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Wal-Mart: A Template for Twenty-First-Century Capitalism

Nelson Lichtenstein

Wal-Mart, the largest corporation in the world, provides the template for a global economic order that mirrors the right-wing politics and imperial ambitions of those who now command so many strategic posts in American government and society. Like the conservatism at the heart of the Reagan-Bush ascendancy, Wal-Mart emerged out of a rural South that barely tolerated New Deal social regulation, the civil rights revolution, or the feminist impulse. In their place the corporation has projected an ideology of family, faith, and small-town sentimentality that coexists in strange harmony with a world of transnational commerce, stagnant living standards, and a stressful work life.¹

Founded less than fifty years ago by Sam Walton and his brother Bud, this Bentonville, Arkansas, company is today the largest profit-making enterprise in the world. With sales over \$300 billion a year, Wal-Mart has revenues larger than those of Switzerland. It operates more than five thousand huge stores worldwide, 80 percent in the United States. In selling general merchandise, Wal-Mart has no true rival, and in 2003 *Fortune* magazine ranked Wal-Mart as the nation's most admired company.² It does more business than Target, Home Depot, Sears, Kmart, Safeway, and Kroger combined. It employs more than 1.5 million workers around the globe, making Wal-Mart the largest private employer in Mexico, Canada, and the United States. It imports more goods from China than either the United Kingdom or Russia. Its sales will probably top \$1 trillion per year within a decade.³ Sam Walton was crowned the richest man in

America in 1985; today his heirs, who own 39 percent of the company, are twice as wealthy as the family of Bill Gates.⁴

The competitive success and political influence of this giant corporation enable Wal-Mart to rezone our cities, determine the real minimum wage, break trade unions, set the boundaries for popular culture, channel capital throughout the world, and conduct a kind of international diplomacy with a dozen nations. In an era of waning governmental regulation, Wal-Mart management may well have more power than any other entity to legislate key components of American social and industrial policy. The Arkansas-based giant is well aware of this leverage, which is why it is spending millions of dollars on TV advertisements that tout, not its “always low prices,” but the community revitalization, happy workers, and philanthropic good works it believes come when it opens another store.⁵

Wal-Mart is thus the template business setting the standards for a new stage in the history of world capitalism. In each epoch a huge, successful, rapidly emulated enterprise embodies a new and innovative set of technological advances, organizational structures, and social relationships. It becomes the template economic institution of its age. At the end of the nineteenth century the Pennsylvania Railroad declared itself “the standard of the world.” U.S. Steel defined the meaning of corporate power and efficiency for decades after J. P. Morgan created the first billion-dollar company in 1901. In the mid-twentieth century General Motors symbolized bureaucratic management, mass production, and the social, political enfranchisement of a unionized, blue-collar workforce. When Peter Drucker wrote the pioneering management study *The Concept of the Corporation* in 1946 it was the General Motors organization, from the Flint assembly lines to the executive offices in Detroit and New York, that exemplified corporate modernity in all its variegated aspects. And in more recent years, first IBM and then Microsoft have seemed the template for an information economy that has transformed the diffusion and production of knowledge around the globe.

Wal-Mart is now the template business for world capitalism because it takes the most potent technological and logistic innovations of the twenty-first century and puts them at the service of an organization whose competitive success depends upon the destruction of all that remains of New Deal-style social regulation and replaces it, in the U.S. and abroad, with a global system that relentlessly squeezes labor costs from South Carolina to south China, from Indianapolis to Indonesia. For the first time in the history

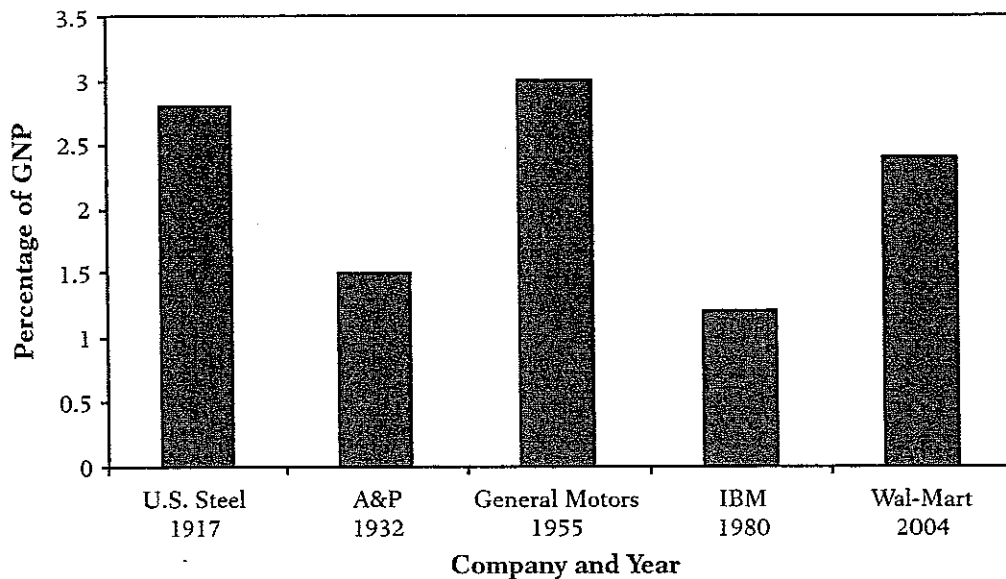
of modern capitalism the Wal-Mart template has made the retailer king and the manufacturer his vassal. So the company has transformed thousands of its supplier firms into quaking supplicants who scramble to cut their costs and squeeze the last drop of sweated productivity from millions of workers and thousands of subcontractors.

The Wal-Mart Phenomenon

Snapshots from the lives of four women help us understand the impact of the Wal-Mart phenomenon upon the lives of tens of millions of ordinary people.

Chastity Ferguson kept watch over a sleepy three-year-old late one Friday as she flipped a pack of corn dogs into a cart at her new favorite grocery store: Wal-Mart. At this Las Vegas supercenter, pink stucco on the outside, a wide-isled, well-lighted emporium within, a full-scale supermarket is combined with a discount megastore to offer

**Template Corporations
Sales as a Portion of U.S. Gross National Product**



Source: Jerry Useem, "One Nation Under Wal-Mart," *Fortune*, March 3, 2003.

shoppers everything they might need in their daily life. For Ferguson, a harried twenty-six-year-old mother, the draw is obvious. "You can't beat the prices," said the hotel cashier, who makes \$400 a week. "I come here because it's cheap."

