship between economic scales and accessibility are visible also when analysing the access to facilities. For example, Hillsdon, et al (2007) concludes trend towards reduced exercise facilities in areas of deprivation. The study founded that "*The availability of physical activity facilities declines with level of deprivation. Areas in most need of facilities to assist people live physically active lifestyles have fewer resources*."

The great degree of different conclusions found in the literature examined can obviously be traced back to the prevalent use of the case study approach, to different methodologies used, and to the different bodies funding the research. But the difference might also arise from the two opposing forces of a) economies of scale and b) structures that are less sensitive to different needs, having stronger or weaker impacts depending on a lot of complex factors unique to each situation. In conclusion, evidence around comparative physical and pricing accessibility of local and centralised retail is greatly contested and more comparable and broad studies would be needed in order to draw firm conclusions.

f) Circumstances in which localised and community economies are likely to produce more inclusion and equality and those in which they may not

A number of circumstances and factors have emerged from our review that influence whether local and community economies are likely to have inclusion and equality benefits.

Contrary to suggestions from some localisation critics that economic localisation is only appropriate for well-off communities, it is clear that community economic development and localisation approaches have great potential in disadvantaged areas and there are plenty of examples given in this review of community driven development and localisation approaches across the world in communities as different as "*such struggling locales as St Lawrence County and the Katahdin Region in Maine*" (Shuman, 2006, p212) and many other examples featured throughout this research where community economic development and local supply chain development approaches have successfully addressed disadvantage. In fact it seems from this review that many of the most innovative and successful approaches have come from disadvantaged areas with little public subsidy. Shuman concludes that such examples "*underscore that LOIS*[6] *is not a luxury indulged in by a few well-off communities but a survival strategy embraced most readily by those left behind by the failings of mainstream development*"(p212).

The paper *Avoiding the Local Trap* (Born & Purcell, 2010) highlights some useful instances where localisation can work against social inclusion and relative equality, namely:

- decision-makers can be deterred from their real socio-economic goals and can dismiss alternative solutions by seeing localisation as an end in itself
- local scales can exacerbate inequalities and disadvantage if wealthy areas or networks trade exclusively
- the local scale can form an oligarchy as opposed to a wider democracy.

The authors assume that localisation is sought to be enacted religiously. One concludes that the key is not to see localisation and CED as goals in themselves but as tools which very often can be used to deliver the desired outcomes of social inclusion and income equality in a more effective way than, or as a compliment too, inward investment approaches. The potential pitfalls of seeing scale as an end in itself are also addressed in network theory (Kneafsey et al, 2001). This concludes that resilient local economies must pursue "*economic activities which are explicitly based on locally embedded resources, skills and knowledge*" but must also establish linkages (and interdependencies) with networks that transcend the local. This also links to findings on local multipliers and business networks, section 1d.

Swyngedouw et al (2002) investigate one circumstance in which they say decentralised decision-making has led to increased social inequality in involvement in decision-making; namely that in large-scale regeneration projects across Europe, local elites have developed and created expensive urban regeneration projects that reflect their own tastes and that *"The shift from centralist, formalised, bureaucratic, hierarchical, top-down planning approaches to decentralised, more horizontal, informal,*

[6] the "Local Ownership and Import Substitution" model of economic development, a term used in Shuman's *SmallMart Revolution*.

flexible, bottom up and network planning approaches have gone hand in hand with increasing inequality in access to decision making"(p20).

The evidence to support their assertions is limited; and far from reflecting the principles of community economic development, it would appear to reflect local elites aligning themselves with outside interests rather then reflecting local concerns and interests (Loftman & Nevin, 1995; McCarthy & Pollock, 1997). But other analysis from Halpern (2005) and from Lin, Cook & Burt (2005) identify that firms with high levels of internal (i.e. bonding[7]) social capital are more economically successful, and that they are likely to employ much of their workforce through employee contacts, thus potentially exacerbating disadvantage and exclusion in the area. The distinction is also picked up in Simmie & Martin (2010) who identify the lack of bridging social capital to Swansea to those with the power to decide its economic future as a reason for its comparative failure in relation to Cambridge.

Such examples demonstrate how social capital and decentralised decision-making can work against social inclusion in some circumstances and therefore highlight that if particular local communities lack 'bridging' social capital to more prosperous communities that control access to resources (in this case jobs), then it will remain excluded; with the implication that if more localist approaches are to reduce social exclusion they need to ensure that there is sufficient 'bridging' social capital for excluded communities (Halpern,2005; Lin, Cook & Burt , 2005).

