Chapter 1.
The Wal-Mart Effect
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The Wal-Mart effect is so much more than just a phrase that has gained popularity over the past few years. While the saying “Wal-Mart effect” is used when referring to the Wal-Mart Corporation, it is also a term that describes the effects of large retailers in general. Due to Wal-Mart’s tremendous presence as the largest retail company in the country and because it has the most substantial amount of impact, the majority of literature and studies that have been published are focused on this corporation’s impact. Keeping this in mind, the subject of this literature is the Wal-Mart Corporation. The broader purpose of this chapter is to help the reader gain a better understanding as to some of the fiscal consequences and benefits associated with Wal-Mart’s presence in the U.S. economy. The endeavor to provide a better understanding involves summarizing the retail giant’s progression from small southern store to international mogul, explaining what the term “Wal-Mart effect” signifies, and broadly describing the positive and negative economic influences associated with this corporation. Although the text recognizes the obvious relationship between the fiscal outcomes of the Wal-Mart Corporation and social and environmental results, the primary focus is placed on some of the fiscal effects of this company’s practices within the United States.

Background: Wal-Mart

While the “American Dream” is thought of by some as an enticing myth for those living in other countries, Wal-Mart signifies the reality of that debated myth. Though many may be opposed to Wal-Mart as the representative company for the American dream, there is no denying this corporation’s massive expansion from rural town store to national and international retail behemoth. Wal-Mart, which started as a small, locally owned retail store in Arkansas, has transformed into an economic powerhouse that commands envy of its competition. Because this company began in less populated southern towns, and gradually expanded throughout the U.S. within a course of over 40 years, its aggressive growth and logistical strategies have been perfected to a level that is unparalleled by rivals. This aggressive expansion strategy has yielded impressive results by any standard (Figures 1-3).

Figures 1-3. Wal-Mart’s supercenter expansions from 1970 through 1990

Source: (Basker 2005, as cited in Boarnet 2005).

Wal-Mart has gained a strong national presence, and it is evident that strength will continue to grow. For the first time in four years, Wal-Mart had to relinquish its crown to Exxon Mobile for the top spot on Fortune Magazine’s Fortune 500 list this year. Although Wal-Mart suffered a loss of title, this did not hinder the magnate’s ability to increase its empire. As of February, 2006, Wal-Mart operates approximately 1,700 supercenters (Company Spotlight, 2006). While this number is significant, it does not include the company’s wholesale stores, discount stores, or
neighborhood markets; the retail giant currently operates 550 Sam’s Club Wholesale stores and intends to open 30-45 discount stores as well as 25-30 neighborhood markets during 2006. In addition to these openings, Wal-Mart is also proposing to have an increase of its supercenters by 250 stores (Company Spotlight, 2006). Its relentless strive for market dominance has accelerated its growth to new heights. This national powerhouse is expected to control 35% of all U.S. food and drug sales by 2007 (Moberg, 2004). With this level of growth and market dominance, it is clear Wal-Mart has no intention of slowing its performance pace. The multi-faceted level of impact this thriving corporation has on everything it encounters is a hot topic for discussion and concern. From the nation as a whole to small rural towns, the corporation’s intense influence is recognized at every level.

**Economic Effects: National**

Many of the well-known results of having the Wal-Mart Corporation in the United States are recognized at the national level. These effects are wide ranging, from keeping inflation in check to productivity gains. One of the main arguments applied in favor of the Wal-Mart Corporation is its positive effect on inflation. Advocates contend that without Wal-Mart, the U.S. would be facing significantly higher prices; therefore Wal-Mart is an overall money saver. One disagreement associated with this lower-inflation rate benefit is the direct relationship the company’s low prices have on wage rates. Wal-Mart supporters also praise the company for job creation, while others question the quality of the jobs being provided. Though the wage rate controversy is important at the national level, the discussion will be pursued when detailing Wal-Mart’s economic effects on cities and states. The opposing sides concerning the benefits of holding down inflation, productivity gains, and the details of these controversial effects are explored below.