Across town, another mother also is familiar with the supercenter's low prices. Kelly Gray, the chief breadwinner for five children, lost her job as a Raley's grocery clerk late in 2002 after Wal-Mart expanded into the supermarket business in Las Vegas. California-based Raley's closed all eighteen of its southern Nevada stores, laying off 1,400 workers. Gray earned \$14.98 an hour with a pension and family health insurance. Wal-Mart grocery workers typically make less than \$10 an hour, with inferior benefits. "It's like somebody came and broke into your home and took something huge and important away from you," said the thirty-six-year-old. "I was scared. I cried. I shook."⁶

Halfway around the world, twenty-year-old Li Xiao Hong labors in a Guangzhou factory that turns out millions of the Mattel toys that Wal-Mart sells across America. She is part of an army of 40 million newly proletarianized peasants who are turning south China into the workshop of the world. The plant's work areas are so poorly lighted that they seem permanently shrouded in gray. A smell of solvent wafts across the facility as rows of workers hunch over pedal-operated sewing machines and gluepots.

Li is the fastest worker on a long, U-shaped assembly line of about 130 women. They put together animated Disney-themed dolls that can be activated by the nudge of a small child. Li's hands move with lightning speed, gluing the pink bottom, screwing it into place, getting the rest of the casing to adhere, tamping it down with a special hammer, pulling the battery cover through its slats, soldering where she glued, then sending it down the line. The entire process takes twenty-one seconds.

Li generally works five and one-half days a week, up to ten hours at a time. Her monthly wage—about \$65—is typical for this part of China, enough for Li to send money back home to her rural family. But Li pays a heavy price. Her hands ache terribly, and she is always exhausted, but she seems resigned more than angry. "People at my age should expect some hardship. I should taste some hardship while I'm young."⁷

And finally there is Crystal, the wife of a Wal-Mart assistant store manager, who brings home about \$40,000 a year after a decade of hard, devoted work. Crystal took umbrage at the invective posted on one of the many anti-Wal-Mart Web sites that current and former employees have created in recent years. So she fired back.

"Wal-Mart has been very good to us. The people at the store work not only as a

team but as a family unit. When families in our community have trouble Wal-Mart is there to help. Wal-Mart helps with tuition for college, they give out scholarships. Every company has its faults, no job site or company is perfect. You are only upset because Wal-Mart is Pro-Associate and Anti-Union. And I pray to GOD as a Christian woman that it stays the way it is. Wal-Mart is a good place to work, they do care about their Associates. I think that Sam Walton would be proud of the store that my husband works at.”⁸

The experience of these four women provides a set of markers for understanding this giant firm. Hundreds of millions of shoppers agree with Chastity Ferguson: Wal-Mart prices are low, cheap enough to enable hard-pressed working-class families to stretch their dollars and survive until the next paycheck. But the experience of Kelly Gray has also made Wal-Mart a touchstone for political and economic controversy. The famed economist Joseph Schumpeter might well have been thinking of a dynamically successful firm like Wal-Mart when he coined the phrase “creative destruction,” the process by which one mode of capitalist production and distribution replaces another. As Schumpeter made clear early in the last century, such transformations are not inevitable, nor do they come without an immense social cost, which is why Wal-Mart’s growth has generated one high-profile conflict after another.⁹

In California, where Wal-Mart’s actual footprint has been modest, the expectation that this corporation will build scores of supercenters, staffed by low-wage workers, helped ignite a four-month strike by unionists in the old-line supermarkets, who wanted to preserve their wage and benefit standards. Their strike ended in a bitter defeat in February 2004, but barely a month later Inglewood residents created a stir when that majority black and Latino city voted down a Wal-Mart–sponsored referendum designed to pave the way for construction of one of the first supercenters in Southern California. Energized by this anti-Wal-Mart show of strength, the Los Angeles city council enacted an ordinance requiring big-box stores like Wal-Mart to fund an “economic impact” analysis to determine their effect on community wages, existing businesses, and traffic patterns.¹⁰ But Wal-Mart struck back in the November 2004 elections, helping fund a referendum that overturned a recently enacted California law requiring large, labor-intensive firms to pay substantially more of the health insurance costs of their employees.¹¹ And while all this was going on, a San Francisco judge gave the Berkeley-based Impact Fund permission to seek higher pay and back pay for more than a million

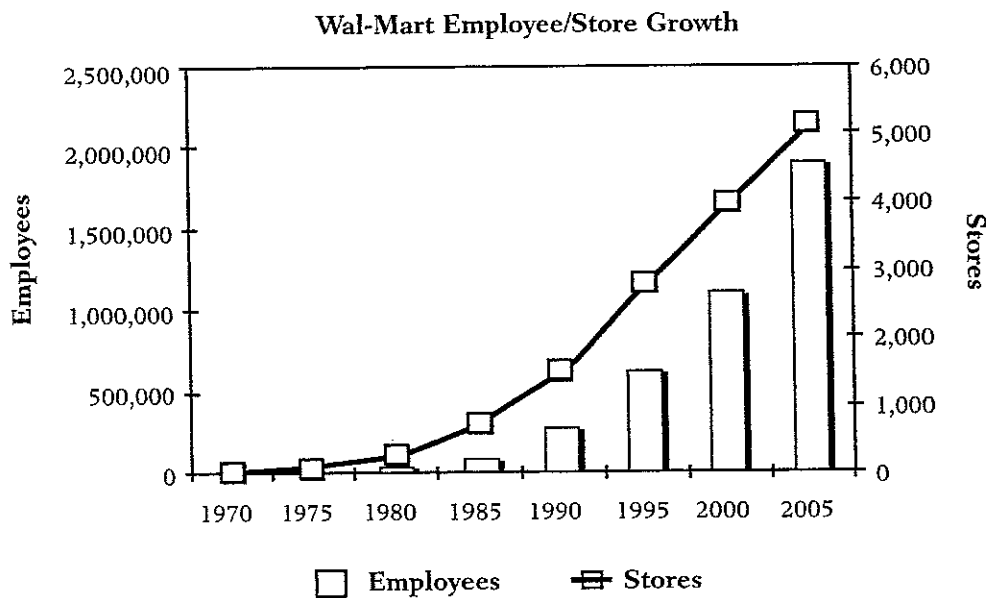
women workers at Wal-Mart, in the largest class-action employment-discrimination suit ever certified by a federal court.