It is clearly important that civic participation around local economic development is inclusive in order that resulting economic development meets all needs. It would also appear from Bryden & Hart that 'bridging' capital, bringing together different stakeholders in the area to act in unity, is crucial to economic success, but that such a group must also have the power to act; that stakeholder groups must also be sufficiently bonded to act in unity; and that they must also do so on the basis of a good understanding of the specific local opportunities needs and aspirations. Logically it would seem impossible to achieve this if key decision-makers are not linked into the local networks or for key decision-makers in very centralised political or economic structures to be part of every local network.

However the evidence around cooperatives that have developed a strategic approach is that at least in the most successful cases (the Basque region in Spain and Emilia Romagna in Italy) they create inclusion through their own structures, providing wider social benefits, higher income levels and greater equality. The leadership for these seems to have come from within initially deprived communities with little access to formal political and economic power (Lewis & Conaty, 2012).

Reflecting similar issues at international level, Shuman (2006, p213) agrees that there is a 'grain of truth' in the argument that strategic localising can harm poorer countries unless it is done with collaboration between such communities, and goes on to give examples of such collaboration.

We have sought both case studies and collated evidence that describe the benefits of more centralised approaches for excluded communities but this has proved difficult to find other than the relatively unsubstantiated views expressed by Swyngedouw et al. While Bryden & Hart (2001) see subsidies from central governments to local peripheral areas as being beneficial for reducing inequality this is only the case if the local decision makers have the power to decide on their use. Similarly while Simmie & Martin see the attraction of large-scale inward investment being initially beneficial for the working population in Swansea they also see it as having failed in the long term.

A World Bank sourcebook chapter on community driven development (CDD) (Dongier et al, 2003) concludes that the potential for CDD is not for all goods and services, but greatest *"for goods and services*

[7] In discussing social capital Halpern makes much of the distinction between bridging social capital (linking groups together) and bonding social capital (tying individuals within their own group, firm or community.)

that are small in scale and not complex and that require local cooperation, such as common pool goods (for example, management of common pasture and surface water irrigation systems), public goods (for example, local road maintenance), and civil goods (for example, public advocacy and social monitoring).

While this reflects the work of Nobel Prize winner Elinor Ostrom (1990) on the ability of communities to self-manage common goods it reflects a narrower definition on CED than we are using. This is reflected in its statement that many goods are better provided through local or central government or market mechanisms.

They add that if community organisations responsible for CDD "*are not appropriately strengthened or exclude the poor, if they cannot finance recurrent costs, if they crowd out local government or are manipulated by vested interests, then CDD may not be the optimal strategy*" and conclude that CDD has the potential to increase power of poor communities but to fulfil this potential it needs to recognize priorities of poor and excluded groups (Dongier et al, 2003, p308).

But, going back to the difference in definition or understanding of community economic development approaches in the UK and in Canada and America outlined in our introduction, some researchers point to the absence of a strategic, or fully economic, approach in CED as one reason for its lack of holistic impact. The Community Development Foundation publication *Community Economic Development: Rhetoric or Reality?* (Twelvetrees, 1998) contains a number of essays on this theme (although these are largely presented as argument rather than as empirical research): Pearce (1998) considers that CED in the UK has been ineffectual in effecting significant change because its focus is more one of social work rather than one of economy; Harris (1998) similarly suggests CED has failed to deliver jobs and has delivered only subsidy-dependent social enterprises because practitioners have not had a sufficiently economic perspective, whether for ideological reasons or simply a lack of understanding.

One example he gives is CED practitioners not understanding the economic need for a social enterprise to forge business links outside a deprived community. Hart & Mcfarlane (2002) likewise highlight a study of different models of social enterprise concluding that those with a more 'business' focus and structure were less subsidy-dependent and relied less on subsidy. To overcome such problems Harris urges "*community businesses to relocate (physically and conceptually) away from a community work/social services perspective into development thinking and delivery systems*"(Harris, 1998, p38). While these essays are primarily opinion-based, it provides more pointers to the need for community economic development approaches to become much more strategic and to incorporate plans for the whole economy rather than to stay in the social enterprise niche, valuable though that may be.

