


[« Back to Document View](#)

Databases selected: Wisconsin Newsstand

## **BUYERS NEED TO LOOK BEYOND LOW PRICES; [ALL Edition]**

*Dave Zweifel. Madison Capital Times. Madison, Wis.: Oct 2, 2000. pg. 8.A*

Author(s): Dave Zweifel  
 Document types: Column  
 Column Name: *PLAIN TALK*  
 Section: *Editorial*  
 Publication title: Madison Capital Times. Madison, Wis.: Oct 2, 2000. pg. 8.A  
 Source type: Newspaper  
 ISSN/ISBN: 07494068  
 ProQuest document ID: 61824476  
 Text Word Count 531  
 Document URL: <http://proquest.umi.com/pqdweb?did=61824476&sid=1&Fmt=3&clientId=47636&RQT=309&VName=PQD>

### **Abstract** (Document Summary)

Selling below cost was a tactic first perfected by the big oil companies early in the 1900s. The real biggies - Rockefeller's Standard Oil, Sinclair and a few others - would carve out markets around the country and embark on a course to drive the smaller gasoline stations, particularly the independent mom and pop owners, out.

That happened with other product lines as well. Soon, owners of small businesses, particularly those from the small towns, petitioned their legislators to do something about what they deemed unfair competition. Consequently, many states, including Wisconsin, passed minimum markup laws, which make it illegal to sell below cost, unless there are extenuating circumstances.

The easy way for the Wal-Marts of the world to woo loyal customers from mom and pop stores in small communities is to offer prices that are too low to pass up. Soon the only one left in town is the deep-pocketed Wal-Mart, which is in a position to sell merchandise at prices below what a small merchant has to pay for it.

**Full Text** (531 words)

*Copyright Madison Capital Times Oct 2, 2000*

Dave Zweifel is editor of The Capital Times. His e-mail address is [dzweifel@madison.com](mailto:dzweifel@madison.com).

The guy waiting at the barbershop had just finished reading the newspaper story about the state filing suit against Wal-Mart.

"That's the government for you," he said. "Going after someone because their prices are too low. Yup, that's the stupid government."

If you haven't paid attention to economic history, taking a company to court for giving consumers too good of a deal does sound awfully silly.

What could possibly be wrong with a store selling merchandise below what it pays for it?

Trouble is, throughout American history, plenty.

Selling below cost was a tactic first perfected by the big oil companies early in the 1900s. The real biggies - Rockefeller's Standard Oil, Sinclair and a few others - would carve out markets around the country and embark on a course to drive the smaller gasoline stations, particularly the independent mom and pop owners, out.

The easy way to do it was to sell gas at a price so low that the independent owners couldn't match it unless they were willing to lose money, too. The Rockefellers and Sinclairs, of course, could easily lose money on selected gasoline stations for months on end.

What was worse, though, was after the smaller stations were forced to either quit or go bankrupt, the big guys then raised their prices to levels higher than they were before their predatory pricing took effect. No more competition, after all. The consumer saved a few pennies per gallon during the war with the little guys, but would now pay the price forevermore.

That happened with other product lines as well. Soon, owners of small businesses, particularly those from the small towns, petitioned their legislators to do something about what they deemed unfair competition. Consequently, many states, including Wisconsin, passed minimum markup laws, which make it illegal to sell below cost, unless there are extenuating circumstances.

In a city the size of Madison where there are several big merchandisers competing with each other, the law seems ridiculous. That's not so, though, in smaller communities where the local grocer is suddenly faced with competition from the world's largest retailer and its unlimited resources.

The easy way for the Wal-Marts of the world to woo loyal customers from mom and pop stores in small communities is to offer prices that are too low to pass up. Soon the only one left in town is the deep-pocketed Wal-Mart, which is in a position to sell merchandise at prices below what a small merchant has to pay for it.

For some consumers, that's just fine. All they care about is getting the lowest price. What they forget is what happens to the social and economic well-being of a small community when their downtowns shrivel and tax base erodes.

So when "government" takes action against big retailers that use loss-leaders to eliminate competition, it is only enforcing a law that the "people" persuaded the Legislature to enact years ago.

If those laws are no longer needed, then the people need to tell their legislators to change them.

But first we better be sure that "government" action is no longer needed.

Copyright © 2006 ProQuest Information and Learning Company. All rights reserved. Terms and Conditions

Text-only interface

ProQuest