



Wal-Mart myths come cheaper than its prices

By Jim Waters

The Discovery Channel's successful "MythBusters" TV show uses scientific reconstructions and splashy visual effects to tackle three myths each week. The show's Web site states the mission is to find out "what's real and what's fiction."

In one episode, they shot at close range with a gun a scuba tank, stuffing it in the mouth of a fake great white to see if an explosion would kill the shark. Producers wanted to find out if the scene in "Jaws" would stand muster. It didn't.

Some myths may not fit this show's "drop-your-jaw-and-groan-WOW" format. Nevertheless, they deserve to get blown up – just like that movie shark. Among them: Wal-Mart hurts small businesses.

Such myths get traction from left-wing editorial writers, including those at the New York Times who once babbled about Wal-Mart: "The entry of such an especially tight-fisted employer in a community compels competitors to whittle at their own labor costs. That translates into lost jobs and smaller paychecks for everyone."

The ivory-tower editorialists who created this compost heap of nonsense act like they've never had to buy diapers for little ones. I have. In fact, during one stretch recently, I was buying them for two tots at the same time. Believe me, nothing compares with Wal-Mart's less-than-\$6 batch of diapers.

West Virginia University economics professor Russell Sobel has created his own "mini-mythbuster" on Wal-Mart's economic impact in the form of a report slated for publication in *Economic Inquiry*.

Sobel concludes: "Wal-Mart has no statistically significant impact on the overall size of the small business sector in the United States. When all is said and done, there are just as many small businesses that are just as profitable despite the presence of Wal-Mart."

In some areas, the retail giant is actually having a positive impact on small-business growth. In 2000, the concentration of small business in the five states with the most Wal-Marts was actually larger than in those five states with the fewest stores. The average number of businesses with five-to-nine employees per 100,000 residents in the five states with the highest number of Wal-Marts was 115 compared to 89 in the five states with the lowest number of stores.

If critics are right, shouldn't there be fewer, not more, small businesses in states with a horde of Wal-Marts?

A group calling itself Wal-Mart Watch released a report in 2005 preposterously claiming Wal-Mart's expansion in Iowa "was solely responsible" for closing 30 percent of the state's small businesses. Yet, such assertions fail to include new small businesses that opened up.

Granted, directly competing businesses often shut down. However, at the same time Mr. Pop's Hardware Store closes – and this gets ignored by deceptive, ideologically driven groups like Wal-Mart Watch – a new fine-dining restaurant or antique or some other specialty shop opens.

Disregarding this dynamic, known as “creative destruction,” greatly skews the situation.

Wal-Mart Watch and the New York Times also ignore other positive ripple effects on the economy. Dun & Bradstreet Inc. reported that in the fiscal year just ended for Wal-Mart, its Kentucky stores alone did nearly \$2-billion worth of business with 998 suppliers in our state. That translates into supporting 48,500 *additional* supplier jobs.

Not only that, University of Missouri-Columbia economist Emek Basker found that when a new Wal-Mart opens, it drives down prices by 10 percent over time throughout the entire community.

This causes chief University of Kentucky economist John Garen to wonder aloud “if Wal-Mart's expansion has actually kept some small towns afloat.”

So, while the “anti's” scream for Wal-Mart's head, the low-income and elderly – and young parents on a budget with a bunch of kids – can survive.

“If people were forced to buy items at that 10-percent higher cost, I wonder if as many people would live in these smaller towns,” Garen said.

Hmmm. Another “mythbuster,” perhaps?

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