Wal-Mart advocates praise the corporation’s positive relationship with the national rate of inflation and for good reason. Weber (2005) states that a 2005 study initiated/funded by Wal-Mart and conducted by Global Insight established that the existence of Wal-Mart within the U.S. economy holds down the consumer prices on goods by 3.1 percent. This stems from direct and indirect sources. Wal-Mart provides the consumer with low prices, and in an attempt to compete, rivals and suppliers reduce their prices. In a Wal-Martless world, the average consumer would spend approximately $100 on a back-to-school shopping trip; with Wal-Mart in the economy, that same trip will cost the shopper approximately $97 (Weber, 2005). This may sound miniscule, but the amount is quite substantial over a period of time. The Global Insight study found that U.S. consumers could attribute a savings of $118 billion in 2004 to Wal-Mart (Weber, 2005). This is an accomplishment that should not go unrecognized.

While keeping the inflation rate low is a significant feat, contrasting Wal-Mart’s association with the national wage rate is equally as noteworthy. A 2005 Institute for Policies study found that the anti-union retailer’s full time pay of $9.68 an hour is roughly 37% lower than the national standard of $15.35 for the production and non-managerial workforce (http://www.ips-dc.org/projects/global_econ/Wal-mart_pay_gap.pdf). The effect of this suppressed wage rate is two-sided. Countless publications and studies detail Wal-Mart’s notoriously below-average wage rate; this, in turn, would have a direct impact on the nation’s wage rate (Figure 4). In an effort to contend with the “every day low prices”, rivals and suppliers lower wage rates. These below average wage rates lead to numerous other economic and social dilemmas, such as dependency on public assistance and inadequate healthcare. Because these issues hold a particular significance with the financial health of states, they will be tackled more comprehensively when discussing the impact of Wal-Mart on states, cities, and taxpayers.

**Figure 4. Wal-Mart Wage Distribution**
Supporters give Wal-Mart recognition for its impact on National productivity gains. As mentioned when reviewing Wal-Mart’s rise to success, the company has spent years perfecting its production, transportation, and every day operation techniques. These techniques involve the company’s attention to detail; analyzing costs throughout the entire shipping process, examining the disbursement time of goods from shipping crate to shelf, and following the productivity rates of cashiers. These are aspects that Wal-Mart does not overlook. While Wal-Mart’s presence obviously adds to productivity gains within the U.S., the significance of its existence is more prominent than one might initially think. Many believed high technology companies were the primary establishments fueling the productivity gains in the late 1990’s; however, the McKinsey Global Institute found otherwise. The institute’s research found that the company’s “managerial innovations contributed mightily to the big increase in American productivity in the late 1990’s” (Postrel, 2002). This efficiency gain was attributed to the same direct and indirect relationships described above. As the efficiency of Wal-Mart grew, so did its share of the market. Wal-Mart’s contenders quickly pursued these exceedingly productive actions, adopting the model as their own; this contributed to the 1995-1999 production growth rates that were akin to some of the Asian economies when they experienced fiscal acceleration (Postrel, 2002).

The dominant argument against these productivity gains entails the non-monetary prices others associated with Wal-Mart pay in order to create gains in efficiency. When you go into Wal-Mart and buy a gallon of pickles for $2.97, the amazingly low price has been made possible primarily through Wal-Mart’s business practices. These practices affect every affiliated component of the corporation from well-established suppliers to part-time employees. The following sections elaborate upon the prices paid and the benefits gained by those affiliated with this ever-present corporation.

