

## CATO Institute *Regulation*: Wal-Mart and Small Business

The CATO Institute recently issued an article in its publication, the *Regulation*, on Wal-Mart's impact on small "mom and pop" businesses, titled "Has Wal-Mart Buried Mom and Pop? (2008)"

<sup>1</sup> The article concluded that the popular and publicly-accepted belief that Wal-Mart destroys small businesses in its path is a misconception. Through econometric estimation techniques, the study examined the rate of self-employment and the number of small-employer establishments in communities where Wal-Mart has entered the market. The article showed that just as many small businesses are just as profitable despite the presence of Wal-Mart.

Specifically, the study found:

- New Wal-Mart stores result in the **emergence of other small businesses**.
- **Bankruptcy rates of small business are lower** in states with more Wal-Marts.
- States with a larger number of Wal-Mart stores have **more small establishments per capita**.
- **The popular belief that Wal-Mart has a significant negative effect on the size of the mom and pop business sector of the United States economy is statistically unfounded.**

### In their words:

- "Wal-Mart **saves consumers a significant amount of money** that they can then spend on other goods and services...."
- "We find that Wal-Mart has no statistically significant impact on the overall size of the small business sector in the United States. When all is said and done, there are **just as many small businesses that are just as profitable despite the presence of Wal-Mart.**"
- "Entrepreneurs who once could not afford that high rent of the limited downtown retail space are now granted an affordable opportunity to open their own business."
- "When all is said and done, there are just as many small businesses that are just as profitable despite the presence of Wal-Mart."

*Learn more about the economic opportunities and cost savings Wal-Mart provides its customers and communities by visiting [www.walmartstores.com](http://www.walmartstores.com).*

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<sup>1</sup> Dean, Andrea M., and Russell S. Sobel. [Does Small Business Decline When Wal-Mart Enters the Market? Has Wal-Mart Buried Mom and Pop?](#) West Virginia University. Free Markets, Regulations, 2008.  
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