Li Xiao Hong does not work directly for Wal-Mart, but the conditions of her life are inexorably bound to the capitalist template the corporation is now putting in place around the globe. She is a participant in the most sweeping process of proletarian industrialization since the dawn of the factory revolution nearly two centuries ago. Li is a cousin to the mill girls of Lowell, the immigrant needle workers of the Lower East Side, and the Mexican women who poured into the border region maquiladoras just one generation ago. Now she stands on the lowest rung of a supply chain that feeds the enormous buying power assembled by the big-box stores that are becoming dominant throughout the global North. Although Wal-Mart deploys the most sophisticated telecommunications system to efficiently channel her labor power, Li's sweated work life, and that of her tens of millions of workmates, demonstrates that we still live in an industrial world. More people labor on an assembly line today, making actual things, than at any other time in human history. Still more sell, talk, or manipulate a keyboard under assembly-line conditions. The postindustrial age, heralded by so many pundits and academics, has not yet arrived.¹²

And finally there is Crystal, a product of the Wal-Mart "family" itself. Her husband, who worked his way up from maintenance, has the toughest job in the company. He is in the hot seat because he has to accommodate the insistent demands that flow down from the store and district manager, while at the same time keeping the shelves stocked, the cash registers staffed, and the store profits growing. Bentonville's computers assign Crystal's husband a labor budget that is as tight as a drum and a sales target that moves upward with inexorable momentum. He is in a constant squeeze, and when workers quit—Wal-Mart's annual turnover is above 40 percent a year, not far below that of McDonald's—Crystal's spouse has to fill in the gaps, which accounts for a managerial workweek of sixty hours and more. But none of this seems to have diminished the loyalty of people like Crystal and her spouse to Wal-Mart as an institution and an idea. Promotion from within, frequent contact with upper management, a measure of paternalism, and a loosely cloaked Christian identity have helped generate a remarkably cohesive corporate culture in which a substantial proportion of those who pursue careers at Wal-Mart participate. "Ordinary people doing extraordinary things": there is a measure of truth in this Wal-Mart slogan.

Why Is Wal-Mart So Big?

What makes for giantism in big business? Why was General Motors so big during the middle decades of the twentieth century and why is Wal-Mart so huge today? In his contribution to this collection, historian James Hoopes recalls the work of the Nobel Prize-winning economist Ronald Coase, who described the corporation as an “island of conscious power” in an “ocean of unconscious cooperation, like lumps of butter coagulating in a pail of buttermilk.” Every firm has an optimal size beyond which the risk of loss from mismanagement more than offsets the chance of gain from the economies of scale it can realize. In the first half of the twentieth century GM became a vertically integrated conglomerate because Teletype, telephones, and good roads enabled the corporation to deploy its famous system of centralized control and decentralized operations across dozens of states and scores of factories. But such highly integrated production and distribution within a single firm may not always be the most cost-efficient way to make the most money. If new inventions and sociopolitical mores make



Source: Wal-Mart annual reports.

it cheaper and faster to purchase rather than make the same goods and services, then executives will begin to dismantle the huge enterprise. According to the most savvy, technologically hip business writers, the contemporary corporation is doomed to fragment within a world of cheap, rapid communications and increasingly efficient markets. The “virtual” corporation of the twenty-first century should consist of a few thousand highly skilled managers and professionals who contract out nonessential services to cheaper specialist firms.

Thus we have the outsourcing of both call-center work and janitorial services to an ever shifting coterie of independent firms, while “branded” companies like Nike and Dell farm out virtually all the manufacturing work that goes into their core products. This has been the path followed by General Motors, which has spun off Delco, once a vertically integrated parts division. Except for final assembly and the manufacture of key components, GM and the other big car companies seek to outsource as much work as possible, even sharing space with suppliers under the same roof and on the same shop floor. So the GM payroll, white collar and blue, is about half the size it was in 1970. Giving all this a metahistorical punch, *Forbes* columnist Peter Huber declared that it was “market forces and the information age” that had beaten the Soviets and would soon force the dissolution of America’s largest corporations. “If you have grown accustomed to a sheltered life inside a really large corporation,” he advised, take care. “The next Kremlin to fall may be your own.”¹³

But Wal-Mart has found giantism efficient and highly profitable. This is because the price of goods and services it purchases on the open market has not fallen as rapidly as has the cost of “managing,” within a single organization, the production or deployment of those same economic inputs. For Wal-Mart it is still cheaper to build than to buy, and to employ workers rather than subcontract them. As Linda Dillman, the chief information officer at Wal-Mart, put it in 2004: “We’d be nuts to outsource.” And the reason for her disdain? “We can implement things faster than any third party,” Dillman says. “We run the entire world out of the facilities in this area [Bentonville] at a cost that no one can touch.”¹⁴ Thus the same technologies and cost imperatives that have led to the decomposition and decentralization of so many other institutions, including government, health care, entertainment, and domestic manufacturing, have enabled Wal-Mart and other retail distribution companies to vastly enhance their own managerial “span of control.”

By 1988 Wal-Mart had the largest privately owned satellite communications network in the country, a system with six channels that not only let Sam Walton give pep talks to hundreds of thousands of employees, but on which a buyer could demonstrate for department heads in every store the precise way to display new products. As Walton biographer Bob Ortega summarized these pioneering innovations, "Wal-Mart was building a system that would give its executives a complete picture, at any point in time, of where goods were and how fast they were moving, all the way from the factory to the checkout counter." And they knew precisely the labor costs involved, from the truck driver, to the warehouse, to the wages, hours, break time, and benefits of each sales clerk in each store. Indeed, when it became clear that Wal-Mart store managers were routinely failing to give checkout clerks their breaks, a violation of the wage and hour law, Wal-Mart announced that the computers in Bentonville would henceforth shut off the cash registers at the prescribed interval, overriding, if necessary, the local manager's wishes. Here was the kind of centralized control never quite achieved in even the most authoritarian manufacturing enterprises. Ortega reported that at individual Wal-Mart stores, thermostats were manipulated from Bentonville.¹⁵

Wal-Mart's Asian Empire

One of the most important innovations enhancing Wal-Mart's span of control has been a worldwide "logistics revolution." Its icon is the intermodal container, a forty-foot-long metal box that has become pervasive at every port, warehouse, and rail yard. There are more than a million of them sailing to and fro on a never ending maritime highway that stretches from Hong Kong and Singapore to Long Beach and Los Angeles, now the largest ports in the United States. This bridge of giant container ships is filled with products destined for the big-box stores of the United States. Of the top twenty importers, eight are retailers. Wal-Mart, Home Depot, and Target alone account for 45 percent of the merchandise imported by these big companies. Wal-Mart's insatiable sales engine pulls more than 230,000 containers across the Pacific each year. That is the equivalent of about one hundred mammoth containerships, hauling about 20 percent of everything trans-shipped through Southern California ports.

As Edna Bonacich points out in her contribution to this volume, these containers are "pulled" across the Pacific, not "pushed." In a push system, characteristic of consumer

manufacturing in the last century, long production runs generate efficiencies of scale, which lead to inventory surpluses. These are pushed out to retailers, which is why so many car dealers were in a chronic war with Detroit, or why garment makers have often dumped cut-rate product on the retailer. But under the pull system, the retailer tracks consumer behavior with meticulous care and then transmits consumer preferences down the supply chain. Replenishment is put in motion almost immediately, with the supplier required to make more frequent deliveries of smaller lots. This is just-in-time for retailers, or "lean retailing." To make it all work, the supply firms and the discount retailers have to be functionally linked, even if they retain a separate legal and administrative existence. Wal-Mart is therefore not simply a huge retailer, but increasingly a manufacturing giant in all but name.