**Economic Effects: Suppliers**

Though the idea of “getting on board” with Wal-Mart is quite enticing and seems advantageous for the average supplier, the results of this venture cover a broad spectrum. It has been thoroughly established that Wal-Mart is the model of efficiency, and albeit unsympathetic, the approaches and demands associated with this level of resourcefulness are necessary features a Wal-Mart supplier must possess in order to maintain their contracts. This level of pressure on suppliers often leads to unprecedented approaches in product design, packaging, and production. Because of the company’s notorious standards, suppliers are well aware that these are the necessary requirements associated with doing business with Wal-Mart. Being aware of the consequences does not guarantee that suppliers can maintain or even reach them. The novices of Wal-Mart’s
supply world will possess those skills, quickly gain them, or be pushed out of the game. This section explores the ongoing struggles encountered by suppliers.

Considering Wal-Mart’s sales record and world-wide presence, acquiring and keeping a Wal-Mart contract is a vital aspect of survival for the supplier. Though it may seem acquiring a Wal-Mart contract is a difficult measure, keeping the contract is the true struggle. Wal-Mart stresses low prices; this involves low prices every year for every supplier. Even well established consumer companies must maintain their traditional business ventures with Wal-Mart. For example, the Dial Soap Corporation “does 28% of its business with Wal-Mart. If Dial lost that one account, it would have to double its sales to its next nine customers just to stay even.” (Fishman, 2003). The supplier’s critical need to gain and maintain Wal-Mart’s business pushes these companies to strive for the necessary unique approaches. While these endeavors for innovation are applied by stern measures, the novel outcomes contribute to efficiency gains, technological breakthroughs, and new standards for the retail industry as a whole.

Securing business with Wal-Mart will likely cause the supplier to see sales and market shares soar, obtaining short-term strength and success. Although the rapid gains in sales of the supplier are valuable, they are not likely to offset the potential bumps in the road that must be traveled to a secure Wal-Mart partnership. To achieve the low prices image that is synonymous with Wal-Mart, the retail giant quite often tells the supplier how much it will pay for a specific good. It is not unusual for Wal-Mart to demand confidential financial records of suppliers for examination, and determine that the suppliers’ margins are too elevated and it is necessary for them to be reduced (Fishman, 2003). Due to Wal-Mart’s strict measures and guidelines concerning supplier efficiency; the company has been known to ask the supplier to restructure their operating techniques. Requests of this nature are often costly and time consuming, but these requests are more than requests. Rather, often this is a situation where producers find themselves, and it cannot be remedied through a diligent work ethic or original concepts. The bottom line is; meet the expectations or lose the Wal-Mart business to those who can meet the mogul’s price requirements and efficiency standards (frequently overseas manufacturers are the only ones that can meet these price expectations). In most cases, the supplier strives to meet these expectations, and the consequences of meeting these expectations must be faced.

Repeatedly the ramifications of meeting these expectations entail exchanging quality for a cost-effective substitute and downsizing in workforce. These shifts in operation don’t always prove to be sufficient solutions; suppliers find themselves buying cheap parts from their competition (China, Mexico, Taiwan, etc.). This common decision helps fuel the U.S.’s dissolution of manufacturing plants. Master Lock, in an effort to meet the demands of retailers like Wal-Mart, announced in 1997 “after its 75 years of making locks in Milwaukee, it would begin importing more products from Asia”. This quickly led to the manufacturer’s opening of a plant in Mexico. The company currently makes roughly 10 to 15% of its locks in Milwaukee. After Master Lock opened overseas, it had 300 employees in Milwaukee compared to its 800 factory workers in Nogales, Mexico (Fishman, 2003). These kinds of business strategies exacerbate the serious problems associated with the dwindling jobs for the U.S. manufacturing labor force. Wal-Mart’s demands are frequently too high, and these are some of the inevitable results of the decisions suppliers are compelled to make.

