

Wal-Mart Is Not a Business, It's an Economic Disease

by Richard Freeman and Arthur Ticknor

The Wal-Mart department store chain, which employs 1.3 million people at 4,700 stores worldwide, and in 2002 became the largest corporation in the world, is levelling economies of the U.S., industrial nations, and the Third World.

Wal-Mart is a driving force behind the decadent Imperial Roman model of the United States. Unable any longer to reproduce its own population's existence through its own physical economy, the United States has, for the past two decades, used an over-valued dollar to suck in physical goods from around the globe for its survival. Wal-Mart is both the public face and working sinews of that policy. It brings in cheap pants from Bangladesh, cheap shirts from China, cheap food from Mexico, etc. Workers who produce these things are paid next to nothing.

Not since the days of the British East India Company as the cornerstone of the British imperial system, has one single corporate entity been responsible for so much misery. At the core of its policy, Wal-Mart demands of its suppliers that they sell goods to Wal-Mart at such a low price, that they can only do so by outsourcing their work to low-wage factories overseas. This causes the exodus of millions of production jobs from the United States and the setting up of slave-labor concentration camps around the globe. Wal-Mart's policy includes crushing living standards in America, forbidding its workers from unionizing, bringing in workers illegally from abroad, and bankrupting tens of thousands of stores and outlets on Main Street, ripping apart communities and their tax bases.

On Nov. 1, 2004, Presidential candidate Lyndon LaRouche declared that Wal-Mart and its destructive policy must be stopped. LaRouche declared a boycott against Wal-Mart, to expose it and take it down. LaRouche told a cadre

school gathering of the LaRouche Youth Movement in Philadelphia, "Wal-Mart is not a company, it's an epidemic disease. Wal-Mart is one of the biggest factors in causing unemployment in the United States. . . . Wal-Mart is your enemy. . . . It's destroying our community; it represents globalization; it represents an institutionalization of the values which stink." (See full text in *Feature*.)

Wal-Mart has been primed for this role since 1962, when it was founded by Sam Walton in his hometown of Bentonville, Arkansas. It has such immense power in the United States, and leverage overseas, that it has run roughshod over all opposition—until now.

Sam's Club . . . Over Your Head

Sam Walton started in the retailing business when he bought a Ben Franklin five and dime store in Newport, Arkansas in 1945. In 1962, he opened the first store under the name "Wal-Mart." In 1970, Wal-Mart made its first public stock offering; the issue was underwritten by Stephens, Inc. of Little Rock, an investment bank which has been identified with some shady dealings.

In 1987, a turning point came for Wal-Mart, when it opened its first superstore, called Hypermarket*USA, modeled on the hypermarkets of Europe. At that time, the average clothing or grocery store in America had 15-22,000 square feet of space. By contrast, the hypermarkets, now called supercenters, had 150-200,000 feet. The supercenter was based on the idea of one-stop shopping: In the same store, one could buy groceries, merchandise and appliances, fast food, and photo development; one could also do one's banking. Wal-Mart took advantage of an advanced inventory system; its bulk purchases of goods, which led to price



The consumer economy—"It eats your jobs!" Wal-Mart's devouring the economy like the beast in Daumier's 18th-Century cartoon, spreading poverty around it on all sides.

discounts; and a ferocious anti-labor policy keeping wages very low.

The company set out to obliterate its competition. At the Bentonville headquarters, Wal-Mart still displays the pictures of the heads of its 24 major food and merchandise chain competitors, each framed like an FBI "Wanted" poster. It now builds one new store every 42 hours.

Figure 1 shows that Wal-Mart's annual sales quadrupled from \$55.5 billion in its Fiscal Year 1993, to \$244.5 billion in FY 2003 (which ended Jan. 1, 2003).

