

# Viewpoints

## World's largest retailer doing good via greed

### Top of Utah Voices



**Michael Vaughan**

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**Commentary**

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I grew up in the shadow of Wal-Mart, the world's largest retailer. My hometown of Springdale, Ark., is less than 25 miles from Wal-Mart's corporate headquarters. In 1962, Sam Walton opened his first Wal-Mart store within a 10-minute drive of our home. In the 1960s and '70s, my hometown was torn between loving and hating Wal-Mart. Although we didn't know it at the time, we were on the cutting edge of a debate which still rages around the globe.

Our town's initial reaction to Wal-Mart was positive. The Wal-Mart stores were larger than anything we had seen; as a kid I was impressed with the size of the toy department. Everyone was happy with the low prices. People quickly discovered that almost everything was cheaper at Wal-Mart.

But soon we began to see the downside to Wal-Mart's "everyday low prices." The dozens of small retail businesses that lined Main Street couldn't compete.

The small retailers observed that Wal-Mart could sell products cheaper than they could buy them. It didn't take long for Wal-Mart to take its toll on these small businesses.

When I started grade school, over three dozen

small retailers lined Main Street selling toys, paint, hardware, appliances, televisions, cameras, shoes, jeans, dresses and anything else one might need. By the time I graduated from high school, all but four or five of the locally owned stores had gone out of business. You may notice that the local retailers in downtown Ogden had a similar experience.

Small retailers weren't the only businesses to feel the squeeze. In order to keep prices low, Wal-Mart went wherever it needed to buy manufactured goods.

More often than not, it sought out manufacturers outside the United States.

Wal-Mart's quest for cheap goods sent many U.S. manufacturing jobs overseas, often to less-developed countries with few regulations

on business.

Critics of Wal-Mart contend that Wal-Mart has played a major role in the decay of downtown retailing, urban sprawl, the decline of U.S. manufacturing and the transfer of jobs overseas. Yet, there is another side to the Wal-Mart story.

Consider an example which highlights Wal-Mart's potential to do good.

Wal-Mart recently announced that it is cutting the price on 314 generic drugs to \$4. The \$4 prescription gets the customer a 30-day supply of generic drugs in categories ranging from gastrointestinal to cardiac. It is too early to assess the full effect that Wal-Mart's \$4 prescription will have upon the nation's health-care system, but experience suggests that it would be a mistake to underestimate the potential influence of Wal-Mart.

The \$4 prescriptions are now available in 27 states. The retailer Target has already announced that it intends to match Wal-Mart's \$4 price for generic prescriptions. Wal-Mart may also be successful in getting large pharmaceutical companies to reconsider their pricing

policies. After all, the power of Wal-Mart has forced countless other manufacturers to lower their prices in order to do business with Wal-Mart.

Many small-shop owners from my hometown have passed on. Those who are still around have retired. They no longer fight to compete with Wal-Mart in the business arena. A number of them do fight to come up with the money they need to cover the cost of their health care, and a huge part of this cost is the price of prescription drugs. It is something of a paradox that their old nemesis may turn out to be their best friend.

Over 200 years ago, Adam Smith, the Scottish economist and political philosopher, made the paradox of the competitive market the object of his studies. Smith concluded that businesses

were largely motivated by greed and self interest, yet the marvel of the market is that greedy motives create a system that is incredibly efficient and beneficial to consumers.

Another economist, John Kenneth Galbraith, observed that the power of large corporations is sometimes best kept under control by the power of other large corporations. Galbraith called his theory countervailing power.

Wal-Mart certainly presents a formidable force to the power of the large pharmaceutical companies, and the consumer may benefit from the clash of these forces.

My intent is neither to demonize nor deify Wal-Mart. Wal-Mart is simply a large and highly visible reflection of our country's market economy.

The market system isn't perfect. One of its clearest defects is the impersonal nature of the market. Unless forced to do so, markets don't generally consider how outcomes will influence individuals' lives, society or the environment.

Though unintentional, the market is also capable of producing tremendous good. The market, attenuated when necessary, is the best economic system available. Milton Friedman once observed that: "The problem of social organization is how to set up an arrangement under which greed will do the least harm, capitalism is that kind of a system." Friedman's observation is applicable to both the market system and the large corporations spawned by the market, including Wal-Mart.

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