**Economic Effects: Competitors**

Wal-Mart has a diverse set of effects on its competitors. Several of the economic effects associated with Wal-Mart’s competitors bear many similarities to the monetary outcomes of Wal-Mart’s suppliers, while others bear no resemblance at all. Keeping in accordance with supplier effects, Wal-Mart’s rivals must utilize ground-breaking, tempting strategies that will secure present and future livelihood. Wal-Mart’s strive for efficiency sets the standard. With regards to
other mass merchandisers, it is a model to be imitated; surviving in a Wal-Mart world often demands adaptation and adoption of the company’s dominating business practices. Because the method works so well for the world’s largest retailer, this is a motto and pattern that competitors often employ with similar positive and negative results. In contrast to the effects of Wal-Mart’s suppliers, some smaller retailers thrive by not adopting or modeling themselves after the mogul’s methods. But, as is the case of all of the facets discussed in this writing, some of those left in this retail behemoth’s economic wake do not remain standing.

Keeping in mind Wal-Mart’s unmatched retail growth and dominance within the U.S., the importance of an opposing mass merchandiser’s survival is profound. It is unlikely that this enormous merchandiser is beatable, so the dire need for novel approaches is quite evident. Contending large retailers are stepping up to this challenge, and seeing consumer-positive results. While the Wal-Mart supercenters encompass numerous aspects of the shopping experience (photo processing centers, barbershops, Kentucky Fried Chicken, etc.), its competition has been joining forces and striving for ways to keep the consumer out of this domineering supercenter. In recent years, some retail stores have paired together to form stores inside of stores. They are forming their own one-stop shopping centers (supercenters) that offer variety from Wal-Mart; they are attempting to carry unique shops and brands to create an exclusive shopping experience. Though some of these novel concepts seem not so individualistic, such as Target stores pairing up with Starbucks, they do appeal to a different breed of consumer and they offer diversity. Other pairings provide a higher level of uniqueness and appeal to a broad audience. For instance, the Marshall Fields located in downtown Chicago implemented a variety of in-store novelty stores such as The Coca-Cola Shop, a Bailey Total Fitness store, and an Aprilia USA boutique (Kirk, 2003). These examples have aspects of uniqueness; yet the results of some of these examples are not exclusive. Rather, these examples mimic Wal-Mart in a distinct way; they yield similar economic results. While those results vary from increased sales to escalating environmental strains, some of the fiscal aspects are investigated in more detail.

In most cases, the mass merchandiser’s effort to adapt to Wal-Mart’s efficiency model produces fiscal effects, both positive and negative. Competing retailers, like suppliers, are forced to a higher standard of operation and efficiency if they intend to survive in Wal-Mart’s world. This higher level of efficiency entails employing some of Wal-Mart’s own policies that are perceived negatively. As discussed above, Wal-Mart’s wage rates are often found to be below the national average; contending large-scale retailers are faced with lowering their employee pay in an effort to compete with the giant’s cost-cutting prices. In the eyes of the competing retailer, Wal-Mart currently has a method that economically flourishes; it’s a successful, effective model. Holmes (2004) notes that following the Wal-Mart standard is a concept being pushed by Wall Street. He elaborates by stating that it is perceived as an easier technique by CEOs to follow this sub-standard pay route, even when high productivity models may perform just as well for shareholders and prove more advantageous for the economy (Holmes, 2004). This mentality fuels wage rate depression. Wage rate depression again brings about the conundrum cities and states face when providing public assistance for these individuals; this debate is explored in the next section. As described in Wal-Mart’s economic effects on suppliers, the employment of Wal-Mart’s practices places a price squeeze on producers. Like Wal-Mart, competing mass merchandisers also command products at a virtually unobtainable price; thus pushing jobs and factories overseas. Though this corporation has an effective model, imitating it to receive the positive effects also duplicates and only furthers the Wal-Mart associated negatives.