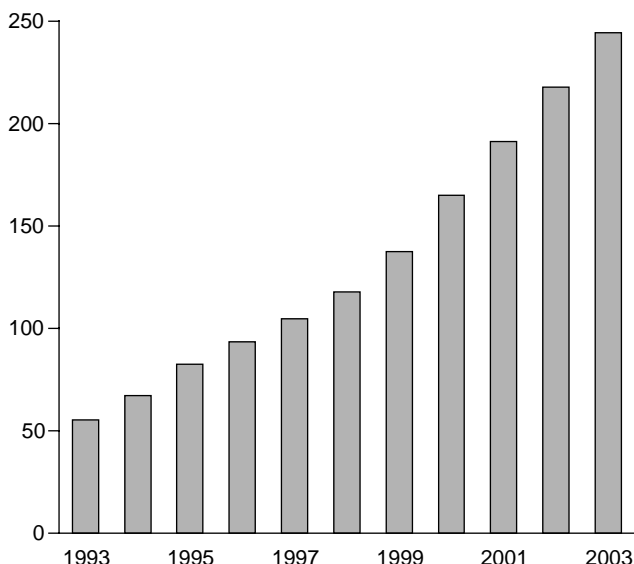
Walmart has grabbed a dominant or near-dominant position in key sectors of the retail market:

- It sells 19% of all grocery-store food in the United States, making it the largest food seller. It plans to double grocery and related sales from \$82 billion to \$165 billion during the next five years, which would give it command of 35% of the market. It plans to open 40 supercenters in California over the next five years, which is a major cause for the grocery strike in southern California. Managements at the three major grocery stores in southern California, where 70,000 United Food and Commercial Workers (UCFW) workers are striking, have said they are trying to renegotiate lower employer contributions to health-care benefits, because they fear that Wal-Mart plans to saturate southern California with stores, and they will be unable to compete.
- It handles 16% of all pharmacy-drug sales in the United States, and plans to increase that share to 25% by 2008, which would make it the largest pharmacy in America.
- It controls 30% of the U.S. household staples market—paper towels, toothpaste, shampoo—and analysts predict that it will increase that share to 50% before decade's end.
- It is Hollywood's biggest outlet, selling 15-20% of all CDs, videos, and DVDs in the United States.

FIGURE 1

Wal-Mart Net Sales Quadruple

(\$ Billions)



Source: Wal-Mart Annual Reports.

- It sells 15% of all single-copy news publications.

Reciprocally, Wal-Mart controls a large and increasing share of the business done by almost every major consumer-products company: 28.3% of Dial's (soap products); 24% of Del Monte Foods'; 23% of Clorox's (bleaches and cleaners); and 23% of Revlon's (cosmetics). It controls one-fifth or more of the business done by Proctor & Gamble (household products and soaps); Levi Strauss (jeans and clothing); and Newell Rubbermaid (household consumer rubber products). That is, Wal-Mart is all of these firms' biggest outlet, by a wide margin.

This gives Wal-Mart tremendous leverage over all its producers/suppliers, even though many of them are in the Fortune 500. Twenty years ago, the supplier of products went to Wal-Mart, and told Wal-Mart the price to charge for each product. Today, Wal-Mart "co-determines" the price; it tells the supplier what type of product it wants, how to arrange its inventory, what sort of product line to develop. Because Wal-Mart determines how much shelf space each supplier receives, it has life-and-death control over that supplier. If Wal-Mart says that it wants a product's price to be lowered by 20-25%, that supplier will be forced to *outsource an increasing share of its production*.

Likewise, Wal-Mart has become a conveyor belt, either directly or through its suppliers, for imported goods, mostly from cheap-labor countries. Wal-Mart imports *10% of all America's total imports from China*. According to the Sept.

26, 2003 *Irish Independent*, “If Wal-Mart were a country, it would rank ahead of Great Britain and Russia in total imports.”

Destruction of Labor

Wal-Mart uses its power to ferociously attack and decimate labor power, and it is the leading force in the mass exodus of U.S. manufacturing capacity and jobs.

The company is militantly anti-union. Reportedly it has instructed its managers never to hire workers who once belonged to a union. It also reportedly fires workers who score too high on a “union probability index.” When a union tries to unionize a Wal-Mart cluster of stores, “labor experts” are flown in from Bentonville to counterorganize. Workers are ordered to sit in on weekly “labor relations classes,” where management tells them why they should not join a union, and gives them badges saying, “We can speak for ourselves.” At one store in Texas, where a union tried to organize, 15 surveillance cameras were installed.

