Is Wal-Mart Good for America?

It is a testament to the public-relations success of the anti-Wal-Mart campaign that the question above is even being asked.

By any normal measure, Wal-Mart's business ought to be noncontroversial. It sells at low cost, albeit in mind-boggling quantities, the quotidian products that huge numbers of Americans evidently want to buy—from household goods to clothes to food.

Wal-Mart employs about 1.3 million people, about 1% of the American workforce. Its sales, at around $300 billion a year, are equal to 2.3% of U.S. gross domestic product. It is not, however, an especially profitable company. Its net profit margins, at about 3.5% of revenue, are broadly in line with the rest of the retail industry. In fiscal 2004, Microsoft made more money than Wal-Mart on just one-eighth of the sales.

The company's success and size, then, do not rest on monopoly profits or price-gouging behavior. It simply sells things people will buy at small markups and, as in the old saw, makes it up on volume. We draw your attention to that total revenue number because, in a sense, it tells you most of what you need to know about Wal-Mart. You may believe, as do service-worker unions and a clutch of coastal elites—many of whom, we'd wager, have never set foot in a Wal-Mart—that Wal-Mart "exploits" workers who can't say no to low wages and poor benefits. You might also accept the canard that Wal-Mart drives good local businesses into the ground, although both of these allegations are more myth than reality.

But even if you buy into the myths, there's no getting around the fact that somewhere out there, millions of people are spending billions of dollars on what Wal-Mart puts on its shelves. No one is making them do it. To the extent that mom-and-pop stores are threatened by Wal-Mart, it's because the same people who supposedly value their Main Street hardware store find that Wal-Mart's selection, or prices, or parking lot—something about it—is preferable. Wal-Mart can't make mom and pop shut down the shop any more than it can make customers walk through the doors or pull out their wallets. You don't sell $300 billion a year worth of anything without doing something right.

What about the workers? In response to long-running criticisms about its pay and benefits, Wal-Mart's CEO, Lee Scott, recently called on the government to raise the minimum wage. But as this page noted at the time, Wal-Mart's average starting wage is already nearly double the national minimum of $5.15 an hour.

So raising it would have little effect on Wal-Mart, but calling for it to be raised anyway must have struck someone in the company as a good way to appease its political critics. (Bad call: Senator Ted Kennedy quickly pocketed the concession and kept denouncing the company.) The fact is that the company's starting hourly wages not only aren't as bad as portrayed, but for many workers those wages are only a start. Some 70% of Wal-Mart's executives have worked at the company for less than 10 years.

The company has also recently increased its health-care options for employees on the bottom rungs of the corporate ladder. Starting in January, one of those options will be a high-deductible health-savings account, which is a great way to insure yourself if you're relatively young, relatively healthy and yet want to protect against the onset of some catastrophic illness. Mr. Kennedy, who recently called Wal-Mart one of the most "anti-worker" companies around, has been a chief opponent of these worker-pro, pro-market health insurance vehicles.

But suppose Wal-Mart did look more like the company its detractors would like it to be, with overpaid workers, union work rules, and correspondingly higher prices on goods. It would not only be a less attractive place to shop, and hence a considerably smaller company. It would drive up the cost of living for the millions who shop there, thus hurting those in the bottom half of the income-distribution tables that Wal-Mart's critics claim to be speaking for. One might expect this fact to trouble the anti-Wal-Mart forces, except that their agenda is very different from what they profess it to be.

As our Holman W. Jenkins Jr. pointed out in a recent column, the vanguard of the Wal-Mart haters is composed of unions that have for decades kept retail wages and prices artificially high, especially in the supermarket business. Those unions have had next to no success organizing Wal-Mart employees and see Wal-Mart's push into groceries as a direct threat to their market position. And on that one score, they may be right.

But seen it that light, it becomes clear that much of the criticism is simply a form of special-interest lobbying in socially conscious drag. And why an outsider observer should favor the interests of unionized supermarket employees over those of Wal-Mart shoppers and employees is far from clear (unless you're a politician who gets union contributions).

Any company as successful as Wal-Mart will invariably run afoul of such vested interests. It is in the nature of the rise of a new giant on the scene that it disrupts established ways of doing things and in the process upsets established players. So it was with Standard Oil at the beginning of the 20th century, IBM in the middle and Microsoft at the end of the century. Wal-Mart, perhaps because it restricted itself to towns of less than 15,000 people as a matter of policy into the 1990s, at first avoided and later seemed blindsided by the attacks that have come its way.

The company has never been shy about defending its interests. But some of its recent ripostes—such as Mr. Scott's call for hiking the minimum wage or its gestures toward fighting global warming—seem to be addressed to the wrong audience.

Its customers don't need to be told what they like about Wal-Mart. But the company's management would do well to bear in mind that it is those millions of shoppers, and not the elites with which the company has sometimes of late been seen to be currying favor, that have