The case of the independent chain retailer and its ability to stand against Wal-Mart is quite different. These merchandisers often do not have the presence and power that national retail chains contain; therefore, their ability to model themselves after Wal-Mart is not possible. Though strides towards a more efficient operation and other cost cutting measures can most certainly be obtained, the independent retailer is at a disadvantage when it comes to available
monetary resources. Although this lack of available resources is harsh fact to face, the independent retailers do have advantages that even Wal-Mart cannot overshadow. Some retailers have found successful formulas. The main ingredients in these formulas: somewhat competitive pricing and innovative quality. An article in *Supermarket News* highlights one independent company’s successful efforts in competition with Wal-Mart. Harps Food Stores, Inc., which has 48 stores that compete with 26 Wal-Mart supercenters and five Wal-Mart neighborhood markets, has managed to survive as well as experience increases in sales (Moses, 2005). First, it should be noted that the company’s size permits it to be somewhat price competitive; they have the ability to stay within 3% to 5% of the retail goliath in regards to some of their products. Secondly, the grocery store incorporates unique aspects into the shopping experience; cake decorating classes and no-sodium/no-solution meat campaigns are very effective, consumer pleasing items (Moses, 2005). The retailer also focuses on acquiring a variety of products; giving the consumers choices of detergent and dog food beyond the regular items stocked at Wal-Mart has proven quite effective for this small grocery chain. Though the outcome for this store is positive, this is not always the case for the small competitors of mass merchandisers.

While some larger independent grocers can pursue these angles, the small town stores are fighting a losing battle. It is not likely that these town stores should even be labeled competitors. A study conducted by Kenneth Stone, details the impacts of mass merchandisers on rural communities within the state of Iowa. This study was conducted to help Iowa retailers understand the dynamics involved with mass merchandising and how to remain competitive against companies like Wal-Mart. According to Stone’s research, some small towns in the state of Iowa have lost up to 47% of their retail business in a span of 10 years after Wal-Mart entered their market (Figure 5). The study also deduced that eating and drinking establishments within the Wal-Mart localities increased sales by an average of 3% to 7% on a state wide average (www.farmfoundation.org/pubs/increas/97/stone.pdf). On the contrary, the study also indicated that food and drinking businesses outside of the Wal-Mart towns immediately lost sales and were still 9% below the state average 10 years later. These types of results give way to some of the dilemmas states, cities, and towns face when facing the opening of a Wal-Mart store.

**Figure 5.** Iowa Non-Wal-Mart Towns vs. Wal-Mart Towns

Eating & Drinking places after 10 Years.

Source: (www.farmfoundation.org/pubs/increas/97/stone.pdf)

**ECONOMIC EFFECTS: STATES, CITIES, AND TAXPAYERS**

The national impacts of the Wal-Mart Corporation help explain the significance of this corporation within U.S. economy, but its local effects must be also be reviewed. Detailing the fiscal effects that states, cities and taxpayers face due to Wal-Mart’s presence is a necessary component of this text. Each state and the localities within it are affected differently due to the environmental,
social, and economic factors that are unique to every location. Looking at Wal-Mart’s impact on a small-scale economy is needed to better assess the big box retailer’s local effects. These local decisions concerning Wal-Mart and the effects of those choices are frequently the starting point and/or catalyst for some of the fiscal impacts on suppliers and competition. Because many of the variables involved with quantifying Wal-Mart’s fiscal impact are available at the state and local levels, the availability of reliable studies were much more forthcoming than any other section of this literature. Key studies concerning the state and city economic impacts of Wal-Mart’s introduction to the area were chosen to expand upon the struggles states, cities, and taxpayers face. Therefore, pivotal economic effects are subsequently identified.

The fiscal ramifications of Wal-Mart’s presence in states and localities are expansive. These results vary from state to state and locality to locality, yet certain key issues remain the same. Many consumers tend to feel a sense of relief when they realize a Wal-Mart is planning to build in their town, because a well-established and widely known benefit of Wal-Mart is shopper savings. On the other hand, there are repeatedly those individuals/groups that protest or fight Wal-Mart’s attempts to locate within their communities; the fiscal reasons range from fear of wage-depression to perceived higher taxes. Localities, similar to citizens, have varying opinions on Wal-Mart’s presence; some municipalities encourage their presence with subsidies, while others show signs of apprehension. Both reactions are valid; there are studies that sponsor Wal-Mart’s expansion into new markets and there are studies that admonish it. This section explores these controversies.