The results? Wal-Mart’s grocery workers earn an average \$8.23 per hour—23% less than grocery workers at unionized stores. Many Wal-Mart workers are allowed to work a maximum of only 28 hours per week. More than two-thirds of all Wal-Mart workers who have a full-time job earn an annual wage that is below the poverty level for a family of three.

According to the AFL-CIO, 66% of unionized workers at large companies are covered by health insurance. According to one study, only 45% of Wal-Mart workers are covered, and according to another study, only 38% are covered.

When a worker works overtime, Wal-Mart will not credit it on his or her time sheet. In many reported cases, workers have been locked into stores after hours to work late into the night and early morning on special displays, but were not paid overtime. Thousands of workers have recorded that they have worked overtime unpaid, but Wal-Mart says it has no record of the cases. There are court suits against Wal-Mart in 36 states on this issue alone.

Mass Unemployment

There are hundreds of American manufacturing plants which have shut down, and shipped production overseas, either partially or entirely due to Wal-Mart. In addition, many other retail outlets have been forced to adopt Wal-Mart’s methods. We look at a few of the hundreds of cases in which Wal-Mart was directly involved:

Newell Rubbermaid is the largest producer of consumer rubber products in the United States, and Wal-Mart sells by far the largest volume of Rubbermaid products of any retail store. In January 2001, Joseph Galli was appointed the new chief executive officer of Rubbermaid, and he and his staff had an intensive series of meetings with Wal-Mart management on what products Rubbermaid should bring on line, including Wal-Mart’s not-so-subtle suggestions about the price of the products. Since January 2001, Rubbermaid has

shut down 69 out of its 400 facilities, and fired 11,000 workers. The equity research director at Associated Trust & Co., C. Mark Heaseldon, bluntly stated the reason, “To be able to meet the demands from key customers, like Wal-Mart . . . [Rubbermaid has] to become competitive in price.” He added that Galli would have to “shift about 50% of production to low-cost countries.” This could force the closure of an additional 131 Rubbermaid facilities, and the firing of an additional 20,000 workers.

General Electric is one of the five biggest companies in America and the biggest producer of appliances, such as dishwashers, refrigerators, stoves, and TVs. The biggest outlet for GE goods is Wal-Mart. During the last few years, GE has conducted a large amount of outsourcing. The IUE union, which represents GE workers, has estimated that during the last five to seven years, GE has fired more than 100,000 workers, one of the nation’s biggest outsourcing massacres. Most of this work was outsourced to Mexico, China, and Asia in general.

At **Masterlock**, 250 union workers lost their jobs in 2000 when Wal-Mart suddenly dropped the company’s products and switched to an offshore, low-wage competitor.

Levi Strauss is one of the biggest manufacturers of jeans and denim products, including the line of Docker slacks. Wal-Mart is the biggest retailer of Levi Strauss products. During the past 18 months, after meetings with Wal-Mart, Levi Strauss announced it will shut down its four remaining production plants in North America and shift the work to Ibero-America and Asia. Several hundred jobs will be lost.

Dial Soap sells 28.3% of its production to Wal-Mart. Under Wal-Mart pressure, Dial is shutting down its Compton, California plant and shifting work to Argentina.

There are hundreds of similar stories. As a result of the Wal-Mart model, combined with the depression, *more than 1 million manufacturing production jobs producing consumer goods have been lost since July 2000 alone.*

Overseas Slave-Labor

Meanwhile, Wal-Mart is operating slave-labor camps overseas. It does this through its suppliers and, increasingly, in its own name. One of the most infamous slave-labor camps is that in American Samoa—the Daewoosa Factory, where 230 workers, mostly young women from Vietnam and China, worked under conditions of indentured servitude. According to records, they were cheated of their meager wages, beaten, starved, sexually harassed, and threatened with deportation if they complained. On Feb. 21, 2003, in a court in Hawaii, the proprietor of the factory, Kil Soo Lee, was found guilty of 14 of 18 counts brought against him for indentured servitude. This factory sewed clothing for Wal-Mart, under Wal-Mart’s “Beach Cabana” label (as well as producing for other retailers).

Wal-Mart has plundered the productive functions of the U.S. economy. It’s time to shut down Wal-Mart!