

Is Anti-Wal-Mart Legislation Good for Us?

By Randall G. Holcombe

In 2005 Maryland passed legislation requiring organizations with more than 10,000 employees in the state to spend at least 8 percent of their payroll on health benefits. The only organization affected by this legislation is Wal-Mart. Similar legislation cropped up in several other states, including Florida, where a bill was filed (but not passed) during the 2006 legislative session.

Does anti-Wal-Mart legislation further the public interest? Wal-Mart's critics say that many of its employees earn wages so low that they qualify for benefits under Medicaid, costing the government money. (The same is true of the U.S. Army, by the way.)

While it is true that some of the lower-wage workers employed at Wal-Mart and elsewhere qualify for Medicaid, it's reasonable to ask whether an employer should be held responsible for providing its

employees with health care just because it provides them with a job.

Granted, some Wal-Mart employees may not qualify for Medicaid and thus may have no health care coverage. But again, one can question whether a company should be obligated to provide health benefits to employees just because it provides them a job.

Wages at Wal-Mart are relatively low because many of its jobs are low-skill jobs. But all of Wal-Mart's employees are there by choice. Nobody has forced them to work for Wal-Mart, and in fact Wal-Mart helps low-skilled workers by providing them an employment opportunity.

Wal-Mart employees are free to quit at any time if a better employment option arises – or even if they decide they'd rather be unemployed than work at Wal-Mart. The fact that they're working there shows they believe it's their best option.

Wal-Mart's employees are not behind this push to force Wal-Mart to increase its health care expenditures; it is a combination of unions (who don't like the competition of non-union labor) and competing businesses (who don't like having to compete with a very efficient retailer), along with activists who are more generally anti-big-business. As is often the case, these groups see the potential of using the force of government as a way to achieve outcomes more favorable to them.

Ironically, Wal-Mart already does a great deal to help out low-income Americans, and not just by providing them jobs. Wal-Mart follows through on its slogan, "Always Low Prices," and low-income Americans can stretch their incomes further by shopping at Wal-Mart. (Many high-income Americans also like Wal-Mart's low prices.)

The effects of Wal-Mart's efficiency and low prices have rippled well beyond the walls of Wal-Mart: Other retailers also have become more efficient because they had to in order to compete with Wal-Mart. Even if you never set foot inside a Wal-Mart, you will pay lower prices for the goods you buy because of Wal-Mart's effects on its competitors. A study by the National Bureau of Economic Research says that increased efficiency in retailing as a result of Wal-Mart's competitive effects has lowered the measured inflation rate by about 1.5 percent a year!

Wal-Mart is good for low-income Americans because it provides them with a source of jobs, and it allows them to stretch their incomes further by buying at lower cost. Considering its overall competitive

effect in the economy, everyone shares the benefit of an efficient competitor, even if they don't shop there.

In our free-market economy, people who don't like Wal-Mart don't have to shop there, and if enough people really find Wal-Mart's policies offensive, Wal-Mart will lose customers and maybe even be driven out of business. In fact, the opposite is happening. Its sales increase every year. Last year Wal-Mart's sales were higher than Target, Sears, K-Mart, J.C. Penney, Safeway, and Kroger combined. Nobody is forced to shop at Wal-Mart, so there must be something about the company that people like.

The free market doesn't give Wal-Mart's critics the answer they like, so they have called upon the force of government. Legislation aimed at making Wal-Mart less competitive would give Wal-Mart's competitors more breathing room – and less of an incentive to become more efficient themselves. In the process, the American economy will be hurt, but low-income Americans, who rely on Wal-Mart for jobs and low prices to stretch their incomes, will be the people who are hurt most.

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