There are numerous reasons that consumers welcome a Wal-Mart into their town. Wal-Mart, on average, offers significantly lower prices to the shopper when compared to other stores, specifically cost savings on groceries (Boarnet et al., 2005). The retail giant brings in a substantial amount of employment as well. While the employee compensation linked with Wal-Mart is criticized, the retail giant’s introduction to an area can prove quite advantageous for poor, inner-city neighborhoods that lack amenities and employment. Though the salary and benefits are documented as unsatisfactory, many advocates argue that Wal-Mart employment is a substantially better option than unemployment for these residents in the poor, inner-city areas. Building off of previously mentioned Wal-Mart benefits, a locality is much more likely to see an overall drop in prices as other retail establishments attempt to contend with the discount giant. The prime motivation for Wal-Mart advocacy is that Wal-Mart offers the consumer effects that they can see and directly relate to the company: shopper savings. The Wal-Mart shopper often focuses on the benefits given to them. What about the effects they cannot see or directly relate to Wal-Mart? The related effects that are not as obvious to the shopper (wage depression, increased dependency on public assistance, etc.) have motivated advocacy groups as well. Several of these effects on communities and taxpayers have been studied, and the results are controversial.

Some of these locally debated monetary effects were researched and elaborated upon through a collaborative effort among California academics (Boarnet et al., 2005). The study found that if Wal-Mart were to enter the San Francisco area, the 12 counties studied could reap savings that range between $382 million and $1.12 billion per year (Boarnet et al., 2005). According to this limited study, Wal-Mart establishment would be advantageous for the taxpayers of this region. Of course, these savings are not possible without costs. As it has been repeatedly mentioned throughout this literature, the mammoth merchandiser is disreputably known for it’s below average wage rates. These substandard wage rates employed by this non-unionized retailer aggravate dependencies on public assistance. The same San Francisco, CA study mentioned above also found that the region’s wage rates were estimated to fall between $300 million and $576 million per year (Boarnet et al., 2005). The studies findings suggest that the gains in consumer savings outweigh the losses in wage benefits. While this brings up many equity issues, there are other fiscal effects that the study recognized but did not explore. Outwardly, it may appear that the Bay area would be financially better off by welcoming Wal-Mart into the retail market. While
this study appears to be in favor of the Wal-Mart shopper’s savings, this is not necessarily the case.

Wal-Mart’s depressed wage rates heavily contribute to their employee dependency on public assistance. For example, Dub and Jacobs (2004) conducted an extensive study of roughly the same San Francisco region. The purpose of the study was to quantify the impacts of employee public assistance dependency if Wal-Mart were to enter the Bay area. That study deduced that like many states, Wal-Mart workers disproportionately rely on public programs (Table 1). The study concluded that Wal-Mart’s wage practices could cost the San Francisco Bay area taxpayers $86 million a year (Dub and Jacobs, 2004). Dub and Jacobs (2004) also determined the impacts of Wal-Mart’s employee compensation practices on other competing large retailers. As mentioned previously in this text, Wal-Mart contenders often adopt parallel business techniques in order to compete; the study took on the assumption that other retailers might take a similar course of action concerning employee wages and benefits. Under this supposition, the study found that there would potentially be a $1.46 billion burden on taxpayers. Though each study used different assumptions and variables to make their estimations, it is obvious there are substantial shopper savings and costs to taxpayers. On a superficial level, it appears the consumer savings results from the Boarnet, Crane, Chatham, and Manville study published and the depressed wage effects detailed by Dube and Jacobs could have somewhat of a fiscal evening effect. If there actually are gains in consumer savings, those savings are quite expensive in terms of wages, social service provisions, and equity.

