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Wal-Mart, the Abuse of Eminent Domain and Corporate Welfare

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Typical of shopping centers built decades ago, Alameda Square in Denver is a cheap, single-story strip of stores. It's ugly and rundown. But that does not deter shoppers. Mostly Asian Americans, shoppers come from miles around to patronize more than a dozen locally-owned Asian businesses, including two grocery stores, two restaurants, a hair salon, a clothing shop, a jeweler and a bakery.

On a weekday afternoon, the parking lot buzzes with activity. Inside Pacific Ocean International Supermarket, the dingy exterior gives way to bright lights, shelves stocked with canned bamboo shoots and dried fish and aisles of shoppers.

Most of Alameda Square's businesses are profitable. Together they generate about $125,000 a year in sales tax revenue. But if the city of Denver has its way, these small businesses will be evicted to make way for a Wal-Mart super-center. The city's Urban Renewal Authority has threatened condemnation if the property owners refuse to sell and has offered Wal-Mart $10 million in public subsidies. That's right: Tax dollars would go to one of the country's most profitable and powerful corporations.

Because they lease their spaces, the storekeepers will receive little compensation. The city has offered to help them find new locations, but it is unlikely they will end up together, which has been key to their success as a regional destination for Asian shoppers. Some, like Kings Land Chinese restaurant, which books weddings months in advance, are already losing business.

As big chains like Wal-Mart have grown and multiplied over the last decade, tens of thousands of independent businesses have closed. Most people assume that local retailers are being beaten fair-and-square by companies that offer consumers a better deal.

But as Alameda Square vividly illustrates, consumer choices are not all that's driving the growth of corporate chains. Public policy plays a major role.

Wal-Mart leads the pack in attracting subsidies, this year collecting $10 million in Denver; $500,000 in Dallas; $36.7 million in Scottsdale, Ariz., (as part of a shopping center that includes Lowe's); $9 million in Bartlesville, Okla.; and $17 million in Lewiston, Maine.

Local officials argue these big stores warrant subsidies because of the jobs and tax revenue they generate. But in most cases the big boxes do more harm than good.

Chris Nevitt, director of the Front Range Economic Strategy Center, one of several groups in Colorado fighting Denver's plan for Alameda Square, points out that nearby grocery stores and competing businesses will lose sales to Wal-Mart.

"As these businesses shrink or close, hundreds of jobs will be lost, many of which provide higher wages and better benefits than Wal-Mart,' he argues. Moreover, under the terms of the subsidy, Denver will not see a dime of new revenue until 2016.

Rarely are tax dollars given to local retaiiers. For them, it's sink or swim in a sea of giant, subsidized competitors. When asked how Scottsdale's small businesses were to survive the arrival of Wal-Mart and Lowe's -- slated to receive the second largest corporate subsidy in Arizona history -- city councilor Ned O'Hearn declared, "That's urban dynamics. This is private enterprise. This is competition."

Yet taxpayers pick up the tab for corporate chains by bridging the difference between what their workers earn and what they need to survive. Half of Wal-Mart's employees qualify for food stamps. Many rely on other forms of public assistance. Washington state reports that Wal-Mart workers are the single largest group of users in its low-income health care program.

Some cities have gone so far as to condemn property owned by small businesses in order to turn it over to chain store developers. Last month, Wheat Ridge, Colo., designated property owned by three independent businesses as blighted. The three enterprises---a multi-generation, family-owned automotive repair shop, a billiards hall, and a kitchen cabinet business---will be booted for a Walgreens drugstore. The developer has also been given $500,000 in public subsidies.

Tax policy, too, is riddled with loopholes that benefit chain stores. As the Center on Budget and Policy Priorities has documented, about half the states allow national chains to avoid state income taxes by transferring profits earned locally to tax-free states such as Delaware. Small businesses, meanwhile, pay state income taxes on every penny of their earnings.

All of this adds up to a startlingly tilted playing field, a rigged system that can hardly be characterized as free enterprise. Our hometown businesses deserve better.