

If It's Got a "Y" in It, It's Wal-Mart Day at Mises.Org

Kevin Carson

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Freeman, Libertarian Critter's gone so far into the enemy camp, he's started numbering his anti-Wal-Mart posts now. In No. 4 of that series, he links to an interesting exchange at Mises.Org. Lawrence Vance baldly asserted, in a recent column:

Wal-Mart has never caused any firm to go out of business. Wal-Mart can't close down any store but one of its own. It is the customers who no longer do business with a company or shop at a particular store who put that company out of business or closed that store.

Roderick Long responded in the comments:

Well, yes and no. It's not as though Wal-mart is a pure market firm, operating with no government patronage. For one thing, Wal-mart often gets the land for its stores by eminent domain. Since land obtained by eminent domain is generally land obtained below the market price (i.e., below the price at which the owner would have sold voluntarily – otherwise eminent domain wouldn't have been needed), Wal-mart's operating costs are lower than they would have been without government help.

So, sure, customers voluntarily choose to shop at Wal-mart because of its lower prices; but those lower prices have been made possible, in part, by theft – so it's not exactly fair competition. If I got to steal my means of production I could offer lower prices too. (And eminent domain is only one of the many ways in which big corporations are aided by state violence.)

And if Wal-mart first uses government intervention to help it defeat its competitors, and then takes advantage of the absence of such competitors in order to offer employees lower salaries than they could if the competitors hadn't been wiped out, then Wal-mart's low salaries are not exactly a pure market phenomenon either.

To be sure, Wal-mart's success isn't due solely to state patronage; there's been genuine entrepreneurial skill involved too. Still, Wal-mart's success is rather tainted.

Another commenter acknowledged that their ED abuse was unfortunate, but suggested their innovative distribution model would surely result in lower prices with or without ED. Long responded, again:

Wal-mart's efficient "distribution model" is also subsidized by the fact that the highways are tax-funded, no? Federal funding for highways means (ceteris paribus) that businesses relying more heavily on long-distance shipping have a state-funded advantage over those who don't.

High-speed, high-throughput wholesale distribution models, including their latest "just in time" progeny, came into existence only after the U.S. government created a centralized, dependable, high-volume transportation system on a continental scale. Without the government-subsidized railroad system, there wouldn't have been any regional or national mass wholesalers, no large factories serving national markets, no mass retail chains after the turn of the twentieth century. This connection between subsidized transportation and large-scale distribution was only heightened by the post-WWI automobile-highway complex, and by the civil aviation system (created almost entirely with government money and government land seizure). So Wal-Mart's distribution system is piggybacked on one of the most mind-bogglingly huge social engineering projects in human history—by a revolution from above.

Now in fairness, I don't think Wal-Mart can be said to be any more guilty of collusion with the state than its big-box competitors. Wal-Mart surely does, as Roderick says, display some "entrepreneurial skill." But its skill is in how much more efficient it is than its competitors in exploiting an ecological niche created by state capitalism.

Of course, I've already beaten this dead horse until it could be used for dog food, with no further processing. But here's something new under the sun. This story comes from "JB," an anonymous small manufacturer in Wisconsin, who in the process of talking shop on a sales trip, wound up comparing notes on Wal-Mart with reps from a would-be Wal-Mart vendor (the Simplicity lawnmower manufacturer) :

According to the VP in our meeting, WalMart was all set to go with a specific model of Simplicity lawnmower. On the day they went to see the buyer in Bentoville to get the final p.o. and go over a few minor changes to the graphics, the buyer suddenly let the VP (and owner and a few others that flew down) know that in order for the purchase to go through Simplicity would have to "cheapen-up" many of the parts, but not change the name or model number in comparison to what was sold at their "mom and pop"/other dealers.

So, in a nutshell, the buyer wanted to undercut all other vendors (which is understandable) not with volume, but with DECEPTION.

I have heard so many stories like this from so many different manufacturers, that I have a hard time seeing myself using WalMart as a vendor in the future. To me, this IS "the market" working — it won't start with consumers, it will start with vendors such as myself depriving WalMart of selection due to their behavior — if WalMart responds to the concerns, they will stay in business, if they don't, they will be Kmart in 30 years.

Yep, that's right. Apparently one way to have "always low prices—always" is to slap a fraudulent label on a cheap knockoff with substandard parts, and sell it as a brand name item with the same model number and everything. Uh, by the way, in a free market, even in a free market anarchy with voluntary court systems, this kind of thing doesn't fall under the ordinary rules of *caveat emptor*. It's called *FRAUD*. And under the rules of any free market legal order deserving of the name, it would result in the civil equivalent of the offender getting his scrotum nailed to the wall.

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