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## Wal-Mart: Santa or Satan?

By Donald J. Boudreaux[1]

As Christmas shoppers flock to Wal-Mart, filling its parking lots to overflowing, should they feel they've betrayed the downtown merchants and meter maids they've left behind?

Ever since it became a popular shopping destination in America's small towns and "edge cities," Wal-Mart has incurred the wrath of nose-in-the-air elites and anxious downtown merchants. Snobs detest the sight of middle and working-class Americans shopping *en masse* at a retailer who delivers immense selection, good quality and low prices – in an environment that makes no pretense of being upscale. Meanwhile, shop owners loathe losing customers to an entrepreneurial rival.

**Paroxysms of accusations.** Wal-Mart's founder – the late Sam Walton -- was, for much of the 1980s, the wealthiest man in America. His wealth sprung from an entrepreneurial genius for finding ever-more efficient ways to retail mass-market goods and pass along the savings to grateful consumers. Of course, whenever entrepreneurial change takes place, many older ways of doing business are displaced by the newly discovered, better ways. Unfortunately, such change -- regardless of how much it benefits consumers – unfailingly spurs the misinformed, the arrogant, and the greedy into paroxysms of false accusations of how the change portends disaster.

*Wall Street Journal* reporter Bob Ortega, with his new book *In Sam We Trust*, recently joined the chorus of those expressing misplaced concern about the popularity of large-scale retailers such as Wal-Mart and Sam's Club.[2]

One such concern is that Wal-Mart's location outside of established downtown areas propels Main Streets into economic and cultural decay. Not so. This accusation rests on the assumption that the geographic locations of yesteryear's economic activities -- that is, areas that we today identify as "downtown" -- are somehow the best or only natural place for retailing activities. But this assumption is baseless. The downtown areas that compete with Wal-Mart were themselves, at their inception, new areas whose entrepreneurial advent drew economic activity away from yet older areas. Much of the populist literature of the 1870s and 1880s, in fact, laments urbanization and the demise of small towns and of life on the farm.

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[2] Bob Ortega, *In Sam We Trust*, Times Books, November 1998.

More importantly, losing its existing stores to the Wal-Mart located at the edge of town does not mean that a downtown area isn't viable or that it's doomed to decay. The reason is that newer stores, more suited to a modern downtown area, fill the void. Downtown can become more, not less, vibrant. This improvement in downtown areas is the result not only of Wal-Mart making it unnecessary for older retailers of staple goods to occupy scarce downtown retail space, but also by Wal-Mart's lower prices that effectively raise consumers' real incomes. As incomes rise, so too does the demand for more culturally diverse and interesting consumer goods and services.

**The Case of Greenville.** An example is downtown Greenville, South Carolina. Wal-Mart and other discounters prosper today in Greenville's suburbs. One result of the arrival of these retailers was the closing of many of Greenville's long-standing downtown retailers. But downtown didn't stagnate. Instead, downtown Greenville today boasts many new (and exquisitely good) restaurants, exercise salons, antique stores, art galleries, up-scale furniture stores, and shops specializing in goods from many different parts of the world. If Wal-Mart hadn't freed up valuable downtown commercial space, these new retailers may never have appeared in such number. Greenville today would be much duller and culturally far more stagnant.

Some downtown areas are indeed slow to be revitalized, but edge-city retailers are not to blame. Downtown stagnation, when it occurs, all too often results from misguided government policies such as high taxes, restrictive zoning, and regulations that unnecessarily hike the cost of starting new enterprises on Main Street. Wal-Mart's arrival might accelerate Main Street's demise, but it almost never causes it: Main Street might thrive with new and specialty retailers if government did not hamstring entrepreneurs eager to create new enterprises downtown.

According to Mr. Ortega, Wal-Mart's success also raises ethical questions. The typical concern is that Wal-Mart's profits are unethical because its success comes at the expense of Main Street. As described above, this accusation is factually incorrect. But a larger point about Mr. Ortega's ethical qualms deserves mention.

Wal-Mart never holds a gun to anyone's head. Wal-Mart purchases its land, its labor, and its supplies peacefully and voluntarily. It then offers goods to consumers who shop voluntarily at Wal-Mart. If consumers didn't like Wal-Mart, Wal-Mart would be bankrupt. Wal-Mart prospers only because -- and only as long as -- consumers value its services. One golden, ethical rule in America is freedom. Wal-Mart should be free to please consumers and consumers should be free to spend their money wherever they wish.

**Disdain for Ordinary People.** Unlike Wal-Mart, the elites and interest groups opposing it invariably advocate government coercion rather than voluntarism to bring about just that pattern of retailing and consumer expenditures they happen to fancy. This attitude by the anti-Wal-Mart crowd not only is built upon the arrogant presumption that they know best the ideal structure of retailing; it also smacks of a grotesque disdain for the voluntary and peaceful decisions of ordinary people.

By enabling people to save on basic retail items, Wal-Mart makes it possible to enjoy more of other worthwhile things in life – larger retirement funds, more education, improved health care, more nights at the opera or at the ball game. Thanks to Wal-Mart, consumers enjoy a richer Christmas shopping experience – and can invest those quarters the meter maid no longer takes.