



## Wal-Mart: The High Cost of Low Price

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With every seat filled, Sorenson Theater's audience gasped in disgust as they watched claim after claim of Wal-Mart's alleged wrongdoings in Robert Greenwald's new documentary, *Wal-Mart: The High Cost of Low Price*. The high turnout indicates the interest people have in the extent to which Wal-Mart affects our lives.

Here are just a few of the memorable points the movie had to offer. We learned of an independent grocer from Missouri who could no longer compete with Wal-Mart's deeply discounted prices, convenience, and variety. He was finally forced to close the business he built forty years ago. Another poignant story followed a young woman who works for Wal-Mart's factories in Shenzhen, China, where we saw the repulsive conditions she faced.

She lived in a filthy dormitory and worked monotonous twelve-hour work days, earning a measly salary. And speaking of diminutive salaries, Wal-Mart has been driving down aggregate retail wages by \$3 billion every year. Meanwhile, the five Walton heirs are sitting on more than \$18 billion each. One of the most infuriating stories was about Donna Payton, a mother who had to make the inconceivable choice between medicine and food for her two children.

When she asked her manager for a promotion, he denied it to her. Ms. Payton asked him if it was because of her black skin or because she was a woman; her boss replied, "Two out of two isn't bad." The entire Sorenson audience gasped in disbelief after that remark. Racism, sexism, crime, exploitation, and betrayal are only a few of the larger issues presented in this riveting documentary. *Wal-Mart* is an incredibly controversial movie, quite similar in nature to Michael Moore's *Fahrenheit 911*, which criticized President Bush. Both documentaries are unapologetically one-sided, convincing, and full of fervor. I know many people will defend Wal-Mart, and that's fine. However, I am not one of those people; I recognize a need for change.

As Wal-Mart grows, innovation will become scarce—that is a fact. Mom and pop stores that pride themselves on genuine customer service and unique products are getting to a point where they cannot create enough value to charge premium prices. Rising energy costs and tight job markets are prompting people to find new ways to stretch the dollar, many settling for Wal-Mart as a one-stop-shop with dirt-cheap prices.

Yes, Wal-Mart offers some products at slightly lower quality, but many people speculate that Wal-Mart will be the first company to hit \$1 trillion in sales within a decade. Americans always need the latest fad: iPods, portable DVD players, big-screen plasma Hi-Definition TVs, camera phones ... the list goes on. Wal-Mart offers these once-too-expensive luxuries to everyone, thriving on America's obsession with trendy consumer goods.

Wal-Mart's philosophy is really genius: if they pay their workers low enough wages, they'll be forced to only shop at Wal-Mart, not being able to afford anything else. Effectively, they create their own perpetual market, all with a smile (and from referring to the overly ubiquitous Wal-Mart smiley face logo, not their customer service). Of course, this is highly exaggerated, but from just afraid this is where our economy is heading.

Wal-Mart loosely reminds me of a Communist "government," doling out the same standardized goods to everyone, creating a mediocre national subsistence level. Microeconomics tells us that monopolistic companies are inefficient. Wal-Mart is not a monopoly but is moving in that direction. Surely enough, Wal-Mart will eventually hit diseconomies of scale as it will become too large for its own good.

Something has to give—employees will revolt in some kind of union, the government will intervene, bands of customers will boycott, or Wal-Mart's management will slip up. And if Wal-Mart ever must close some of their stores, the small-town economies that depend on "Everyday Low Prices" will be utterly

helpless. Defenders of Wal-Mart argue that "if you don't like Wal-Mart, don't shop there." But it is not that simple. As Wal-Mart replaces smaller independent retailers, many isolated American communities must shop at Wal-Mart to purchase certain goods. Regulatory agencies cannot neglect those areas. And don't forget, Wal-Mart is a global company, so even an American boycott (which is highly unlikely) would not shut them down.

Wal-Mart is bigger than its competitors in terms of physical store size, number of locations, revenues, profits, and growth; therefore, it more greatly affects our economy. We must assess

whether we want a cheap portable DVD player or innovation, meaningful jobs, and consumer choice. The only reason why this is a difficult decision is because we are used to having easy access to nice things as Americans.

As much as I criticize, Wal-Mart is not good or bad; rather, it has become a necessary evil in our society—a double-edged sword-giving us affordable goods to meet our wants and needs, while decimating the surrounding economy as we know it. I have never enjoyed shopping at Wal-Mart from the perspective of a consumer, but after seeing *The High Cost of Low Price*, I dislike Wal-Mart as a future investor, an American citizen, and a human with a conscience.