

Superstores come with too high a price

BY MARY CAMPBELL GALLAGHER

Big-box retailer Wal-Mart promises that it will create jobs in Rego Park. Big-box retailer Ikea promises that it will create jobs in Red Hook.

At this festive party where new jobs come in big boxes, opponents of Wal-Mart such as Rep. Anthony Weiner (D-Brooklyn-Queens) and Assemb. Brian McLaughlin (D-Flushing), the head of the Central Labor Council, are killjoys.

Today the Economic Development Committee of the City Council is supposed to hear testimony on whether these big-box retailers actually create jobs or kill them – as critics claim.

In careful studies all over the country economists have found that Wal-Mart does not create jobs at all. In fact, Wal-Mart destroys jobs. Weiner and McLaughlin are right. In Iowa, economists Thomas Muller and Elizabeth Humstone examined seven counties where Wal-Mart built stores. In that study, sponsored by the National Trust for Historic Preservation, non-retail jobs grew faster than expected given statewide trends, but in five of the seven counties, the retail share of all jobs actually declined following Wal-Mart's arrival. As Muller recently told me, "The expected increase in retail

employment just did not occur."

Most of the sales in a new Wal-Mart store must come from existing stores that sell the same goods. Economist Kenneth E. Stone of Iowa State University found in his own studies in Iowa that small stores not only in the target community but in nearby communities suffered. If we assume that the total retail pie in the area remains static, then it follows that Wal-Mart's sales must come out of the pockets of existing businesses.

Muller reports finding that when Wal-Mart built a store, in addition to downtown areas in the communities where Wal-Mart opened, downtown areas in nearby smaller communities were also affected. Stone said, "A town of 10,000 might support 50 or 60 small merchants, but when a large corporate retailer moves in, the host community as well as several smaller towns in the vicinity, often lost their Main Street merchants altogether."

As Stone and others have observed, in order for Wal-Mart to come into a market area without just taking most of its sales from existing stores, it would have to benefit from dramatic new economic or population growth, or from offering products never before offered in the area, or from an expanded sales territory. None

of which we are expecting in Queens or Brooklyn.

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Proponents of these superstores may imply that new big-box stores in New York City will suck their sales straight out of competing big boxes in the distant suburbs. They may suggest that city retailers are miraculously resistant to big-box stores. Yet even one store with \$150 million a year in sales, like the proposed Ikea-Red Hook, must reach into local retailers' pockets. Besides, it is part of the business plan of big-box stores, that they keep adding new facilities until their stores are so close together that they choke on the competition. In the zero-sum retail game, once big-boxes start to multiply, jobs must disappear.

Politicians are happy when big boxes hire a lot of new employees right before opening. That increase in jobs is short-term. Economist Emek Basker of the University of Missouri conducted an exhaustive study of effects on retail jobs of 2,382 Wal-Mart stores in 1,777 counties. She

found that while retail employment jumps by 100 jobs in the year Wal-Mart enters a county, the increase does not last. It falls to 50 jobs within five years, while retail employment, in neighboring counties falls by approximately 20 jobs, and employment in retail distribution falls by 25 jobs.

No skunk at the development picnic, Mayor Michael Bloomberg applauds all the big boxes, the stadiums, the condos. We must believe, however, that Mayor Bloomberg cares about local retailers and their employees and about the overall strength of the economy, too – not merely about developers or phantasmagorical short-term job-gains in poor neighborhoods. If so, then the mayor should break up the developers' big-box party now.

As Assemb. Brian McLaughlin says, Wal-Mart's low prices come with too high a price tag. More than 200 communities across the country have already said "no" to Wal-Mart. New Rochelle and Gowanus recently said "no" to Ikea. The City Council and Mayor Bloomberg should say "no," too.



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