

The Wal-Mart Revolution. How Big-Box Stores Benefit Consumers, Workers, and the Economy
by Richard Vedder and Wendell Cox

Reviewed by Tracyann Henry

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Earlier this year, I observed a Wal-Mart customer wheeling his shopping cart containing some grocery items, a couple of shirts, and an LCD television (sale item). While this sight was a bit amusing, it epitomizes how much retail shopping has changed. Big-box stores such as Wal-Mart are influential in the evolution of retail trade, providing – among other innovative features – a one-stop convenience with low prices that many consumers seem to appreciate. Richard Vedder and Wendell Cox, in their book “The Wal-Mart Revolution: How Big-Box Stores Benefit Consumers, Workers, and the Economy”, explain the dynamic retail industry and the impact Wal-Mart has on this industry. Using related research, relevant data statistics such as wages, unemployment and total sales, basic economic principles, and regression analysis, the authors present an argument for the existence of Wal-Mart.



The authors begin with a discussion on the importance of Wal-Mart. Using demand-supply models, they present the argument that there is an overall gain to society with the introduction of big-box stores such as Wal-Mart. These stores enter the retail market with typically lower distribution costs, influencing supply and consequently lowering the prices of these products. On the demand side consumers benefit from lower prices, and while some local incumbents may lose on the supply side, the gain in consumers' benefit outweighs this loss leading to an overall increase in the net benefit to society. Additionally, the authors argue that while there may be some spillover effects from the introduction of these stores, the overall gain to society is maintained. These negative spillover effects however seem to be

the basis for some of Wal-Mart's criticisms. These criticisms range from lower wages and job loss, to a negative impact on competitors and communities. Although Wal-Mart seems to be the main target (if not the only target) for these criticisms, the authors point out that Wal-Mart is not the only store involved with discount prices. In fact, the retail industry is dynamic with the previous innovation being department stores, mail order retailing and chain variety stores. Wal-Mart does have competitors and some competitors "actually predate Wal-Mart as a corporation" [p.67], having their reign in the early twentieth century. "Supercenters" such as Target and Kmart, "specialty big-box stores" such as Lowe's and The Home Depot, and "specialty retailers" such as Best Buy and Circuit City are among the group of Wal-Mart competitors.

But, if we focus on Wal-Mart alone, would we say it is good or bad? The authors address this question by looking some of Wal-Mart's criticisms, one of them being job loss. Using regression analysis, they explore whether Wal-Mart has improved job opportunities by evaluating the relationship between Wal-Mart's presence and different measures of employment opportunity such as the unemployment rate. They conclude that Wal-Mart does have a positive impact on job opportunities (see table 6-1 for a part of their results). Furthermore, when looking at wages and benefits, they conclude that given the skill level of Wal-Mart's workers, their "wage policies are not significantly out of line with industry averages" [p.99]. With similar investigations and other scholarly research, they conclude that the economic impact of Wal-Mart centers on communities is more positive.

After addressing other criticisms, the authors conclude that Wal-Mart should be viewed and treated as any other "competing retailer". However, if one concurs with the main criticism of low wages and benefits, they cautiously propose (not support) in the final chapter, four policies that may be implemented.

Although this book is intense, business seniors majoring in retail or economics should enjoy reading it. It presents a good discussion in favor of Wal-Mart and while some issues such as product quality were not addressed, these omissions could be the start of a great discussion on the ever changing retail industry.