

as preventions or cures for the H1N1 (swine flu) virus.⁸² Or the quack remedies and treatments peddled to AIDS patients here and abroad. Bottles of processed pond scum and concoctions of herbs, injections of hydrogen peroxide or of cells from the glands of unborn calves, the eating of bee pollen and garlic, \$800 pills containing substances from mice inoculated with the AIDS virus, and even whacking the thymus gland of patients to stimulate the body's immune system—all these are among the treatments that have been offered to desperate people by the unscrupulous and eccentric. Deregulation of the medical field seems most unlikely to diminish such exploitation.

DISCUSSION QUESTIONS

1. What explains the fact that licenses are required for so many occupations? What do you see as the pros and cons of occupational licensure in general? Does it have benefits that Friedman overlooked?
2. Do you believe that licensure in medicine or any other field is desirable? If so, in which fields and under what circumstances? What guidelines would you use to determine where licensure is needed?
3. Is occupational licensure consistent with the basic principles and values of capitalism? Is it a violation of the free-market ideal? How would you respond to the argument that licensure illegitimately restricts individual freedom to pursue a career or a trade?
4. Does licensure make the market work more or less effectively? Would you agree that as long as consumers are provided with accurate information, they should be permitted to make their own choices with regard to the services and products they purchase—even when it comes to medical care? Or is licensing necessary to protect them from making incorrect choices?
5. Friedman and others view the AMA as a trade union, and they believe that the high incomes of doctors are due more to artificial restrictions on the free market than to the inherent value of their services. Is this an accurate or fair picture of the medical profession?
6. Is licensing an all-or-nothing issue? Or is it possible that although only licensed professionals should be permitted to perform certain services, paraprofessionals and laypersons could perform less expensively but equally competently other services now monopolized by licensed professionals?



CASE 4.3

One Nation under Walmart

THE HUGE CORPORATIONS THAT PRODUCE OUR cars, appliances, computers, and other products—many of them household names like Nike, Coca-Cola, and Johnson & Johnson—are a familiar feature of contemporary capitalism.

But Walmart represents something new on the economic landscape. Now the world's largest company, Walmart has

achieved its corporate preeminence not in production but in retail. No other retailer, at any time or in any place, has ever come close to being as large and influential as Walmart has become. After years of nonstop growth, there are now more than 8,400 Walmart stores worldwide, and 140 million shoppers visit its U.S. stores each week. And the company is

opening more stores all the time as it moves beyond its stronghold in the rural South and Midwest and into urban America. In fact, 82 percent of American households purchase at least one item from Walmart every year. As a result, the company's marketplace clout is enormous: It controls about 30 percent of the market in household staples; it sells 15 percent of all magazines and 15–20 percent of all CDs, videos, and DVDs; and it is expected to control soon over 35 percent of U.S. food sales. For most companies selling consumer products, sales from Walmart represent a big chunk of their total business: 28 percent for Dial, 24 percent for Del Monte, and 23 percent for Revlon. Walmart is also responsible for 10 percent of all goods imported to the United States from China.⁸³

The good news for consumers is that Walmart has risen to retail supremacy through the bargain prices it offers them. The retail giant can afford its low prices because of the cost efficiencies it has achieved and the pressure it puts on suppliers to lower their prices. And the larger the store gets, the more market clout it has and the further it can push down prices for its customers.

Everyone, of course, loves low prices, but not everyone, it seems, loves Walmart. Why not? Here are some of the charges that critics level against the retail behemoth:

- Walmart's buying power and cost-saving efficiencies force local rivals out of business, thus costing jobs, disrupting local communities, and injuring established business districts. Typically, for example, within five years after a Walmart supercenter opens, two other supermarkets close. Further, Walmart often insists on tax breaks when it moves into a community, so its presence does little or nothing to increase local tax revenues.
- Walmart is staunchly anti-union and pays low wages. Its labor costs are 20 percent lower than those of unionized supermarkets; its average sales clerk earns only \$8.23 an hour, and most of its 1.4 million employees must survive without company health insurance. Small wonder that employee turnover is 44 percent per year. Moreover, because of its size, Walmart exerts a downward pressure on retail wages and benefits throughout the country. Critics also charge that Walmart's hard line on costs has forced many factories to

move overseas, which sacrifices American jobs and holds wages down.