Wal-Mart has installed its Asian proconsul in Shenzhen, the epicenter of Chinese export manufacturing. There a staff of four hundred coordinates the purchase of some \$20 billion worth of South Asian products. Because the company itself has an intimate understanding of the manufacturing process and because its purchasing power is so immense, Wal-Mart has transformed its three thousand Chinese suppliers into powerless price takers, rather than partners, deal makers, or oligopolistic price administrators. While many of these suppliers are small and undercapitalized, a growing number of East Asian contractors manage factories that are of stupendous size. For example, Tue Yen Industrial, a Hong Kong-listed shoe manufacturer, employs more than 150,000 workers worldwide, most in low-cost factories throughout southern China. A factory complex in Dongguan employs more than 40,000 workers, and its Huyen Binh Chanh megafactory in Vietnam will soon be the largest workplace on the planet, employing 65,000.¹⁶ To remember the last time so many workers were assembled in a similarly gigantic manufacturing complex you have to reach back to the armament factories of World War II—to the River Rouge, Willow Run, Boeing-Seattle, and Douglas-El Segundo in the United States, to Gorki and Magnitogorsk in the Soviet Union, and to Dagenham outside London—to find such proletarian concentrations.

The Wal-Mart supply chain is just as tightly monitored within the United States as without. Here, those manufacturers that manage to survive do so only by bending the knee to their retail overlord.¹⁷ Take Procter and Gamble, for example. The venerable Ohio home product manufacturer long used its market power and sophisticated research on consumer buying habits to secure an outsized share of shelf space from tra-

ditional retailers. Although many drug and grocery chains considered P&G a self-aggrandizing bully, Wal-Mart turned this power relationship on its head. The retailer's superior point-of-sale data-collection system enabled Wal-Mart to more accurately and profitably source its home care products. Wal-Mart came to know more about the consumers of P&G products than did the manufacturer, so in the late 1980s P&G moved an entire sales office to northwest Arkansas. P&G received continuous data via satellite on sales, inventory, and prices, enabling it to replenish goods rapidly, accurately, and often directly from the factory to individual stores. By the mid 1990s, Wal-Mart was P&G's largest customer, generating more than \$3 billion in revenues, or about 20 percent of P&G's total sales. But executives at the Cincinnati soap maker were well aware that their good fortune turned on Wal-Mart's sufferance, which explains why they bought Gillette in 2005. The \$57 billion deal was designed to transform P&G into an even larger supply firm that could challenge Wal-Mart's pricing power and its private label brands. But even this megamerger may not be enough. "If you want to service Wal-Mart you have got to be more efficient," asserted the retail consultant Howard Davidowitz. "The power will stay with Wal-Mart."¹⁸

Wal-Mart vs. New Deal America

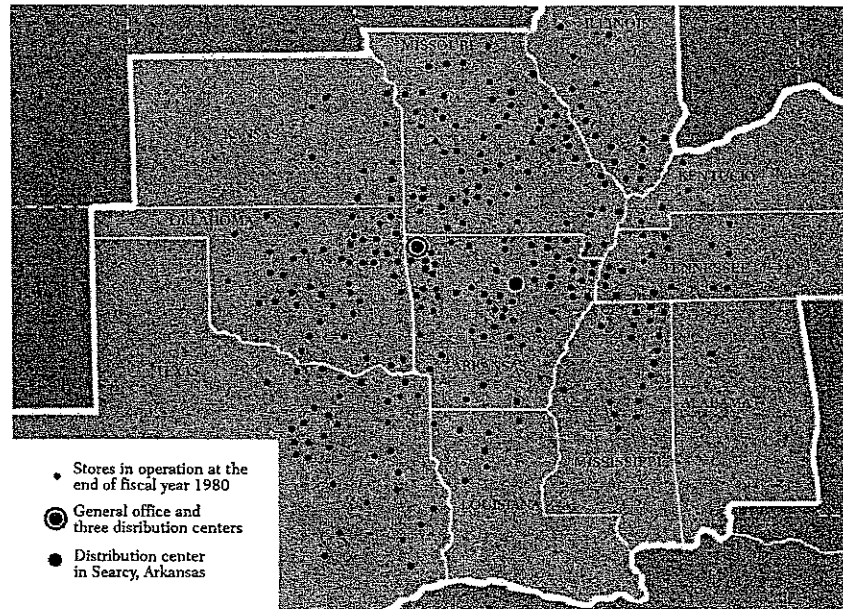
Wal-Mart's mastery of information technology and the logistics revolution explains but a slice of the company's success. Equally important, Wal-Mart has been the beneficiary and a driving force behind the transformation in the politics and culture of a business system that has arisen in a southernized, deunionized post-New Deal America. The controversies sparked by Wal-Mart's entry into metropolitan markets—Chicago, Los Angeles, the Bay Area—embody the larger conflict between what remains of New Deal America and the aggressive, successful effort waged by Sunbelt politicians and entrepreneurs to eviscerate it.

Discount retailing depends on continual, near-obsessive attention to wages and labor costs. Discounters must have two or three times the turnover of traditional department stores, like Sears and Macy's, in order to make the same profit. Stock movement of this velocity depends on a low markup, which in turn demands that labor costs remain below 15 percent of total sales, about half that of traditional department stores. And Wal-Mart is clearly at the head of this discount class, with selling and general ad-

ministration costs—wages mainly—coming in at about 25 percent less than those of Kmart, Target, Home Depot, and other contemporary big-box retailers. In 1958, when manufacturing jobs outnumbered those in retail by three to one, the impact of this downward wage pressure might have been limited. Today, when nonsupervisory retail workers compose a larger proportion of the workforce than those in the production of durable goods, we get a downward ratcheting of the pay scale for tens of millions.

Of course, Wal-Mart's success in establishing a pervasive low-wage standard in big-box retailing is not just a product of retail economics, Sam Walton's thrifty ways, or technologically advanced control mechanisms. The company had its origins and began its stupendous growth at a particularly fortuitous place and time. Neither the New Deal nor the civil rights revolution had really come to northwest Arkansas when Walton began to assemble his small-town retailing empire. But the agricultural revolution of the early postwar era was in full swing, depopulating Arkansas farms, and putting tens

Wal-Mart Locations in 1980



Source: Wal-Mart annual reports.

of thousands of white women and men in search of their first real paycheck. In the 1950s and 1960s a road-building frenzy in the rural South doomed thousands of hamlet stores sited at the confluence of a couple of dirt tracks. But the new highways and interstates brought a far larger group of potential consumers within reach of the small, but growing, commercial centers, towns like Rogers, Harrison, Springdale, and Fayetteville. And these same highways enabled nonmetropolitan retailers to build and service the large, efficient warehouses necessary for discount operations.¹⁹

Walton took full advantage of these circumstances. His folksy paternalism was not a new management style, but he carried it off with brio. Meanwhile, like so many southern employers, Walton frequently played fast and loose with minimum-wage laws and overtime standards. And Walton was an early client of the antiunion law firms that were beginning to flourish in the border South. Wal-Mart stanching Teamster and Retail Clerks International Union organizing drives in the early 1970s by securing the services of one John E. Tate, an Omaha lawyer whose militant antiunionism had its origins in the racially charged warfare that convulsed the North Carolina tobacco industry in the late Depression era. It was Tate who convinced Walton that a profit-sharing scheme for hourly employees would help the company generate good PR and avoid new union threats, while keeping wage pressures at a minimum.²⁰ Indeed, profit sharing and low wages are Siamese twins. Low pay generated high turnover, and high turnover ensured that few employees could take advantage of the profit-sharing plan, which required two years to qualify.