These authors (Hart & McFarlane, 2002; Harris, 1998; Twelvetrees, 1998) all cast doubt on the ability of CED projects to deal with root problems, and see it as a 'complementary' approach, albeit without evidencing this assumption. But significantly, as with many others in the UK these authors see CED projects as social enterprises in isolation rather than as a community endeavour to intervene strategically in the wider economy.

In fact it appears that the strategic aspects are well recognised as a goal of CED by policy-makers (European Commission, 1996, p22-23 cited in Armstrong, 2000; and Newman, 2011), but from the totality of our reading on this, this recognition rarely translates into practice in UK projects. It cannot help that there is a severe lack of UK guidance for CED, particularly its strategic aspects.

The conclusion emerging is that whilst local sourcing approaches must consider social objectives in order to maximise their socio-economic benefits, CED approaches must include and pay sufficient attention to economic objectives to ensure they maximise their potential. A CED approach that ignores the private sector would seem to fail on this account.

Finally it is worth noting that while this section contains pointers to how localised and community economic approaches can be best designed to deliver social inclusion and community economy benefits, and it is clear that the best results will come from approaches that have the right explicit objectives, our findings demonstrate evidence that non-purposive localised approaches – i.e. where there is no specific objective to deliver socio-economic benefits, but a localised environment that has developed organically - can still have benefits for social inclusion and equality over more remote approaches.

4. How localised and community economies perform in supporting local economic diversity & local distinctiveness

In our view local community economies are naturally likely to have a degree of economic diversity and distinctiveness about them. As in the definitions in our introduction, we chose to examine diversity and distinctiveness as positives in this research project because of their contribution to economic resilience, economic options to suit a diversity of people, sense of place and belonging, area quality, added interest and richness of experience (see definitions in introduction). It was not our aim in this research to examine whether diversity and distinctiveness have these benefits as this, like the desirability of income equality and social inclusion, was an assumption of the original proposal.

Clone Town Britain (Simms et al, 2005) provides an introduction as to how economic monocultures have impacted on high street diversity and also on local distinctiveness. It quotes Jane Jacobs: In *The Nature of Economies* she argues that the degree of diversity determines what benefits get left behind. Whether it's after sunshine and rainfall in the case of the ecosystem, or when money gets spent in the local economy, *"The practical link between economic development and economic expansion is economic diversity*" (p6). In 2001, the British Booksellers' Association reported that against the power of the big chains, more than one in ten of Britain's independent bookshops had folded in the previous five years alone (p11). Meanwhile in 2005 2,157 unaffiliated independent convenience stores were lost compared with 324 the year before (p28).

Simms et al also give evidence that dominance by multiples threatens choice and diversity in available product ranges as well as in choice of retail establishment. "*Whereas independent local newsagents typically carry a massive range of magazine titles, the multiples broadly concentrate on only the top 100 titles with the biggest turnover to maximise profit. The same is true for the sale of CDs and DVDs. So, not only do they reduce the range of shops available in these areas, they reduce the choice of goods readily available too*"(p6).

In *Small-Mart Revolution*, Shuman (2006)– suggests that locally owned businesses tend to celebrate and adapt to the area's "*unique culture, foods, ecology, architecture, history, music and ar*t" (p57-8), giving examples of local stores stocking more products for cultural minorities (see section 3e) "*while chain stores steamroll them with retail monocultures*"; and quotes studies on how "*among the key inducements for a creative class to move to and stay in a culture are its civic culture, its intellectual bent, its diversity and its sense of self*"(p69). We did not find comprehensive data to support or refute this conclusion.

On a global level, in essays in Mander and Goldsmith, 1996, Helena Norberg Hodge gives an account of her own observations of a similar phenomenon with the loss and rejection of local identity in Ladakh as dominant global influences come in (p32-46); and Richard Barnet and John Cavanagh report the homogenisation of global culture from a few large companies selling the same products globally, where local products used to thrive (p71-76). However neither of these essays contains empirical evidence.

The real ale industry in the UK provides an interesting example of a localised industry's impact on diversity, with the number of breweries in the UK having increased four-fold over the past 30 years according to the

Campaign for Real Ale in 2010[8], resulting in a huge increase in product diversity and appeal after decades of small breweries being bought up and closed down by the larger brewers. The microbrewing industry is also bucking economic trends in its continued growth (Bartram,2011).

