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Wal-Mart's Not Coming to Town

by Gregory Bresiger

Wal-Mart is not coming to my neighborhood. That's because the powers that be of New York City recently said that Wal-Mart wasn't wanted here. In fact, given the comments of our political and labor leaders, one would think Wal-Mart was a kind of disease.

What are Wal-Mart's sins? It has found unique ways to make products available to tens of millions of people who can't afford them elsewhere. Wal-Mart, the same as any successful business, is consumer-driven.

Sam Walton, the revered founder of this now-controversial chain, avowed,

By cutting your price, you can boost your sales to a point where you earn far more at the cheaper retail price than you would have by selling the item at the higher price.

Also, Wal-Mart has a different philosophy than most other retailers about how to compensate employees. It doesn't believe in unions. Instead of guaranteed high wages, the company would rather give the employees — Walton called these valuable people “associates” — modest wages plus a share of the profitability of the company. It worked.

Wal-Mart employees under Walton's model are unlikely to be clock-watchers or to have a civil-service mentality. They understand the connection between their fortunes and the profitability of their store and company.

Walton, in his autobiography that was published around the time of his death about a decade ago, noted the company had won every union-organizing battle and has continued to win almost every union-certification vote over the last 10 years. Instead of unions, Walton argued for a partnership between associates and management.

The partnership we have at Wal-Mart — which includes profit sharing, incentive bonuses, discount stock purchase plans, and a genuine effort to include associates in the business so we can all pull together — works better for both sides than any situation I know of involving unions.

The Wal-Mart model — like it or not — has indisputably been a success on two levels. No one — not even its biggest critic — disputes that Wal-Mart delivers remarkable values.

Second, Wal-Mart is the little engine that became a monster locomotive. It began “in the sticks” more than 40 years ago. It was sneered at by some of its big-city competitors who wrote off its leaders as hayseeds and second-rate Babbitts. Indeed, in his autobiography Walton wrote that the media thought Wal-Mart was run “by a bunch of bumpkins selling socks off the back of a truck.”

Wal-Mart was laughed at because it built branches in rural communities that big retailers eschewed. K-Mart, for example, wouldn't go into towns with fewer than 5,000 people, while Wal-Mart saw an underserved, potentially profitable niche market.

Its competitors thought Wal-Mart was misguided even as it started eating their lunches. The buying public quickly recognized a good deal. And in the early days there were no hostile political and media enemies to worry about because Wal-Mart had yet to become a giant that destroyed inefficient competition. Initially, Wal-Mart's expansion was noncontroversial.

Indeed, I can remember how my mother — living on a fixed income in a rural Pennsylvania county because it was too expensive to retire in her native New York City — raved about the Wal-Mart that had come to her county in the early 1990s.

“The service at that store,” she said of the Wal-Mart in Westfall Township, “is wonderful.” Previously, she practically had to drive to New York City to find a department store. But Wal-Mart, toward the end of the 1990s, was beating many of its frustrated rivals. Now they — and their labor and political allies — were no longer laughing at Wal-Mart. They whined that Wal-Mart was too successful.

Some 36 years after its founding, Wal-Mart had made remarkable progress. By 1998, it had 2,400 stores and some 800,000 employees in the United States and was the number-one retailer in the world. By 1999, the *Financial Times*, the British version of the *Wall Street Journal*, was writing that Wal-Mart was an “operation whose efficiency is the envy of the world's storekeepers.”

These things are bad?

The attack on consumers

Yes, they are to the radical Left that controls much of New York City. Ours is a city whose anti-capitalistic leaders' tax-and-spend policies have destroyed industry after industry, such as railroads and manufacturing. The departure of industries and jobs has sent many of my middle-class friends to less-taxing climes. Yet Wal-Mart was told by a hostile city council and by other local public officials, Don't come here.

Mayor Bloomberg was one exception to this anti-Wal-Mart sentiment. He could see the point of Wal-Mart's bringing business into a city that needs jobs and whose consumers are supposed to get the best. Nevertheless, the Wal-Mart haters won this battle.

But the losers aren't the leaders and shareholders of Wal-Mart, who will find many other towns delighted to have them. New York lost. But its leaders can't see how they have betrayed the people they claim to serve.

There are tens of thousands of New Yorkers who would probably have patronized the store. They would have been attracted because they already face some of the highest costs and taxes imaginable. For those without huge incomes, New York City — a city *Money Magazine* once called "tax hell" — can be a very difficult place. Many people who struggle to make ends meet would have been delighted to patronize Wal-Mart and other big retailers operating big-box stores. How do I know this?

It is because thousands of New Yorkers are already patronizing these kinds of stores in the suburbs. Why don't these stores come here? City zoning policies and the political climate are hostile, or require such an extensive review process that most don't even try. Thankfully consumers can still spend some of their money as they please.

Unfortunately for our ruling class, when we speak about where one decides to shop, we're talking about something that is the opposite of the public sector, where one just pays and pays with no control over what happens to one's money.

No one can force anyone to spend money in the competitive private sector (a sector that doesn't include those pretend capitalists who want government bailouts, subsidies, and all sorts of tax breaks). With the money the expanding public sector hasn't mulcted, you can boycott as much as you want. It's your money. You earned it! It is one of the characteristics of capitalism that I would guess drives many politicians *mashugah*.

People want to spend their own money — or what's left of it after various levels of governments have wasted so much of it — just as they please. Thus, many of the constituents of the public officials who vetoed the giant retailer will still spend money at Wal-Mart, albeit in Wal-Mart stores outside New York City.

New Yorkers live with many substandard retail stores — some of which were in league with our local labor Luddites to keep out Wal-Mart. But that doesn't mean all New Yorkers agree with these political elites.