Wal-Mart growth after the mid-1970s, when the chain had about a hundred stores, was nurtured by the Reaganite transformation of the business environment that relieved labor-intensive employers of hundreds of billions of dollars in annual labor costs. In the immediate post-World War II era, when Sears and Montgomery Ward expanded into the suburbs and exurbs, the threat of unionism forced these companies to pay relatively high wages, especially to the male salesmen who sold the stoves and refrigerators. But the failure of labor law reform in 1978, followed by the PATCO debacle in 1981, meant that unionism would not be much of a threat in discount retailing. Indeed, real wages at Wal-Mart actually declined in the years after 1970, tracking the 35 percent decline in the real value of the minimum wage during the next three decades. The failure of the Clinton health insurance scheme in 1994 made it possible for Wal-Mart to continue to externalize these labor costs, giving the company a \$2,000 per employee cost advantage

in the grocery sector that Wal-Mart was just then entering. And the passage of free trade legislation, including China's entry into the World Trade Organization, meant that Wal-Mart could easily take advantage of the global market in sweatshop labor.

One way to recognize the reactionary particularities of the Wal-Mart business model is to briefly contrast it with that of Costco, a Washington-headquartered warehouse-retailer whose Fed-Mart and Price Club predecessors Walton frequently acknowledged as the model that provided many of the ideas that he incorporated into his own retail operations. But there was one big exception: Wal-Mart would have no truck with the Fed-Mart-Price Club-Costco personnel program. Costco owes its character to Sol Price, the Jewish, New Deal Democrat whose social and cultural values were those of Depression-era New York. Price became a multimillionaire, but even in the era of Ronald Reagan, he favored increased taxes on high incomes, enhanced social welfare spending, and a confiscatory tax on wealth. He once remarked that in his entrepreneurial youth he still read the *Daily Worker* more than the *Wall Street Journal*.²¹

Price instituted a high-wage, high-benefit personnel policy that kept Costco turnover at less than a third that of Wal-Mart. And he visualized his shoppers in a very different fashion from those of Wal-Mart. They were neither ex-farmers nor small-town service workers, but derived their identity and income from that thick middle stratum who had been organized and enriched by the institutions of the New Deal and the warfare-welfare state that followed. In his early years Price sold only to those with steady jobs and good credit: aside from licensed businessmen, he sold club "memberships" exclusively to unionists, federal employees, schoolteachers, hospital and utility workers, and people who had joined credit unions. The company soon generated a bi-coastal reputation for low-cost, high-volume quality, so customers spent about 50 percent more on each shopping visit than the clientele of other big-box retailers. Indeed, with few stores in the Midwest and none in the Deep South, Costco is definitely a blue-state phenomenon. Its executives donate to the Democrats and have taken a comparatively hands-off attitude toward Teamster efforts to organize their employees.²²

Culture and Ideology

Wal-Mart, of course, is red state to the core. It is a Republican firm, certainly among the top managerial ranks, whose political contributions in 2000 and 2004 flowed almost ex-

clusively to George Bush and his party.²³ But the red state character of Wal-Mart is about a lot more than electoral politics, just as modern conservatism represents far more than allegiance to any single political party. Wal-Mart has proven remarkably successful in propagating a distinctive brand of Christian entrepreneurialism and faux egalitarianism well beyond its Arkansas-Missouri-Oklahoma roots. The company prides itself on its corporate culture, but the resonance of that ideology arises not from its uniqueness but from the way that Wal-Mart executives have played a systematic role in translating a Reagan-era conservative populism into a set of ideological tropes that work effectively to legitimize Wal-Mart's hierarchical structure and insulate most employees from other calls upon their loyalty.

The ideological culture projected by Wal-Mart has several interwoven components, some not all that different from the welfare capitalism pioneered by paternalistic firms, including Pullman, Heinz, and National Cash Register, in the years before World War I. The first theme is that of family, community, and a corporate egalitarianism that unites \$9-an-hour sales clerks with the millionaires who work out of the Bentonville corporate headquarters. Wal-Mart's small-town communitarianism is usually identified with the persona of Sam Walton, famous for his Ozark twang, shirtsleeve dress, and the aging pickup trucks he drove around Bentonville. In her contribution to this volume, Bethany Moreton explores the contemporary efficacy of such neo-populist symbolism with wit and brilliance. Indeed, Walton strove mightily, and often successfully, to project Wal-Mart as the embodiment of a more virtuous and earthy enterprise. Despite the technological sophistication of the Wal-Mart infrastructure, Walton derided computer-age expertise and instead celebrated hard work, steadfast loyalty, and the mythos of small-town America as the key that has unlocked success both for the corporation and the individuals who labor within it. "We are no tech, not high tech or low tech," Walton told thousands of admirers who attended his last shareholder meeting in 1991.²⁴

Walton and other executives institutionalized this imaginary social projection through an adroit shift in the linguistic landscape. They labeled all employees "associates," routinely used first names in conversation and on identification badges, and renamed the personnel department the Wal-Mart "people division." Associates who perform below par are not disciplined, but rather "coached" to achieve their potential.²⁵ Symbolic leveling of this sort often takes on a carnivalesque flavor at the corporation's stadium-size annual meeting, where top executives are put through skits, songs,

