Subject: Economic Theory
Posted by FredT on Sat, 12 Aug 2006 13:44:52 GMT
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I don't believe either of you lacks an understanding of basic economic theory and how the free market works. In a free market, competition among the providers of goods and services forces each provider to sell at prices that their customers perceive as the best price/quality combination. Otherwise, their customers will buy from a competitor. The benefits of this system versus a state-run monopoly are clear.But in the case of Wal Mart we are witnessing a new paradigm - a monopoly (or monopsony) that is able to provide the lowest prices by bullying their providers (suppliers, communities, employees, etc.) to sell their goods and services for less. There's no question that Wal Mart customers appreciate their low prices, and that these low prices benefit society by forcing Wal Mart's competitors to lower prices, enbaling people to have more for less.The problem with the power of Wal Mart and other mega corporatins is that there's an enormous hidden cost. Their suppliers, required to lower prices year after year, are forced to move their manufacturing facilities overseas to comply, thus jobs are lost. Of course they could just say no, but Wal Mart is so big that they can't afford to not be a supplier and remain in business. Communities, desparate for new businesses to generate jobs, are forced to provide tax incentives to attract Wal Mart stores. Then when Wal Mart opens a store small competitors in the community go under - notice the closed and boarded businesses on the main street of any small town that has a Wal Mart. Local people desperate for employment accept Wal Mart jobs because there are no other options, and are forced to work for wages that don't permit them to buy medical insurance, forcing the State to assume the cost of medical treatment for the uninsured. It goes on and on. Wal Mart isn't unique, but by virtue of its enormous size and clout it is able to do these things more effectively than competitors.As a conservative/moderate type I would prefer to ignore these adverse effects. I like low prices. I'm not a Wal Mart supplier, I can afford medical insurance, I'm retired so it's unlikely my job will be exported to China, etc. But as the number of people effected by this phenomenon grows, it becomes impossible to have any social conscience and not be concerned about it. I don't know the answer, but I know it isn't simple. I suppose it rests in legislators' and regulators' ability and willingness to view Wal Mart and other mega corporations as monopolistic in their dealings with suppliers, customers, and communities, and to enact regulations that limit its power. Not likely, because these mega corporations now fund elections through their PAC's.
Wake Up Wal Mart Blog