ON THE RIGHT

Wal-Mart Sets Bad Precedent In Maryland

MERRILL MATTHEWS

What was Wal-Mart thinking, anyway!?

Sure, its executives have been hunkered down in Arkansas under constant attack. And yes, that kind of barrage can drive a company (or person, for that matter) to random acts of foolishness.

But the giant retailer's recent turn-the-cheek approach in Maryland will have a far-reaching impact for other companies: Indeed, it's already happening.

Last year, Maryland's legislature passed an anti-Wal-Mart bill that requires companies with 10,000 or more employees (read: Wal-Mart, the only company affected) to spend 8% of its payroll on health insurance or pay the difference to the state. In essence, it's a new tax on big companies.

Maryland's Republican Gov. Robert Ehrlich courageously vetoed the first-of-its-kind legislation, but the Legislature recently overrode him.

At first, there were reports that Wal-Mart might not move forward on plans for a distribution center in Maryland, costing the state hundreds of jobs. And no thinking person would have blamed the company if it had taken that route.

But Wal-Mart has decided to take a different approach: It will add even more stores and employ more Marylanders.

Now, it may well be that Wal-Mart has made a business decision that expanding in Maryland will still be profitable, even with the new health insurance mandate. And that's the company's prerogative.

Asking For It

The real problem is that Lee Scott, Wal-Mart's CEO, decided to state publicly in an opinion piece in The Washington Post that the company will do even more for the state.

It's one of the dumbest public policy strategies I can imagine. It says to state legislatures everywhere, kick me again. And not just Wal-Mart, but countless businesses, large and small.

Wal-Mart's decision would be like a peace-loving country saying to terrorists, if you commit random acts of violence against us, we will give you more funding! When a company rewards politicians for passing terrible legislation that directly targets and hurts the firm, it encourages politicians to do more of the same. That's Wal-Mart's sin.

About the only arrow those of us who are fighting bad economic policy have in our quiver is the negative impact that legislation would have. That's the only thing that keeps many lawmakers from loading even more taxes and regulations on businesses, bumping up the minimum wage to, say, $25 an hour or requiring companies to provide golden-parachute retirements for everyone.

Without those economic negatives, lots of legislators would impose a steady stream of new handouts to their constituents, garnering political credit and votes for doling out benefits to the public, but sending the bill to someone else (i.e., business).

But wait. Doesn't the bill target companies with 10,000 employees? That can't hurt small businesses, can it?

It can if state legislators are emboldened to expand the legislation. And this has already started to happen. A House Democrat in Maryland just introduced legislation to require for-profit companies with fewer than 10,000 employees to spend at least 4.5% of payroll on employee health coverage, or pay the state that amount.

Message Sent

It sure didn't take Maryland legislators long to learn the Wal-Mart lesson: If imposing terrible legislation on one company results in more jobs being created, why not try that approach on smaller companies?

For years Wal-Mart has been fighting an image that it is a self-centered company that hurts communities and people. I have never taken much stock in those criticisms, but the company's response to Maryland should give us pause.

Scott defends the company's actions by saying, "If we closed our doors in Maryland, a lot of things would happen, and none of them would be good for working families in this state." But surely that isn't the only alternative. Had Wal-Mart determined to continue its expansion in Maryland, it could have done so quietly. Instead, the company has put a target on its back.

By publicly saying it will expand in Maryland, it is sending a message to lawmakers across the country: A few more taxes and regulations can't hurt us — and they can help you. Some 30 states are already considering such legislation; now they know they have nothing to lose by proceeding.

Scott takes the position that those taxes and regulations can hurt lots of companies and people. He's right. But Wal-Mart's self-centered decision to reward Maryland for its bad legislation could have an even greater negative impact on other businesses around the country, many of them Wal-Mart competitors.

Maybe that was the point.

Matthews is resident scholar at the Institute for Policy Innovation as well as director of the Council for Affordable Health Insurance.