In conclusion this is another area in which available evidence has been more scarce than expected. There seems to be little evidence around the comparative impacts on diversity and distinctiveness of more and less centralised economic approaches in general, although relatively clear evidence emerging on the impact of centralised retail on high street diversity and also on product ranges available; and some evidence that there is a positive impact on product diversity when industries have a revival of local and small scale enterprise.

5. Conclusions on how localised and community economies deliver social and economic inclusion, income equality, and diversity and distinctiveness

Our findings in this review suggest:

- Localised and community economies deliver better on job creation that more centralised approaches do; and particularly in disadvantaged and peripheral areas. This has a potentially positive impact on economic inclusion.
- Localised and community economies also deliver better on resilience, stability and economic returns to an area; there is little data available on who disbenefits from that localised economic return. There is also little empirical evidence assessing public subsidies for different approaches for proportionate socio-economic impacts.
- Small businesses are significantly more likely to employ disadvantaged individuals and those vulnerable to unemployment than large businesses, which has a potentially positive impact on social and economic inclusion.
- Centralised and remotely owned economic development deliver better pay and formal conditions than localised economic development and yet more localised economies have a better quality of life, job satisfaction, security (for the workforce), civic welfare, civic participation, local economic power, and perhaps (unprovenly) income equality.
- For most, but by no means all, economic sectors, it does not seem feasible that small businesses' profit margins can support anything like the 100:1 income differentials found in the largest firms. Larger businesses may help raise the income share of those at the lowest end of the scale in an area, although their higher executive pay rates will increase societal income inequality at the same time. Co-operatives tend to have specific policies to reduce income inequalities within their firms and on the basis of case studies seem to provide higher wages and better working conditions.
- It is persuasive that a model of economy which is driven by shareholder value above business longevity, which encourages mergers and their resultant labour-shedding, and which concentrates economic power in few hands, must create more income inequality than a decentralised economy driven by local profitability and with the priorities of local economic decision-making. Employee ownership also has a part to play in addressing income equality. But addressing income inequality through local economic approaches seems to be at least partly conditional on the detail of the approach taken.
- Regional income disparities can be exacerbated by Government economic development spending based on over-estimates of benefits from any resulting inward investment.
- Both purposive localised approaches (CED), and non-purposive in the form of rural food supply chain employment, deliver accessible employment opportunities for many people who are vulnerable to economic and social exclusion.

[8] http://www.bbc.co.uk/news/uk-11323119

- CED approaches are in themselves a form of civic participation which is a major factor in social inclusion. The socio-economic outcome focus of many social enterprises plus their strong local multiplier ensures that they will have a role in addressing areas of disadvantage.
- The ability to make local economic and political decisions is key to a successful local economy along with effective working between public and private sector networks. Creating innovations that link together both local supply and demand with wider economic opportunity is also core to an area's economic success.
- To increase local economies' success in terms of inclusiveness and equality it is best for conventional economic development, local sourcing approaches and CED approaches to move closer to each other. Conventional economic development should become more open to community influence, more sensitive to local needs and resources and better incorporating socio-economic goals into its decision-making. Public and private sector bodies should enable and respond to CED approaches. CED approaches should become more strategic and focus primarily on the mainstream economy delivering their goals; and local sourcing initiatives should incorporate CED objectives to avoid the potential for exclusive approaches.
- While it seems that more centralised large-scale approaches can have the advantages of bringing extra resources and powers that will make an immediate difference, it seems likely that they can undermine the local virtuous circle and long term prosperity of a local economy, potentially contributing to the social segregation and inequality that have been seen to develop in centralised economic environments.
- There is evidence for both positive and negative impacts of localised economies on goods and services' accessibility. Very broadly physical accessibility seems to be increased by more localised economies while point of purchase costs may be higher. It is clear that centralised retail has reduced high street diversity and product ranges, and there is some evidence of a positive impact on product diversity when industries have a revival of local and small-scale enterprise; but more research is needed around this.
- Like most strategies, local and community economy approaches should be used as a tool to deliver socio-economic benefits in a way that assesses likely outcomes and monitors real outcomes for those benefits rather than using, say, small business development as a proxy.
- Linkages with economies that transcend the local is important; importance of 'bridging capital' (open to other areas, well networked, inclusive): while 'bridging' capital' - bringing together different stakeholders in the area to act in unity - is crucial to economic success, such a group must also have the power to act and strong understanding of the specific local opportunities, needs and aspirations.
- It seems likely that there is a great degree of mutual reinforcement between diverse economies, local economic power and positive social factors such as equality and wellbeing, forming a virtuous circle. In ensuring localisation strategies maximise their social inclusion and equality potential, there needs to be local power, good networks, both bridging and bonding social capital, local entrepreneurship, good knowledge and effective local leadership and use of networks as well as sufficient local resources that are well used. The role of national stakeholders is also key.
- The networking of small businesses is crucial to positive economic benefits in an area. It is important to economic decisions to know how businesses interrelate. Local business networking can provide the benefits of scaled-up product and service offer – and sometimes efficiencies - while maintaining the benefits of local autonomies and diversity.
- In terms of the more collective community economic development aspects of localisation approaches, these may be less appropriate a) where public goods or services require large and complex systems, where government may be more appropriate or b) for private goods, where individual enterprise may be more appropriate, or c) where the community institutions are weak or exclusive.
- A wealth of case studies, old and new, is available to disseminate knowledge on successful localisation and CED approaches.
- Finally the many gaps in what looks to be a promising initial evidence base indicate that much more in-depth research would be valuable (see section 7).