Indeed, many Bronx residents of modest incomes shop in New Jersey and Westchester County. Many residents of Queens and Brooklyn head for Long Island, where big-box stores generally are welcome. That's because they bring jobs and low-priced goods that are wanted. Other overtaxed New Yorkers do their grocery shopping in the suburbs because city zoning rules discourage large supermarkets.

Wal-Mart, unions, and wages

Nevertheless, big-box stores — according to the New York media, labor, and political elites — are not wanted here. That's because well-organized unions and some Wal-Mart competitors pressured the politicians. Indeed, with the mayoral election on the horizon this year, a local labor leader used the Wal-Mart cause célèbre to start throwing around his weight.

“The No. 1 issue facing our members in the five boroughs is the threat and spread of big-box stores,” said Patrick Purcell, a director of a food workers' union.

This is the top issue? The top issue in a city with myriad fiscal and employment problems? Yes, the labor leaders insist, Wal-Mart — like Carthage — must be destroyed.

“We believe the next mayor has to have an open mind on this,” according to Purcell. That's Newspeak for “political leaders must have a closed mind on the subject of Wal-Mart and all other big-box stores.”

Witness Rep. Anthony Weiner (D-N.Y.), who is running for mayor at the same time he holds a seat in Congress.

“We are against Wal-Mart because it is a bad neighbor,” said Weiner in a press release in which he cited his own Wal-Mart study.

Among the findings of the Weiner study, “For every Wal-Mart that opens in a community, two supermarkets close. All over the country, Wal-Marts are springing up and bringing local communities down.” Wal-Mart pays “rock bottom wages.”

But Weiner's “study” doesn't jibe with the recent conclusions of someone who is actually an economist and who studied the effects on counties in which Wal-Mart opened a store.

“I find that immediately after entry, retail employment in the county increases by approximately 100 jobs,” writes Emek Basker, an economist at the University of Missouri, in his work “Job Creation or Destruction?” Basker also writes that the 100 jobs figure “declines by half over the next five years as some small and medium-sized retail establishments close. Restaurant employment increases slightly; there is no change in employment in manufacturing or in automobile dealerships and service stations.”

Basker also found that the net effect of Wal-Mart's entrance into a community — in a five-year period — “is positive and significant.” And wages? Wal-Mart pays on average about \$8 to \$9 an hour.

“These wages,” Basker writes, “are on par with wages paid by other large discount chains (like K-Mart and Target), but are typically below union rates.” However, in a footnote to the study Basker writes that “in markets where Wal-Mart competes directly with unionized retailers, it is said to match the union wage.”

Basker is also not figuring in the effect of Wal-Mart's excellent benefits package — its stock option plan, profit sharing, et cetera — which has been a significant source of income for many

Wal-Mart associates. (The Walton autobiography has the classic story of a truck driver who worked for Walton for 20 years and accumulated some \$707,000 in company stock. Walton, by the way, had promised the driver if he worked hard he'd have \$100,000 after 20 years).

Finally, I read the Basker study several times but never did I find anything approximating Weiner's claim that Wal-Mart brings "local communities down." Actually, I've lived in small communities that had Wal-Marts. The effect seemed to be the opposite.

One labor leader in the Weiner release bristled about the possibility of Wal-Mart in New York: "Together we will stand up for our workers and our neighbors and say 'no' to Wal-Mart."

Hey, I'm a neighbor. So are all the people in my apartment complex. Nobody asked us anything. By contrast, I have heard a number of comments suggesting that some new stores would be welcome in my area.

Competition and Wal-Mart

Wal-Mart had been looking at a property in Rego Park, Queens, which is a few miles from where I live. Rego Park is an area that could have used another department store. The local Sears is run down.

Competition from Wal-Mart would have accomplished one of two possible outcomes: It would have run the Sears branch out of business or forced it to offer its customers better products at lower prices. That is good.

Renewed competition is why markets work. Functioning markets require that firms either effectively compete or go out of business. Failure is as essential as success is. In fact, failure can be part of a trial-and-error method by which consumers and capitalists learn vital lessons about what works and what doesn't.

Warren Buffett once invested in U.S. Air. He realized it was a mistake and sold his shares. Sam Walton had a number of failures in his first years of retailing. He learned from his errors. Wal-Mart's frequent price changes are part of the trial-and-error method that leads nimble market players to success as well as leading some losers to become eventual winners.

But the efficient Wal-Mart couldn't make that case in a city that demonstrates its hatred of property with the continued existence of outdated rent-control laws. These are crazy laws that often benefit well-off tenants (Charlton Heston, baseball star David Cone, et cetera) at the expense of the rest of us. Is it any wonder that New York City has chronic housing shortages?

Yet I believe Wal-Mart is not the loser. We are the losers. Wal-Mart will find communities happy to have new jobs and low prices that help many of the constituents whom Purcell, Weiner, and other leaders claim to be representing. But their victory is a hollow one.

While turning down Wal-Mart is great politics, it reflects the thinking of a group of economic illiterates. These are people who would advise troubled candle-makers to lobby for a

law out-lawing the sun. The defeat of Wal-Mart was a victory of the self-anointed who want to control our spending habits and dictate how many choices we may have.

If some New Yorkers want dirt-cheap prices, if they need very low prices to maintain a decent standard of living, well that's just too bad, say our leaders. They can't be allowed to have them, say the pesky scolds and social engineers who would like to run every aspect of our lives. These Platonic guardians rule this city and injure commerce with a regularity that ensures sky-high taxes and subpar economic performance.

I want more jobs and more efficient retailers. I want our leaders to stop destroying our city's economy. I want Wal-Mart to come to my neighborhood.

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