Table 1. Family Level Public Assistance, Workers at Wal-Mart and Large California Retailers

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<th>Health Related</th>
<th>Other</th>
<th>Total Public Assistance</th>
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<td><strong>Wal-Mart</strong></td>
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<td>Public Assistance per Worker</td>
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<td><strong>Total Public Assistance Going To Wal-Mart Workers</strong></td>
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<td>$53,000,000</td>
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<td><strong>Large Retailers in California</strong></td>
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<tr>
<td>Public Assistance per Worker</td>
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<td>$890</td>
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<tr>
<td><strong>Total Public Assistance Going To Large Retail Workers</strong></td>
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Source: http://laborcenter.berkeley.edu/lownwage/walmart.pdf

Though California is the example used, there are similar circumstances occurring across the United States. States and cities are at a crossroads as to whether they should allow or deny Wal-Mart’s presence. While there are consequences that are not as quantifiable (traffic, environmental impacts, acres of retail carcasses, etc.), the consumer savings and impacts of low wages are some of the important conflicts facing our states, cities, and towns. Because many of the reasons municipalities prohibit or allow Wal-Mart’s presence have either been established above or are more difficult to measure, the remainder of this section will elaborate upon state and local tactics involved with allowing or prohibiting Wal-Mart’s presence within their economy.
Fiscal Issues in Community and Economic Development

While some cities simply support and allow Wal-Mart’s expansion into their market, other cities feel the need to entice the retail giant. Many localities are placed in the predicament that forces them to not only accept but also potentially compete with neighboring municipalities for Wal-Mart stores. If Wal-Mart comes to a municipality wanting to build a store within their city limits, the locality is burdened with a choice: allow Wal-Mart and receive the benefits as well as the associated negative effects, or reject their proposal. Rejecting the retail giant’s proposal often means losing the benefits and gaining all of the negative effects while Wal-Mart builds in the neighboring community. Cities adjacent to Wal-Mart communities lose astounding figures in retail sales; most municipalities do not want to be the skeleton town that was once vibrant. Because of this real and perceived fear, municipalities often offer subsidies or provide them when prompted by Wal-Mart. These subsidies quite frequently leave taxpayers to pay the bill. Mattera et al. (2004) published findings on 160 Wal-Mart projects that received public funding. The publication documents over $1 billion in subsidies to Wal-Mart. They follow this assertion by stating that the real fiscal total of the corporation’s financial assistance is definitely higher; the lack of availability of the records detailing these activities makes it impossible to assess an overall amount. Public officials have traditionally argued that using taxpayer dollars for subsidies of this nature are justifiable because of the expected growth in business activity and job creation. While revenue growth is certainly expected, these merchandising giants will displace/replace higher paying jobs by closing down competing retailers, depress wages within similar industries, and create/exacerbate many of the prevailing issues covered within this text.

There are many studies that support Wal-Mart’s overall expansion within the U.S., yet literature supporting Wal-Mart’s use of economic development subsidies is scarce if not non-existent. Wal-Mart has abundant wealth and a dominating growth strategy that is unlikely hindered by the lack of public subsidies. This type of financial assistance frequently places a larger fiscal impact/burden on cities, states, and taxpayers. In addition to the monetary costs detailed throughout this literature, providing subsidies means that the taxpayer is left to partially finance Wal-Mart’s expansion efforts. While Wal-Mart’s use of public assistance mechanisms are still quite common within many states and cities, awareness of the consequences associated with the corporation’s establishment within localities is rapidly expanding.