Moving on from an unhelpful and poorly evidenced (on both sides) local/global polarising tendency in much of the literature, the role of this study has been to see whether greater attention to localisation potential could bring benefits of inclusiveness, equality and local diversity. From the evidence summarised above it is clear that whilst many evidence gaps remain, localised and community economic approaches – both purposive and non-purposive - have considerable natural advantages in developing stronger local economies, and the potential to deliver a more equitable and inclusive economy; and that this points to an urgent need for a revaluation of how we balance and integrate the two approaches in economic development practice and policymaking. Localisation and community economic development approaches have long been seen as secondary to the 'main business' of inward investment seeking, centralised strategies; in self-fulfilling prophecy style, this has governed the resources, attitudes and powers that have been directed to them, and thus the results they can achieve.

Reconsidering these economic priorities would seem an absolutely critical element of a response to the current economic crisis in order to create a more just and equal economy in which more people have more of a stake.

6. Barriers to localisation and CED approaches, how these can be overcome

A number of identified barriers to localised and CED approaches have emerged through this review, which will be explored further in the next stages of the Mainstreaming Community Economic Development project.

Many of the proponents, such as Lawless (1981) and Shuman (2000, 2006), of more localised approaches referenced in this study consider that a whole range of government policies, including procurement, tax regimes, economic development strategies, subsidies and the lending approaches of banks discriminate against smaller and more locally owned businesses, and some evidence has emerged around these areas.

The lack of decentralised political power in the UK is well covered as a barrier to local economic development. It is at the centre of Jenkins' book, while Bryden & Hart (2001) make much of the very high level of centralisation in the UK and Murray (2010) states that "*innovative local councils complain about being criticised by the Audit Commission for innovating beyond the terms specified by central government. They plead for 'safe places' where they can try out new ways of providing a service*"(p28).

The work of Bryden & Hart also implies that when local government and political leaders fail to integrate well with the local population and/or have little power to make key decisions this may well give rise to a failure in local and community economy approaches.

At a more specific level, Shuman (2006) identifies a lack of initiatives that comprehensively bring together the five building blocks he considers crucial for rebuilding local economies (local planning, local training, local investing, local purchasing, local policymaking) from which to learn. While he finds good examples of each building block individually "*it is impossible to point to a single community that has woven all five kinds of action into a coherent plan*" making it easy to dismiss small local successes as "*tiny, superficial, and symbolic*" (p190-191). He gives three US examples of where coherent activity has been initiated:" *a national network of Local First campaigns, a community planning-and-action process in St Lawrence county in upstate New York, and a similar process in the Katahdin region in mid-Maine*" all of which are at early stages. To this could perhaps be added RESO in Montreal (see section 3a) but given we have found CED and localisation activity to be even less advanced in the UK than in North America this is certainly a UK barrier too; both an absence of comprehensive localisation and CED approaches, and the related perception of localised and community economic development approaches as tiny and superficial – the latter being in fact an initial driver of this research project. Lack of guidance and understanding on strategic CED approaches in the UK is a further practical barrier arising from this.

Armstrong et al (2000) also highlighted the difficulties and challenges of evaluating CED successfully, because of its complexity of objectives, beneficiary groups and constituent projects. They found that often this challenge is exacerbated by the failure of bodies responsible for evaluation and funding to understand these complexities, particularly in comparison to evaluating only traditional economic impacts. This presents challenges for learning from and justifying support and funding for CED initiatives.

