

Book Review:

**Michael J. Hicks. 2007. *The Local Economic Impact of Wal-Mart*.
Youngstown, NY: Cambria Press, 2007, 337 pp.**

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Public debate regarding Wal-Mart has intensified in recent years. Concern over the retailer's business practices and the company's effect on local communities has manifested itself in several anti-Wal-Mart campaigns and books. In 2005, for example, the United Food and Commercial Workers International Union started a campaign against Wal-Mart's wages and benefits called "Wake-Up Wal-Mart." In that same year a coalition of environmental, labor, and religious groups started "Wal-Mart Watch," also with the stated goal of forcing Wal-Mart to increase wages and benefits (Coleman-Lochner, 2006). A search of online booksellers returns numerous anti-Wal-Mart books such as *The Bully of Bentonville* (Blanco, 2006) and *The Case Against Wal-Mart* (Norman, 2004). The issue has become so large that politicians have begun to make criticism of Wal-Mart part of their campaign strategy (Nagourney and Barbaro, 2006).

This intense public policy debate has attracted considerable attention from researchers. The number of books and studies related to Wal-Mart has increased exponentially over the past few years. This research has focused on every possible impact that Wal-Mart could have on people and places, from the effect of Wal-Mart on "mom-and-pop" retailers (Sobel and Dean, 2007) to the retailer's impact on social capital (Carden et al., 2007). Several of these studies were authored by Michael Hicks, an associate professor of economics at Ball State and the director of the school's Bureau of Business Research. In *The Local Economic Impact of Wal-Mart*, Hicks expands on his previous work to provide a comprehensive look at the impact of the Bentonville Arkansas based retailer from a regional perspective.

The book is organized into five sections, each dealing with different aspects of Wal-Mart's impact. Section I, comprised of Chapters 1 through 3, does not cover specific issues but rather sets the stage for the remainder of the text. For example, Chapter 1 provides a historical perspective on the rise of large retail chain stores such as Wal-Mart. Here Hicks shows that many of today's concerns about the impact of Wal-Mart on local communities were also raised during the heyday of early retail giants such as the A&P grocery chain and Sears. This chapter gives the current debate over Wal-Mart some much-needed context.

Chapter 2 is an in-depth discussion of how the impact of Wal-Mart on a local economy is measured. This is the best chapter in the book. Hicks methodically takes the reader through the data used to measure Wal-Mart's impact on a local economy, the economic theory behind measuring Wal-Mart's impact, a basic overview of regression analysis, and an explanation of how to read and interpret regression results. The explanations are clear and concise and give the reader exactly what they need in order to understand the statistical analysis in the book. In my opinion, this chapter would also make an excellent handout in any advanced undergraduate class focused on public policy. I teach a class on public sector economics where the students enter without the background necessary to read and interpret an applied research article. Instead of spending a couple of class periods showing them how to understand basic regression results, I now plan on assigning this chapter instead.

Chapter 3 concludes Section I with a discussion of the spread of Wal-Mart stores over time and across space. The material in this chapter is important for two reasons. First, it helps to better understand how and

why big box stores expand. Second, and more importantly for research on Wal-Mart, a better understanding of the spread of Wal-Mart stores can help to address the endogeneity problem endemic to research on the effect of Wal-Mart on local markets. The endogeneity problem arises because Wal-Mart's decision to enter a community might be correlated with some other common factor under consideration. For example, higher incomes in an area following a Wal-Mart opening could be the result of Wal-Mart's opening, or strong income growth in the area could have been what caused Wal-Mart to enter the market. Adequately addressing endogeneity is important to isolating the true effect of Wal-Mart on local markets, and Hicks provides an excellent overview of the problem and how scholars attempt to deal with it.

The next three sections deal specifically with how Wal-Mart impacts different aspects of local economies. Section II covers the commercial impacts of Wal-Mart. This includes looking at the impact of Wal-Mart on local labor markets, the prices of goods and services, and the effect of the retailer on the overall local economy. In Section III, Hicks takes a closer look at the effect of Wal-Mart on local government finances such as tax revenues and Medicaid spending. Section IV examines the impact of Wal-Mart on the composition of local communities. This section is the most wide-ranging, with an assessment of the effect of Wal-Mart on poverty and income distribution, philanthropy, local business composition (the decline of 'mom and pop' stores), union participation, and urban sprawl. These chapters generally proceed in a similar fashion. Hicks begins each chapter by reviewing previous research. This is another strong area of the book, as the author covers every major and minor study on each issue. He provides a concise overview of the literature on each topic, highlighting the areas of agreement and disagreement among studies as well as pointing out each study's limitations. Each chapter typically concludes with a presentation and discussion of Hicks' original research on the topic.

The book concludes with Section V, which looks at the effect of state and local public policy on Wal-Mart. In chapter 13, Hicks provides a description and overview of public policies targeted specifically at Wal-Mart and other big-box retailers. These include state and local zoning restrictions, living wage laws, and public policies regarding the health care benefits provided by large employers. Chapter 14 ends the book with a summary of Hicks' findings and some policy recommendations.

In writing this review I have consciously avoided mentioning any of Hicks' conclusions about the local impacts of Wal-Mart. In part, this is because the book's

results cannot be easily summarized given their complexity and nuance. More importantly, however, I do not want to mention any of his findings because I fear it would detract from what I perceive to be the book's value-added — a clear and level-headed approach to a divisive public policy issue from a distinctly regional perspective.

Most books on Wal-Mart come down clearly for or against Wal-Mart within their first ten pages. *The Local Economic Impact of Wal-Mart* is not one of those books. Instead, Hicks carefully presents evidence on the influence of Wal-Mart on a variety of issues. In some cases, the impact is unambiguously good. In other cases, the impact can be negative. While Hicks draws his own conclusions about the overall impact of Wal-Mart in the final chapter, the range of estimated impacts suggest that readers might be able to draw different conclusions from the same results. In sum, I believe that anyone interested in the impact of Wal-Mart on local economies will benefit from reading *The Local Economic Impact of Wal-Mart*, regardless of their current feelings toward the retailer.

References

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