With the growing recognition of this empire’s effects on all levels of the U.S. economy, several cities and states have began to take steps towards minimizing those impacts associated with Wal-Mart and other mass merchandisers. The reactions to mass merchandising economic and social impacts cover a large continuum from new land use regulations to employee benefits laws. Many localities have adopted land use regulations and/or ordinances that either deny or place special conditions on retail stores that are an excess of 100,000 square feet; these regulations and ordinances specifically target the supercenters. For example, the City of Los Angeles’s newly adopted ordinances state that economic impact assessments for anticipated retail stores larger than 100,000 square feet are required in areas that need monetary assistance (Garrison 2004, as cited in Boarnet et al. 2005). Other localities within California explicitly deny the supercenter’s introduction into their markets. Oakland, Arroyo Grande, Contra Costa County, and Martinez are some of the California localities taking this approach (Boarnet, 2005). In response to some of the externalities associated with Wal-Mart’s below average wage rates, some states have implemented laws concerning minimum employee compensation requirements. For example, the state of Maryland recently passed a bill that mandates organizations/companies with more than 10,000 employees must spend a minimum of 8% of their payroll on benefits associated with healthcare. The bill mentions that corporations can place the money directly into the state’s healthcare program for the poor (Wagner & Barbor 2005, as cited by Boarnet et al. 2005). While the state and local steps towards the minimization of Wal-Mart’s impacts are gradual, the steps themselves do signify awareness and movement towards guiding mass merchandising impacts in a more positive direction. The implications of these steps towards impact control are developed further within this chapter’s conclusion.
CONCLUSION: MINIMIZING THE NEGATIVES ASSOCIATED WITH THE WAL-MART EFFECT

This chapter has attempted to detail and quantify the positive and negative aspects of the Wal-Mart effect, yet providing a solution to the negative ramifications of this retailer’s dominance is nothing short of impossible. As can be seen throughout this text, the positive effects of the Wal-Mart Corporation are primarily efficiency oriented. Productivity gains, innovation, holding down the rate of inflation, and materializing the American dream are all prominent feats, yet they are achieved by producing and exacerbating the fiscal, social, and environmental challenges that are prevalent throughout the U.S. Keeping that in mind, the endeavor to uncover the many facets of the Wal-Mart effect did reveal several proposals that certainly prove advantageous in regards to minimizing these challenges. While the most significant fiscal suggestions (land use regulations and state requirements passed by legislation) were superficially described above, the conclusion of this text further examines these steps and their efforts to minimize the negative effects associated with big box retailers.

Building upon some of the regulatory approaches of Los Angeles City that are mentioned in the previous section, many localities are working towards assessing and mitigating the impacts associated with this mass merchandiser and its parallel competitors. Because this regulatory approach has hardly been tested, the results of impact assessment ordinances have not been fully measured (Boarnet et al., 2005). There is also a lack of history regarding the explicit strategies implemented for mitigation, but some municipalities have proposed strategies that appear to be advantageous. In the case of the City of Los Angeles, one of the city’s background reports proposed that some of the mitigation strategies could involve local hiring guidelines and mandates that supercenters must be of assistance to existing retailers within the city. Since the significance of Wal-Mart’s presence within some areas has been demonstrated, the need for some of these regulatory approaches is quite evident. While these types of municipal regulations may not solve or cure the ailments associated with big box retail, these approaches can help spur citizen awareness and internalize associated economic externalities. Examples like the City of Los Angeles demonstrate that governmental bodies are beginning to recognize the implications of their decisions.

State requirements passed by legislation have obvious impacts on mass merchandisers and some of the economic dilemmas associated with them. As in the case of Maryland, requirements on large corporation business practices directly influence the financial health of states and local governments. Implementing other state and/or national laws could likely change/lessen the negative impacts of Wal-Mart and its merchandising followers. National mandates with rigorous guidelines involving international trade and anti-monopolies might cause the Wal-Mart kingdom to lose some of its foothold on many aspects of the U.S. economy. While this would likely result in a loss, rather than a gain in market share for Wal-Mart, it is probable these requirements would result in healthier national, state, and local economies.

Changes in governments, whether national, state, or local, are certainly needed to help ease the negativities of mass merchandising, yet public awareness is the critical component. Awareness of the Wal-Mart effect is growing, yet many Americans are not aware of the ramifications that are associated with big box retail. The Wal-Mart shopper’s concern and focus is the savings one accrues from the existence of this domineering corporation. The need for awareness of this real and increasing effect is great; efforts towards gaining knowledge about the Wal-Mart effect could certainly prove beneficial. Highlighting the wide-ranging effects associated with this organization and others like it could most definitely help produce significant results towards financial, social, and environmental mitigation.
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