sfexaminer.com

The Examiner

OPINION

Liberals cheer Wal-Mart's potshot at competitors

By: Timothy P. Carney
Examiner Columnist | 7/2/09 10:58 PM

Wal-Mart has joined forces with Team Obama behind a federal mandate that will squeeze smaller competitors, evoking applause and surprise from liberal bloggers, who declare change is in the air.

But Wal-Mart's use of Big Government to gain competitive advantage is nothing new, nor is Big Business support for Democrats' health care interventions. Rather than lending more credibility to Obama's health care reform, Wal-Mart's endorsement ought to raise more skepticism.

Wal-Mart, together with the Center for American Progress — basically, the nonprofit arm of the Obama White House — and a labor union, published a letter Tuesday supporting a federal mandate that businesses offer health insurance for all employees.

Why would Wal-Mart, the largest employer in the private sector, support a burdensome regulation?

We've read all sorts of airy explanations from liberal bloggers who focus on health care. Ezra Klein at The Washington Post writes that Wal-Mart's endorsement "ensures that its concerns will be heard and heeded," and "repairs ... damage ... done to its reputation in recent years."

CAP, which has received at least $500,000 from Wal-Mart, according to the company's Web site, argued that Wal-Mart was supporting the mandate because "all firms would benefit from the reduction in unpaid medical bills incurred by the uninsured." These are nice, harmless explanations that miss the point.

The New Republic's health care blogger, Jonathan Cohn, came close to Wal-Mart's true motivation: "Wal-Mart has suddenly found itself ... dealing with unpredictable health costs and facing new competition from businesses that have found ways to spend even less on employee health benefits."

The most important part of that analysis can be put more simply: Wal-Mart sees a way to use government as cudgel with which to kneecap smaller opponents.

You see, Wal-Mart already offers health insurance to all full-time employees and some part-time employees. Many of its competitors do not do this, which is why the National Retail Federation opposes the mandate. An employer mandate imposes costs on Wal-Mart's competitors, possibly without imposing costs on Wal-Mart.

Cato Institute health care expert Michael Cannon wrote this week of when a Wal-Mart lobbyist explained the company's support for a federal employer mandate: "Target's health benefits costs are lower."

A mandate for employer coverage will have some standards, and if those standards —maximum employee cost, maximum deductible, minimum coverage—are stricter than what, say, Target offers, Target suffers, which is Wal-Mart's gain.

Even if Congress requires employers to offer more generous benefits than Wal-Mart is offering, this helps Wal-Mart for the same reason Big Business often profits from burdensome regulations: Economies of scale allow bigger businesses to pay for regulations more easily than smaller companies.

Wal-Mart has nearly six times as many employees as Target, but more than six times the revenue. Insuring 2.1 million "associates" doesn't cost six times as much as insuring 350,000 employees. The mandate may drive up Wal-Mart's prices, but it will drive up Target's more — bad for consumers, bad for Target and bad for mom and pop, but good for Wal-Mart.

Liberal bloggers and writers almost completely ignore this simple explanation. Perhaps it didn't occur to them, or maybe they don't want to admit that their reform, at its heart, favors the Wal-Marts of the world.

Frustrating for the reality-based folk among us is the liberals' claim that something groundbreaking is occurring.

0 Comments

Post a comment:

Email:
(This will not be displayed or shared. Privacy Policy)

Display Name:

Comment:

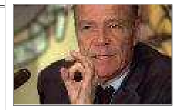
Submit Comment

Reader Comments:

NATION

Alaska observers say Palin had gone fishin' on job

As surprised fans and critics of Alaska Gov. Sarah Palin... Full story



McNamara, defense secretary during Vietnam, dies

Robert S. McNamara, the cerebral secretary of defense who... Full story

WORLD

Ethnic riots spread in China's west; 156 killed

Riots and street battles killed at least 156 people in... Full story

RSS | Contact Us | Rack Locations | Advertise: In Print | Online | Terms of Use | Privacy Policy