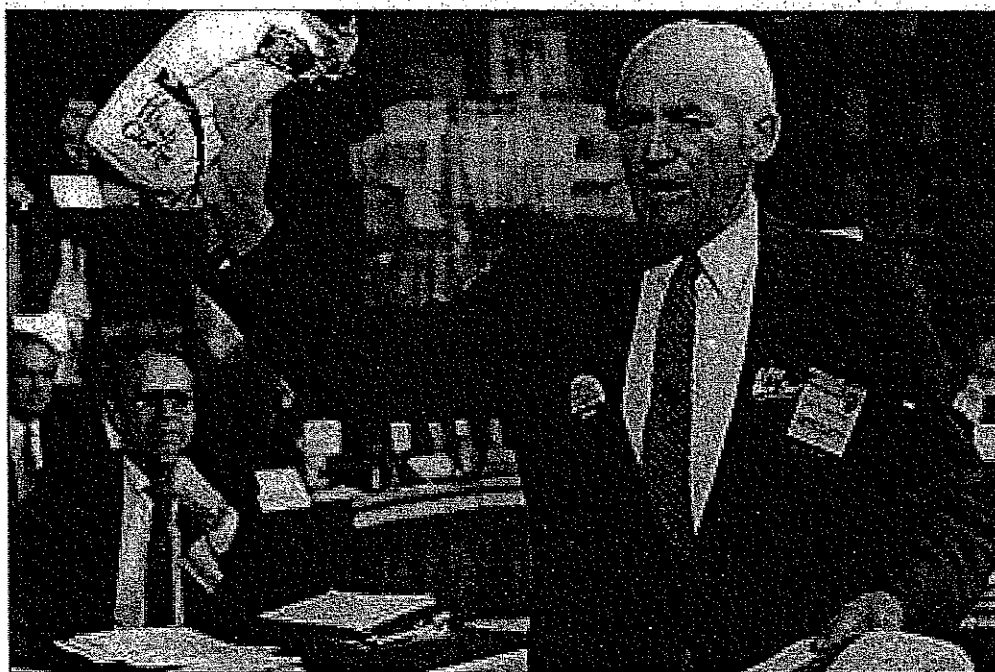
and vaudeville-like routines that embarrass them before thousands of raucous associates.²⁶

Even more important than this faux classlessness is the Wal-Mart culture of country, faith, and entrepreneurial achievement. Large U.S. firms have always linked themselves to a patriotic impulse and not only in times of war or crisis. In the 1950s General Motors sought to sell its lowest priced car with a jingle that told working-class consumers to "See the USA, in your Chevrolet. America's the greatest land of all!" Wal-Mart has been even more intent on such a linkage, beginning with its abortive "Made in the USA" advertising and purchasing campaign of the late 1980s to its contemporary efforts celebrating the guardsmen and troops—many former Wal-Mart employees—who are serving in the Middle East.²⁷ But overt U.S. nationalism has its limits in a firm dedicated to international expansion, which is why Wal-Mart annual meetings have taken on a decidedly multinational flavor during the last decade. As Don Soderquist, Wal-Mart's chief operating officer during most of the 1990s, told associates, "We have pride in our country, and they have the same pride in theirs. What's transferable is the culture of Wal-Mart, making people feel good, treating them right."²⁸

Soderquist, who has taken it upon himself to be the foremost articulator of the Wal-Mart culture, wrote in his 2005 memoir, *The Wal-Mart Way*, "I'm not saying that Wal-Mart is a Christian company, but I can unequivocally say that Sam founded the company on the Judeo-Christian principles found in the Bible."²⁹ Actually, Walton took his Presbyterian identity rather lightly, and unlike Soderquist, who has contributed heavily to Arkansas evangelical churches, the company founder thought profit sharing schemes and Ozark high jinks more central to the Wal-Mart ethos than do contemporary executives.³⁰ But Soderquist is right in emphasizing the extent to which Wal-Mart exists within a cultural universe that is Protestant—Christian in contemporary parlance—even if corporate officers refrain from declaring this evangelical sensibility an overt component of the Wal-Mart culture.

But it is there. Like the mega-churches, the TV evangelists, and the Zig Ziglar motivational seminars, Wal-Mart is immersed in a Christian ethos that links personal salvation to entrepreneurial success and social service to free enterprise.³¹ Wal-Mart publications are full of stories of hard-pressed associates, once down on their luck, who find redemption, economic and spiritual, through dedication to the company. Selfless service to the customer, the community, and Wal-Mart will soon reap its own reward.

The telephone company—the old AT&T—also once declared itself devoted to “universal service,” to projecting the “voice with a smile,” but Wal-Mart’s invocation of this imperative has a decidedly less secular flavor. Thus the 1991 *Sam’s Associate Handbook* declared that Wal-Mart “believes management’s responsibly is to provide leadership that serves the associate. Managers must support, encourage and provide opportunities for associates to be successful. Mr. Sam calls this ‘Servant Leadership.’”³² That phrase, with its subtle Christian connotation, has appeared with increasing frequency in Wal-Mart publications and also among a growing number of company vendors.³³ In 1999, when H. Lee Scott was being groomed to take over the company, Joe Hardin, a former Sam’s Club executive, then CEO of Kinko’s, told *Discount Store News*, “Lee is a great Wal-Mart person. He is someone who has grown up in the culture, and he openly com-



Sam Walton in 1986. Photograph by Steve McHenry.

AP/WIDE WORLD PHOTOS

municates and listens to other people's ideas. He is a true servant leader who knows how to build a team and get them to work together."³⁴

It is one thing to formulate a distinctive corporate culture, but it is quite another to preserve and reproduce that set of ideological and organizational structures when Wal-Mart builds stores and distribution centers outside its home territory. But Wal-Mart has succeeded. In the 1970s and 1980s the company did not leapfrog into the rich but culturally alien suburban markets but expanded like molasses, spreading through tier after tier of rural and exurban counties. Although Wal-Mart was opening or acquiring hundreds of stores in the late 1970s, the average distance of a new store from Bentonville was just 273 miles then. Moreover, Wal-Mart recruited executive talent almost exclusively from the South Central states—the company's two most recent CEOs are graduates of Southwest Missouri State University and Pittsburg State University in Kansas—and when Wal-Mart did put its stores beyond a hard drive from Northwest Arkansas, its high degree of centralization insured that the Bentonville ethos would not be diluted.³⁵ Wal-Mart's large fleet of corporate jets enables many regional managers to live in Bentonville, even as they administer a far-flung retail territory. Like the yearly extravaganza in Fayetteville, the weekly Saturday morning show-and-tell puts the top brass, scores of middle managers, and a selected group of lesser folk together in a ritualized setting that may be "quaint and hokey" but which a visiting *Fortune* reporter avers "makes the world's largest enterprise continue to feel as small and folksy as Bentonville. And whatever makes Wal-Mart feel smaller and folksier only makes it stronger. Or scarier."³⁶

But Wal-Mart's real business takes place not in Bentonville but in thousands of discount stores and supercenters. Here the essential corporate cadre consists of the managers and assistant managers. They are responsible for meeting the sales targets and expense ratios that Bentonville's computers relentlessly put before them each week. The Wal-Mart corporate culture may smooth their way, but the job of the manager and his assistants, among the handful of salaried people in each store, is essentially one of labor management, conducted with more sticks than carrots, more actual sweat than inspirational speeches. The job is difficult, the hours long, and the career prospects not always golden.

