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Abstract (Document Summary)

For the better part of two decades, rural Midwesterners who care about the viability of their communities have watched in horror as the Wal-Mart retail conglomerate has run country stores and the shops along small-town Main Streets out of business. Wal-Mart never has and never will serve communities as well as locally owned shops; but the corporation's size and powerful friends in government allow it to overwhelm mom-and-pop grocery, clothing and hardware stores.

The problem with Wal-Mart's approach is that it is illegal. States such as Wisconsin have laws designed to prevent chain stores from using their vast resources to underwrite impossibly low pricing structures. The laws are meant to prevent corporate retailers from driving local competitors out of business. Ultimately, the purpose of these laws is to protect consumers, who suffer when Wal-Mart or any other firm achieves a monopoly and then makes up its losses by raising prices to ridiculously high levels.

Full Text (497 words)*Copyright Madison Capital Times Sep 29, 2000*

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Apologists for Wal-Mart claim that the Arkansas-based company is just making more efficient use of the free-market system than the corner shopkeeper. But local businesses have long argued that the real secret of the conglomerate's success has been a predatory approach to pricing designed to run competitors out of business.

By advertising sales of popular consumer goods at ridiculously low prices, Wal-Mart draws customers into its stores and then sells them carts full of goods they traditionally would have purchased from Main Street shops. But below-cost pricing of milk, detergent, paper towels and cigarettes gives the retail giant an advantage over competitors that cannot afford to sell those items at such low prices.

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The Wisconsin Department of Agriculture, Trade and Consumer Protection is using our predatory pricing law to tackle Wal-Mart's abuses, and it's about time. State consumer protection authorities have charged the company with selling items below cost at Tomah, Beloit, West Bend, Oshkosh and Racine stores.

Amazingly, Wal-Mart does not deny the charge. Rather, the response from corporate headquarters is a claim that the

retailer is just doing what other firms do - the "everybody-does-it" defense popular with tax cheats, speeders and teenagers who get caught drinking.

In fact, everybody does not engage in predatory pricing schemes. Most locally owned stores would quickly fail if they got into the habit of selling items for less than they pay wholesalers. Only huge chains that are bent on building retail monopolies can afford to take a short-term loss in order overwhelm their competitors.

Still, the Department of Agriculture, Trade and Consumer Protection should accept Wal-Mart's challenge. The agency should aggressively investigate all retailers that appear to be engaging in predatory pricing, and the state should prosecute firms that do so to the full extent of the law.

But where should the investigators begin their assault on predatory pricing? Exactly where they have: with the biggest retailer in the country, a corporation that has always chosen to build up profits at the expense of building up community.

That corporation goes by the name Wal-Mart.

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