

ProfessorBainbridge.com

Law Business Economics Religion Football Food Wine

[Home](#)

[Archives](#)

[Subscribe](#)

[Bio and Policies](#)

07/01/2009

Wal-Mart and Health Care

Megan McArdle [observes](#):

I find it hard to believe that none of the liberal commentators breathlessly celebrating Wal-Mart's "capitulation" on national health care have even entertained the most parsimonious explanation: that Wal-Mart is in favor of this because it raises the barriers to entry in the retail market, and hammers Wal-Mart's competition. Yet somehow, this appears nowhere in any of the analysis.

Wal-Mart is always going to have a seat at the table when employer mandates are discussed, because Wal-Mart is the nation's largest private employer. Target and Macy's probably won't have a seat at the table. So Wal-Mart can influence the rules in ways that benefit Wal-Mart at the expense of the competition. This is partly because the regulators often cycle into jobs at the firms they regulate, but also simply because the regulator's attention is finite, so being consistently at the table allows you to shape their views over time.

[Michael Cannon](#) explains with numbers:

... the lobbyist explained the reason for Wal-Mart's position: "Target's health-benefits costs are lower." I have no idea what Target's or Wal-Mart's health-benefits costs are. Let's say that Target spends \$5,000 per worker on health benefits and Wal-Mart spends \$10,000. An employer mandate that requires both retail giants to spend \$9,000 per worker would have no effect on Wal-Mart. But it would cripple one of Wal-Mart's chief competitors.

So yesterday's news that [Wal-Mart is publicly endorsing a "sensible and equitable" employer mandate](#) — i.e., a mandate that hurts Target but not Wal-Mart — didn't come as a surprise to me. It merely confirmed what I learned in a cab on the way to the airport: Wal-Mart has gone native. That great symbol of the benefits of free-market competition now joins its erstwhile enemies among the legions of rent-seeking weasels who would rather run to government for protection than earn their keep by making people's lives better.

Plus there's this from McArdle:

Also not considered: Wal-Mart cut a deal with the SEIU in exchange for the SEIU leaving it alone.

I think the unionization point is significant even if there is no Wal-Mart--SEIU deal. When unions have tried to organize Wal-Mart, they've always used health benefits as one of their selling points. If there's a public option (or, better yet, a single payer plan), Wal-Mart gets to defang a strong argument for unionization at the tax payer's expense.

But there's something else going on here too. Cannon claims that "Wal-Mart is a [capitalist success story](#)." (Or, I guess, he thinks it used to be.)

In fact, however, Wal-Mart has been suckling at the government teat for decades, transferring costs to the tax payer whenever possible.

Indeed, Wal-Mart is heavily dependent on government subsidies. Wal-Mart routinely gets sales and property tax abatements when it opens a new store, to cite but one example. According to a 2004 study (albeit one funded by a union) the subsidies can amount to as much as 12 million dollars per store. Additional de facto subsidies come when uninsured or under-insured Wal-Mart employees get health care at government expense. Supporting government-run health care

looks like a sop to the politicians who control the subsidy tap.

I examined Wal-Mart's dependence on government subsidies back in 2006 for TCS Daily, [writing](#) that:
... both the left and right implicitly cast Wal-Mart in the role of free market capitalist. What's missing from the debate is the extent to which the Wal-Mart story really is the antithesis of laissez-faire capitalism. When you look under the rug, it turns out that Wal-Mart is a beneficiary of corporate welfare.

When Wal-Mart plans a new store, it typically asks local and county governments for an array of benefits, principally in the form of various economic development subsidies:

- Infrastructure assistance in the form of new or expanded roads and utilities servicing the store location.
- Sales tax abatements.
- Property tax abatements.
- Income tax credits.
- Enterprise zone treatment for the store location.
- Eligibility for job training programs.
- Eligibility for tax exempt industrial revenue bond financing.
- Economic development loans and grants.

In some cases, Wal-Mart benefits directly from such subsidies. In others, the benefits initially go to the real estate developer who owns the land on which the store is built, but are then passed on to Wal-Mart in the form of reduced rents or a lower land sale price. In 2005, for example, the [Dallas City Council approved a plan](#) "to grant the developer half of the sales tax revenue that the Lake Highlands Wal-Mart produces specifically for the city of Dallas, up to \$1 million." ...


In a very real sense, Wal-Mart thus is in part a creature of big government. From this perspective, Wal-Mart's recent hiring of long-time Democratic operative Leslie Datch and significant increase in contributions to Democratic politicians comes as no surprise. (Of course, as Timothy Carney has [argued](#), it may also be that Wal-Mart is now using big government not just to boost its own growth but as a tool to squash competition.)

In sum, Wal-Mart is just doing what it does best: dumping costs on taxpayers.

Posted at 06:30 PM in [Current Affairs](#) | [Permalink](#)

[Digg This](#) | [Save to del.icio.us](#)

Comments

 You can follow this conversation by subscribing to the [comment feed](#) for this post.

Verify your Comment

Previewing your Comment

Posted by: |

This is only a preview. Your comment has not yet been posted.



Your comment could not be posted. Error type:

Your comment has been saved. Comments are moderated and will not appear until approved by the author. [Post another comment](#)

The letters and numbers you entered did not match the image. Please try again.

As a final step before posting your comment, enter the letters and numbers you see in the image below. This prevents automated programs from posting comments.

Having trouble reading this image? [View an alternate.](#)