In the early 1980s Wal-Mart faced a recruitment crisis. With more than a hundred new stores opening each year, Wal-Mart had to hire or promote upwards of a thousand

managers or management trainees during the same time frame. The company faltered. Recruitment from within meant the promotion of a lot of women, and that ran headlong into those Wal-Mart family values that tilted toward small-town patriarchy. Of course, the company's sexism had its own logic. The feminist revolution had barely reached middle America, which meant that the kind of women who worked for Wal-Mart were still largely responsible for rearing the children, putting dinner on the table, and taking care of Grandma. Most were not about to pick up stakes and move to a distant town in order to move up Wal-Mart's short and unpredictable managerial ladder. But if Wal-Mart promoted them into management in their hometown store, then they were likely to be poor disciplinarians. How were they to "coach" old friends and relatives who had once shared gossip in the break room?³⁷

So Wal-Mart looked to the universities to recruit a new generation of managers. But here they faced another problem. Few freshly minted MBAs were going to take an arduous \$25,000-per-year assistant manager job, and even the undergraduate business majors at the big schools became frustrated when they found that Wal-Mart had little use for their accounting and marketing skills. The solution was to search for a fresh cohort of management trainees in the denominational colleges and the branch campuses of the state universities, where diligence, Christian culture, and modest career expectations were already the norm. Wal-Mart wanted the B and C students, the organization men, the undergraduates who were the first in their family to take college courses. They wanted young men, and a few women, who could fully commit to the Wal-Mart ethos and the corporate culture.

Wal-Mart sent recruiters to small middle South colleges, worked with established organizations like the Distributive Education Clubs of America, and advertised on cable, at local military bases, and in area churches. However, Wal-Mart would soon recruit as many as a third of its management trainees from the ranks of a dynamic new group, Students in Free Enterprise (SIFE), which claimed a presence on more than seven hundred U.S. campuses by the end of the century.³⁸

SIFE was and remains an ideological formation that propagandizes on behalf of free-market capitalism within the conservative Christian world nurtured at places like College of the Ozarks; John Brown University in Siloam Spring, Arkansas; Southwest Baptist University in Bolivar, Missouri; Drury University in nearby Springfield; and La Sierra University in Riverside, California. But, like Wal-Mart, which put several of its

top executives on the SIFE board and funded hundreds of faculty as Sam Walton Free Enterprise Fellows, SIFE did not celebrate a neoliberal world of naked self-interest and Darwinian struggle. Unlike *Wall Street's* Gordon Gekko, SIFE does not preach that greed is good. Instead the organization, which was revitalized by Wal-Mart in the early 1980s, has prepared students for entry-level management posts by linking the collegiate quest for self-esteem and humanitarian good works to an ideology of market capitalism and career advancement. Thus the SIFE statement of principles declares: "We believe that the best way to improve the lives of others is through Free Enterprise practiced morally." Propagated successfully, this was just the kind of philosophy needed to generate the devoted, youthful cadre Wal-Mart wanted to staff its ever-expanding retail empire. And it was enough to earn this "student" group a coveted place on the official Wal-Mart Web site.³⁹

Like Wal-Mart, SIFE is highly centralized and hugely ambitious. It is a "missionary organization," observed one Sam Walton Fellow, whose annual convention taps into some of the same enthusiasms that energize the larger Wal-Mart conclaves. The SIFE board largely replicates the set of firms with the largest stake in the Wal-Mart supply network, plus a few specialty retailers like Walgreens and Radio Shack that do not compete directly with the Bentonville monarch. As Wal-Mart expands abroad, so too does SIFE, which now claims campus "teams" at more than six hundred foreign schools. Sam Walton Fellows are now mentoring young people in free enterprise education in the republics of the former Soviet Union, in South Africa, throughout Britain and Western Europe—where Wal-Mart is trying to establish a bigger footprint—and above all in East Asia, which is truly capitalism's most dynamic frontier. SIFE claims to be growing rapidly in the Philippines, Malaysia, and South Korea, and it has established itself in China where some twenty-nine universities host Sam Walton Free Enterprise Fellows.⁴⁰

A Tale of Two Countries

Wal-Mart expansion outside of North America has not always gone smoothly. Despite the strength of its corporate culture, the success of the company's business model is largely dependent upon the strength or weakness of the regulatory employment regime that it encounters. This is especially true across the Atlantic, where Wal-Mart has an-

nounced that it wants "stores in every country in Europe." To this end it has either acquired or opened negotiations with existing retail and grocery firms in France, Germany, Holland, Ireland, and the UK. With at least 200 million reasonably affluent consumers, Europe has far more purchasing power than any region outside of North America.

Wal-Mart purchased Asda, the UK's second biggest supermarket chain, in 1999. Given the ascendancy of Thatcherism in the United Kingdom, Asda, which operated almost three hundred stores, had little difficulty in following Wal-Mart's low-wage, part-time business practices all through the 1990s. "When we were acquired," asserted Asda CEO Tony Denunzio, "it was like acquiring a clone."⁴¹

Britain is not the United States of course, so Asda expansion has encountered considerable resistance: from those who enforce the tough zoning and green belt laws, from farmers and other domestic producers who have been hurt by Wal-Mart's notorious squeeze on its supply chain, by the strong network of UK-based nongovernmental organizations like Oxfam and the Fairtrade Foundation, and by the unions, which still retain a foothold in the retail sector. But none of this has stopped the rise of Asda, which took over Sainsbury's in 2003 and which had the ear of Tony Blair's New Labour. The prime minister has asserted that UK citizens like to shop at the edge-of-city big boxes, much to the annoyance of his government's own planners, who see such construction as the death knell of an efficient urban-suburban rail transport plan.⁴²

In Germany, by way of contrast, Wal-Mart's effort to import American-style retailing has been a failure, bleeding Bentonville red ink from Berlin to Bonn. It has been "a fiasco" reports Andreas Knorr, a leading German student of the retail industry. Wal-Mart acquired Wertkauf, a twenty-one-store German hypermarket chain, in 1997 and then bought seventy-four more German stores from Interspar the next year. But Wal-Mart has probably lost about \$250 million a year, and it has not increased its tiny share of the German retail market. The reasons are both political and cultural.

Despite neoliberal efforts to erode the German social market regime, the regulatory environment there is quite different from that of Anglo-America. In Germany Wal-Mart has failed to achieve a competitive advantage because stringent planning and zoning regulations have hindered green field expansion or urban remodeling of existing stores. Restrictive shopping-hour regulations have limited the extent to which Wal-Mart can take advantage of multiple shifts and high product turnover. At eighty hours per week, these store hours are the shortest in all of Europe. And antitrust regulations in Germany

have restricted price competition and eviscerated Wal-Mart efforts to squeeze German suppliers and introduce its trademark "always low prices." A remarkably large proportion of all German retail stores are family-owned, thus downgrading the maximization of shareholder value as the supreme object of the enterprise.