Another barrier according to Shuman (2006, p119 and 128) is the failure of investor to understand the value of smaller scale, more local, place-based investment: *"If 58% of the economy is place-based, then, roughly speaking, 58% of investment capital should be going into place-based businesses".* He then says very few investments go into locally owned businesses, but doesn't quote research on this. On page 128 he then challenges the contention that investments in any one place are "*inherently risky because they are vulnerable to the inevitable ups and downs of the local business cycle"* saying that *"Done well, place-based investments actually can reduce risk"* because of reality testing and local knowledge; the local multiplier improving the local business environment; and business links with other local businesses that strengthen all. He gives the following unreferenced account: "*When South Shore Bank decided to extend home-improvement loans to ten thousand adjacent properties in a low income neighbourhood in Chicago, it was able to raise overall property values, enhance the underlying security of the loan, and reduce the portfolio's risk".*

Failure of public procurement to fulfil its local supply chain generation potential is a common theme in the literature and something backed up by our own experience. Loftman & Nevin (1995) argue that local labour clauses would be one way of making prestige regeneration projects of more value to the local population. McFarlane & Cook (2002) wrote *"[public] expenditure could be a means of bringing non-working local people back into the workforce, but too often this opportunity is missed because neither the purchaser nor the provider has this as a priority. To make employment and training a key outcome of a public expenditure programme it needs to be incorporated in the specification of what is being purchased. However, the legislative and policy frameworks for doing this are complex and there has been a lack of detailed guidance, especially in relation to the European treaties and procurement directives"* (pV)*;* they identify a lack of clarity around how community benefit requirements for contracts etc comply with procurement law; Murray (2010) identifies historical inaction by procurement officers resulting from this confusion. While EU procurement law specifically excludes the use of the term 'local' in defining contract requirements there are many ways in which this approach can be effectively achieved[9]. With the recent Social Value Act and forthcoming EU legislation changes it is hoped this barrier will be overcome.

Smaller firms' comparative lack of economy of scale is also seen as a barrier although diseconomies of scale have also been identified. CPRE (2012 (p4) suggest that smaller food retailers working together as a cooperative could overcome the barriers of insufficient supply of local produce and the admin burden of trading with very many suppliers. Lewis & Conaty (2012) identify the success of this approach in the Emilia Romagna region of Italy. Using local business networks to scale up and thus achieve both economies of scale whilst maintaining local autonomy is a solution discussed elsewhere.

The Local Enterprise Partnership agenda has elements of both barrier and opportunity for localised and CED economic approaches. LEPs' primary focus is promoting enterprise and growth, rather than aiming to meet social, economic and environmental needs collectively – which provides no driver for economic approaches that target disadvantage and aim to tackle social exclusion or inequality. On the other hand LEPs as new bodies provide the opportunity for new conversations and individuals involved may be inspired by CED approaches; and the LEP agenda provides an opportunity for voluntary and community groups to engage with enterprise in a way that has happened little before. A study of LEP proposals by Localise West Midlands (Leach & Baxter, 2011) found them largely dominated by centralised economic

9 West Midlands Economic Inclusion Panel (2010): *West Midlands Procurement Framework for Jobs and Skills: Harnessing public and third sector buying power.*

thinking and with little attempt to consider local supply chains, and with as little emphasis on social outcomes as one would expect from their brief; although small business support, startups, and upskilling of local people were common themes. The potentials of the LEP agenda will be explored further in the later stages of this research.

In summary the main barriers to localisation and CED approaches emerging from the literature are around a lack of local power; lack of comprehensive CED approaches from which to learn, difficulties in evaluation, failure of public procurement to fulfil its potential, lack of understanding of risk in locally targeted investment, tackling economies of scale, and potentially the pure economic focus of local enterprise partnerships. We will be exploring these and further barriers and identifying solutions to them through practice and policy case studies in the remainder of the Mainstreaming CED project.

7. Gaps identified for further research

Because the literature review has found less empirical evidence than we expected on the social inclusion, equality and local diversity impacts of localisation and CED approaches, we propose that more work is needed on this in a number of areas.

In the literature we have reviewed was a tendency towards anecdotes and case studies rather than collated evidence. Without diminishing the significance of the evidence we did identify, there are widespread assertions from localisers and sustainable economy proponents; little reaction from neoliberalists to counter these assertions; and insufficient evidence to inform either.

