



## Who Hates Wal-Mart and Why?

BY RUSSELL ROBERTS

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America remains a country where you can get fabulously rich rolling the dice on a business venture or lose all your money. We have the greatest venture-capital market in the world. Our culture honors success almost unashamedly, from athletes to entertainers to entrepreneurs.

At the same time, there is a tendency to tear down the most successful, suggesting an ambivalence about wealth and success. Class warfare doesn't sell like hotcakes, but it does sell.

Our two most successful companies of the last 20 years, Wal-Mart and Microsoft are often under cultural and legislative attack. Microsoft, like IBM before it, has been under legal attack for years. Now Wal-Mart is increasingly dealing with legal restraints on its ability to compete.

The Maryland legislature has just passed legislation requiring companies with more than 10,000 employees to pay at least 8 percent of their payroll costs for health care or be forced to pay the difference to the state. This affects only one company in the state—Wal-Mart. The Maryland Governor vetoed the bill. But cities and counties around the country have passed various forms of legislation to make it harder for Wal-Mart to enter their areas. Some areas have banned Wal-Mart.

On the surface this looks similar to the challenge facing Microsoft, the inevitable disdain and dislike for the super-successful and the inevitable and frightening use of the governmental process to drag down those who rise to the top.

Both companies face public-relations challenges stemming from their success. Bill Gates is one of the

wealthiest men in the world. Fairly or not, his company is perceived as having a dominance in the marketplace that Wal-Mart can only aspire to. Because of Microsoft's market share, any product failure or imperfection is perceived as a disdain for the customer and the result of corporate arrogance.

Bill Gates's foundation softens his image somewhat. But until Microsoft's market share slips due to a rise in the effectiveness of its competition, the resentment is likely to stick around.

But Wal-Mart's public-relations challenges and the consequent legal challenges it faces are very different. They are due to a different nexus of political and economic forces hidden by the way the media and the public perceive economic events.

When Sam Walton, the founder of Wal-Mart, was alive, his wealth made him a target for criticism, but his charm often disarmed the critics. Now, without an individual that the public associates with the company, Wal-Mart's enemies have only the

company to vilify. The dislike for Wal-Mart would then seem a bit mysterious. Yes, it's a successful company. Yes, it's very large. But what is the source of the public's suspicion of a company that brings low prices and quality products to its customers?

Unlike Microsoft, which has to defend its software's unwieldiness and its vulnerability to spam and viruses, few complain about Wal-Mart's quality or prices. So what's the problem? What's the source for the public support of the political and legal attacks on Wal-Mart?

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The allegations against Wal-Mart are cultural. It allegedly destroys small towns by wreaking havoc with small, independent mom-and-pop retailers on Main Street. It's allegedly a lousy employer that abuses its workers by paying too little and burdening communities with higher health-care costs.

It is these charges of social neglect and decay that Wal-Mart must answer. But who really feels strongly about these issues? As the millions of customers storm through the front doors in search of the cornucopia that it provides, how many of them feel guilt or shame for shopping there?

Very few, as far as I can tell. The happy customers do hear a steady drumbeat in the media about the cultural issues mentioned above. A TV reporter once told me that Wal-Mart's employees are like slaves. Yes, I agreed; it's a wonder they manage to walk to their cars at the end of the day carrying the ball and chain the company forces them to wear. But most of the complaints against Wal-Mart come from those who choose not to shop there, the intellectuals who romanticize small-town life while choosing to live in cities.

Even with all that negative coverage, I suspect the average American and certainly the average Wal-Mart customer feel pretty good about Wal-Mart. So what's the source of the political hostility and legislative agenda it faces?

Most of it comes from the competition. In Maryland, the recent health-care legislation was spearheaded by Giant Foods and various retail-employee unions, whose sphere shrinks steadily under Wal-Mart's expansion.

If you're Giant Foods or another retailer up against Wal-Mart, you have two ways to compete with its grocery business. One is to try harder. Improve your products. Lower your prices. Get better employees. Remodel your stores. Or you can turn to politicians to hamstring Wal-Mart.

The political solution is always appealing. Using the political process avoids a lot of messiness. After all, when you're trying to succeed in the marketplace, it's not enough to try harder. You might make the wrong choices. But going to the legislature is pretty foolproof. If you're Giant Foods, you can't go wrong getting the legislature to tax Wal-Mart.

## Hamstrung by Union Contract

But there's another reason the political solution appeals to Giant Foods versus trying harder. Giant Foods' ability to try harder is handicapped by earlier attempts at trying harder. Recent stories on the Maryland health-care shakedown revealed that Giant's health-care costs are 20 percent of its payroll compared to 8 percent for Wal-Mart. Presumably, Giant and its union negotiated a pretty lucrative health-care deal for the employees. I don't know the length of the contract, but it sure makes it harder for Giant to compete with the nimbler, more-flexible Wal-Mart. No wonder the unions work hard at getting the media to cover how Wal-Mart mistreats its workers, ruins small-town America, and encourages urban sprawl.

Never mind that in a free society with millions of other choices, Wal-Mart seems pretty good at getting workers to apply for openings there. Singing the blues about Wal-Mart's alleged oppression of workers is key to the unions' effort to keep attention off their responsibility for Giant Foods and other groceries being unable to compete.

Why do the media go along? Maybe it's some sort of anti-corporate, pro-union, pro-underdog sentiment. But I have a simpler theory. It's the old story of the seen and the unseen. It's easy to find businesses that close because of Wal-Mart. But the prosperity created by low prices and the resources that are freed up to start new businesses aren't as obviously visible. Yet they are just as real.

Ironically perhaps, the source of Wal-Mart's problems gives me some comfort. True, Microsoft's legal troubles were also initiated by disgruntled competitors. But those competitors had a lot of allies in disgruntled users of Microsoft products. In the case of Wal-Mart, its satisfied customers are a potential bulwark against the political machinations of the competition.

The rest of the story is up to us, those of us who understand the destructiveness of using legislation as a crutch for competitive failure and the harm that such legislation does to a free society. If we can continue to explain the virtues of freedom of choice of where we shop and where we work, the effectiveness of the scare stories about Wal-Mart will wither away. Giant Foods and its allies in the legislatures of America will be seen as nothing more than welfare recipients taking money and choices from us.

