

Big-Box Retail and Its Impact on Local Communities

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What is the local impact of big-box retail? Some states have begun to reconsider whether the benefits of such development are worth the costs to local communities. (See [“States Target Big-Box Stores,”](#) *Wall Street Journal*, June 29, 2007, for a discussion of recent state legislation focused on this issue.)

“People say, ‘Well, you lost your little stores,’ and that’s true. But it’s money-driven...if it’s \$5 cheaper at one of the larger stores, we take advantage of it. I guess that’s human nature.”

—Carl R. Baldus Jr. (86-year-old native of La Plata, MD, commenting on the local impact of big-box retailers at the opening of the town’s new Target store), *The Washington Post*, July 29, 2007

Not so long ago, establishments with names like Johnson’s Hardware, Manning’s Grocery, and Al’s 5&10 lined the main streets of America. However, the number of single-store retail businesses has declined by more than half since 1963, the year after Wal-Mart—the world’s best-known “big-box” retailer—opened its first store.¹ Though some are quick to accuse the large-scale retail chain movement of homogenizing, and in some cases even harming, communities, it is local consumer demand for the lower-cost, one-stop-shopping format that has largely driven its success.

So-called “big-box” retail stores earned their names from their physical characteristics—their expansive size (typically 50,000 square feet or larger in the United States) and their customarily windowless, box-like appearance. Though their look may leave something to be desired, the overall effect of big-box retailers on the American economy has been positive—very positive. They are responsible for increased productivity and technological innovations in the retail sector, lower prices, and more choice for consumers. Their lower prices can produce an overall increase in retail sales in the immediate area, resulting in a net sales tax gain for host communities. Additionally, local property tax revenue can increase if big-box merchants build stores on large parcels of previously undeveloped land.

Big-box retailers have, in many ways, been a boon to local communities and consumers. However, some localities are concerned about the costs (both economic and non-economic) associated with hosting these expansive developments. As local merchants who are unable to compete with the big-box stores close, there is the much-debated question of whether big-box retail produces a local net job gain or loss. Some communities, particularly those having multiple big-box retailers, are also shouldering the costs of increased infrastructure and public services expenses, growing traffic congestion, increased tax incentives, and decaying downtowns. Seeking not only to decrease costs but also to reclaim some of their original charm and interest, many communities are now imposing design restrictions, square footage caps, and the use of local economic impact studies on newly proposed big-box developments. Whether demand for community reclamation efforts that attempt to counter the homogenous nature of big-box retailing will ultimately trump individual demand for ever-cheaper goods remains to be seen.

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¹ Data used are from the U.S. Census Bureau’s retail trade statistics for years 1963 and 2002.

Recent Articles and Further Reading on Big-Box Retail and Its Impact on Local Communities

[“The Causes and Consequences of Wal-Mart’s Growth”](#) by Emek Basker, University of Missouri–Columbia, working paper, April 2007.

Research on Wal-Mart’s economic role at both the national and local level is included in this working paper.

[“The Local Costs and Benefits of Wal-Mart”](#) by Elena G. Irwin and Jill Clark, The Ohio State University, February 23, 2006.

This report examines how the costs and benefits of big-box retail are distributed across various groups in the local community.

[“Big-Box Sprawl \(And How to Control It\)”](#) by Constance E. Beaumont and Leslie Tucker, International Municipal Lawyers Association, *Municipal Lawyer*, March/April 2002.

The various tools some local communities are using to mitigate big-box sprawl are highlighted; this article is accessible through the National Trust for Historic Preservation’s website.

[“Recruiting Big-Box Retailers as an Economic Development Strategy”](#) by Georgeanne Artz and Judith I. Stallmann, University of Missouri–Columbia, National Public Policy Conference, Fayetteville, Arkansas, September 17-19, 2006.

The pros and cons of recruiting big-box retailers as a means of local economic development are discussed.

Free Data Sources

Data: 2002 Economic Census: Retail Trade
Description: Data from the 2002 Economic Census; downloadable in tables
Published by: U.S. Census Bureau
Location: <http://www.census.gov/prod/ec02/ec0244sssz.pdf>

Data: PBS–Store Wars: When Wal-Mart Comes to Town
Description: Lesson plans that allow students to understand the cost and benefit issues that city planners and officials face when making a major decision such as approving zoning for a big-box superstore
Published by: Public Broadcasting Service (PBS)
Location: <http://www.pbs.org/itvs/storewars/teachers.html>

The *Liber8 Economic Information Newsletter* is published 9 times per year, January through May and August through November. The newsletter is a selection of useful economic information, articles, data, and websites compiled by the librarians of the Federal Reserve Bank of St. Louis Research Library.

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