- Government welfare programs subsidize Walmart's poverty-level wages. According to one congressional report, a two-hundred-employee store costs the government \$42,000 a year in housing assistance, \$108,000 in children's health care, and \$125,000 in tax credits and deductions for low-income families. And internal Walmart documents, leaked to the press, confirm that 46 percent of the children of Walmart's 1.33 million workers are uninsured or on Medicaid. The document also discusses strategies for holding down spending on health care and other benefits—for example, by hiring more part-time workers and discouraging unhealthy people from working at the store by requiring all jobs to include some physical labor.
- As Walmart grows and grows, and as its competitors fall by the wayside, consumer choices narrow, and the retail giant exerts ever greater power as a cultural censor. Walmart, for example, won't carry music or computer games with mature ratings. As a result, the big music companies now supply the chain with sanitized versions of the explicit CDs that they provide to radio stations and that are sold elsewhere. The retailer has removed racy magazines such as *Maxim* and *FHM* from its racks, and it obscures the covers of *Glamour*, *Redbook*, and *Cosmopolitan* with binders. Although many locations offer inexpensive firearms, Walmart won't sell *Preven*, a morning-after pill—the only one of the top ten drug chains to decline to do so.

For these reasons, Walmart's expansion is frequently meeting determined local resistance, as concerned residents try to preserve their communities and their local stores and downtown shopping areas from disruption by Walmart through petitions, political pressure, and zoning restrictions. As one economist remarks, for Walmart “the biggest barrier to growth” is not competition from rivals like Target or Winn-Dixie stores but “opposition at the local level.” As a result, Walmart has begun responding to the criticism that it is a poor corporate citizen and miserly employer by improving employee health insurance coverage and adopting greener business practices. And even its usual critics applauded when the company responded rapidly to Hurricane Katrina, sending truckloads of water and food, much of it reaching residents before federal supplies did.



First Lady Michelle Obama teamed up with Walmart on an initiative that will result in the company offering a larger selection of healthy foods at more affordable prices. What does such an alliance suggest about the relationship between business and society and between business and politics?

When it comes to Walmart, Professor John E. Hoopes of Babson College encourages people to take a long-term view: "The history of the last 150 years in retailing would say that if you don't like Walmart, be patient. There will be new models eventually that will do Walmart in, and Walmart won't see it coming." And, indeed, in recent years the company's sales growth has slipped as the Internet has changed people's shopping habits and as other discounters have done a better job of attracting affluent consumers and providing higher quality and better service.

In the meantime, where you stand on Walmart probably depends on where you sit, as Jeffrey Useem writes in *Fortune* magazine: "If you're a consumer, Walmart is good for you. If you're a wage-earner, there's a good chance it's bad for you. If you're a Walmart shareholder, you want the company to grow. If you're a citizen, you probably don't want it growing in your backyard. So, which one are you?"

DISCUSSION QUESTIONS

1. Do you like Walmart? Do you shop there? If so, how frequently? If not, why not?
2. Is there a Walmart store in your area? If so, has it had any impact on your community or on the behavior of local consumers? If there's no store in your area, would you be in favor of Walmart opening one? Explain why or why not.
3. Is Walmart's rapid rise to retail dominance a positive or a negative development for our society? What does it tell us about capitalism, globalization, and the plight of workers?
4. Can a retailer ever become too large and too powerful?
5. Is opposition to Walmart's expansion a legitimate part of the political process or is it unfair interference with our market system and a violation of the company's rights? Do opponents of Walmart have any valid concerns?