What we also see from the literature is that for the localised and community economic development approach to be fully effective there needs to be a working system or network of local government, businesses and local communities that work effectively together and have the power and resources to do so. This means that relationships are complex and that for many impacts there is probably not a single causation. Research made difficult by this complexity is further complicated by different priorities amongst those evaluating benefits, the potential to argue that each area is unique[10], and potential significant differences between short term and long term impacts – for example in the Swansea case study where the inward investment approach appeared to bring short term benefits but longer term damage.

Thus from the particular interest of this study there is a need for:

a) Systematic comparisons of the socio-economic impacts of different economic approaches, rather than case studies. It is very unlikely to be the case that all CED projects will create greater local benefits particularly for the excluded than all inward investment projects. Thus studies of individual particularly good or bad cases do not help greatly, and a more structured approach is needed that takes account of other relevant factors. In terms of considering the most effective way of improving the economic performance of a whole area, Bryden & Hart (2001) provide a good example of what is needed, although they only consider certain types of area and do not consider the impact on social and economic inclusion. Similarly the much-quoted 1946 Mills & Ulmer study should be replicated in current times; Blanchard et al (2012) suggest that the methodology of their study into health within entrepreneurial cultures *" could be applied to a variety of indicators of well-being, such as crime, suicide, population growth and school performance*" (p11); equivalent studies that seek to explore the benefits of inward investment approaches with a local and UK relevant focus.

[10] e.g. Cambridge is accessible and south-east based and has one of the world's most successful high tech universities and is thus difficult to compare with Swansea.

b) 'Longitudinal' studies of economic impacts of different approaches over longer timescales in an area such as Simmie & Martin (2010); including to identify what factors have caused the demise or decline of localised economic activity and what impact this has had on inclusion, equality and diversity.

c) UK-based studies: as can be seen from our sources, there is much more American than UK material, and because the political and economic development environment is very different, particularly in terms of sub-nationally decentralised powers, comparisons are not always easy to draw.

d) studies that look into local business *networks* *and supply chains*- rather than simply into local businesses. Weingaertner & Barber (2010) conclude that the body of academic evidence on impacts of regeneration on established small businesses does not consider "*relations between service-sector businesses and how they can contribute to promoting socio-economic aspects of sustainable regeneration*"(1671). (for example the interdependence of service-sector businesses and how they survive regeneration as old industry dies off and new uses come forward.) Studies investigating how to get the best out of local networks so that they are as effective as possible, and what powers should be decentralised to support this.

e) Research into 'social externalities' in different types of economy (see section 3c) and into who disbenefits from increasing a local multiplier in an area that is disadvantaged or not particularly wealthy. The trade that has been 'brought back home' has come from somewhere; how might it be possible to quantify the impacts of this switch on social inclusion and equality? (See section 3a)

f) Investigating how economies and diseconomies of scale work in different economic sectors.

g) Research around accessibility of facilities, services and commodities (including energy and food) on disadvantaged individuals or areas in more and less centralised contexts.

h) Research into how product and organisational diversity, local identity and distinctiveness and cultural variance are affected by different models of development.

i) Research into the social inclusion, income equality and diversity impacts of outsourcing: we have not found evidence on the socio-economic impacts of outsourcing trends in this review. As part of globalisation and centralisation there has been significant growth of outsourcing over recent decades. While this potentially creates opportunities in smaller businesses it does so in a centralised context in which much of the economic power remains with the larger outsourcing business, with economic arrangements often based on cutting costs for the outsourcing business. The impacts of this trend on inclusion, income equality and diversity are unclear.

j) Investigating co-operation, competition and their impacts on social cohesiveness in urban localised economic environments reflecting the findings of Brasier e al (see Section 3c); for example in Birmingham Wholesale markets where the combination of competition and community between its constituent businesses made for what our interviewees in later stages of the Mainstreaming CED project felt is a positive and interesting working environment. The Jewellery Quarter and Balsall Heath's Balti Triangle would also be useful testing grounds.

This list is not comprehensive and we expect further evidence and evidence gaps to emerge from the later stages of this project.

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Localise West Midlands
The Warehouse, 54-57 Allison Street, Digbeth, Birmingham, B5 5TH
0121 685 1155; karen@localisewestmidlands.org.uk
@localisewm