Culturally, it seems as if German citizens are not quite as enchanted by consumerism as those in North America or the United Kingdom. They seem to have an allergy to the faux cheerfulness that Wal-Mart projects throughout its stores, and of late they have not been spending all that much. German consumers spend 30 percent of their available income with retailers, down from 40 percent only ten years ago. And Wal-Mart's German management has been described as arrogant, inept, and characterized by a "clash of cultures," even "hubris." The Bentonville-based multinational appointed four CEOs during the first four years after acquiring its first group of German stores. Some did not speak German, and when Wal-Mart did acquire native managers, many found Wal-Mart's distinctive managerial culture quite alien. To Andreas Knorr, "Wal-Mart's failure on the German market" has been the inevitable result of its inability to manage an intercultural relationship. "In Germany the company seems to be the prey rather than the hunter."⁴³

Working at Wal-Mart

Wal-Mart is a largely Protestant firm, but it has a lot of chutzpah. The company defends its low-wage, low-benefit personnel policy by arguing that it employs workers who are marginal to the income stream required by most American families. Only 7 percent of the company's hourly employees try to support a family with children on a single Wal-Mart income. The company therefore seeks out school-age youth, retirees, people with two jobs, and those willing or forced to work part-time.⁴⁴ The managerial culture at Wal-Mart, if not the formal company personnel policy, justifies its discrimination against women workers, who now compose two-thirds of the workforce, on the grounds that they are not the main family breadwinner. Not since the rise of the textile industry early in the nineteenth century, when women and children composed a majority of the labor force, has the leadership of an industry central to American economic development sought a workforce that it defined as marginal to the family economy.⁴⁵

All this stands in stark contrast to the personnel policies of another powerful corpo-

ration that once stood at the epicenter of the American economy. Half a century ago General Motors was the largest and most profitable American corporation, with sales that amounted to about 3 percent of the gross national product, which made the car maker an even larger economic presence than Wal-Mart is today.⁴⁶ In its heyday, from the late 1920s through the 1970s, General Motors produced almost half the cars manufactured each year in the United States. And it was not just a builder of automobiles, but also of heavy trucks, locomotives, and military equipment. It was a major player in aircraft production and household appliances, and the GM Acceptance Corporation was by far the largest retail credit institution in the United States.⁴⁷ Like Wal-Mart today, it had no competition that could threaten its market supremacy. And also like Wal-Mart, whose ever present TV spots claim a beneficial link between the corporation's fortune and that of workers, customers, and community, one might scoff at the claim, but no one could ignore it.

Of course, GM was not a charitable institution; it was a hard-nosed corporation that sought to ensure a 20 percent return on shareholder investment, year in and year out. It even made a profit in 1932 when tens of thousands of its employees were on the street. But after 1937 GM was a unionized firm, strikes were frequent, and the organized pressure of its workers, seeking a larger share of the GM productivity dividend, was incessant. Right after World War II the United Automobile Workers actually struck on behalf of the low-price policy that Wal-Mart would make famous thirty-five years later: labor wanted GM to freeze car prices, but still raise wages, so as to share with the public the cost savings made possible by the World War II investment surge. To GM executives this seemed a union assault on cherished managerial prerogatives, and they battled the UAW all through the winter of 1946, successfully sidelining this idea.

Instead General Motors agreed, in the landmark collective-bargaining negotiations of 1948 and 1950, that the corporation would guarantee an annual increase in the real income of its three hundred thousand blue-collar workers regardless of inflation, recession, or corporate profitability. *Fortune* magazine called this "the Treaty of Detroit." Thus between 1947 and 1973 the real income of auto workers doubled, and because GM was the template firm of the mid-twentieth century, the auto industry wage pattern was quickly adopted by a large slice of all the big manufacturing firms, unionized or not. For the first and only time during the twentieth century, the real income of those in the bottom half of the income distribution rose as rapidly as those in the top 10 percent.

And given the growth of health and pension benefits, industrial workers secured a measure of life security never before enjoyed by blue-collar Americans.⁴⁸

None of this gave General Motors management a pass. In 1953 when President Eisenhower appointed GM president Charles E. Wilson to his cabinet, the auto executive appeared before Congress to defend his views and qualifications. When asked if there was any conflict between his career as a corporate officer and his new governmental duties, Wilson famously replied that what was "good for the country, was good for General Motors, and vice versa."

Congress eventually confirmed Charles Wilson as secretary of defense, but his bold declaration generated a howl of outrage that has not quite lost all its voltage even after more than half a century. Wilson's quip might have been arrogant, but it was controversial precisely because there was a plausible case for making it.⁴⁹

So too at Wal-Mart, which argues that the company's downward squeeze on prices raises the standard of living of the entire U.S. population, saving consumers upwards of \$100 billion each year, perhaps as much as \$600 a year at the checkout counter for the average family. A McKinsey Global Institute study concluded that retail-productivity growth, as measured by real value added per hour, tripled in the dozen years after 1987, in part due to Wal-Mart's competitive leadership of that huge economic sector. "These savings are a lifeline for millions of middle- and lower-income families who live from payday to payday," argues Wal-Mart CEO H. Lee Scott. "In effect, it gives them a raise every time they shop with us."⁵⁰

But why this specific, management-imposed trade-off between productivity, wages, and prices? Henry Ford used the enormous efficiencies generated by the deployment of the first automotive assembly line to double wages, slash turnover, and sell his Model T at prices affordable even to a tenant farmer. As historian Meg Jacobs makes clear in *Pocketbook Politics: Economic Citizenship in Twentieth-Century America*, the quest for both high wages and low prices has been at the heart of America's domestic politics throughout much of the nation's recent history. And when social policy tilts toward the left, as in the Progressive era, the New Deal, and on the World War II home front, workers and consumers find their interests closely aligned. They see the relationship between wages and prices as a fundamentally public, political issue and not merely a dictate of corporate management or the interplay of market forces.⁵¹ Thus, as late as 1960 retail wages stood at more than half those paid to autoworkers, in large part be-

cause the new unions and the New Dealers had sought to equalize wages within and across firms and industries. But by 1983, after a decade of inflationary pressures had eroded so many working-class paychecks, retail wages had plunged to but one-third of those earned by union workers in manufacturing, and to about 60 percent of the income enjoyed by grocery clerks in the North and West. And this is just about where retail wages remain today, despite the considerable rise in overall productivity in the discount sector.⁵²

Indeed, if one compares the internal job structure at Wal-Mart with that which union and management put in place at GM during its mid-twentieth-century heyday, one finds a radical transformation of rewards, incentives, and values. GM workers were often lifetime employees, so factory turnover was exceedingly low: these were the best jobs around, and they were jobs that rewarded longevity. Auto industry turnover is less than 8 percent a year, largely a result of normal retirements. At Wal-Mart, in contrast, employee turnover approaches 50 percent a year, which means it must be even higher for those hired at an entry-level wage. Turnover at Kmart is somewhat lower, and Costco, which provides even higher wages and benefits, reports a turnover rate of only 24 percent.⁵³ The workers are voting with their feet.

The hours of labor, the very definition of a full workday, constitutes the other great contrast dividing America's old industrial economy from that of its retail future. Since the passage of the Fair Labor Standards Act in 1938, most Americans have considered an eight-hour workday and a forty-hour week the nominal standard. Employers are required to pay time and a half to most nonsupervisory workers when their hours exceed forty per week. But the reality of our work lives has not always conformed to this standard. Industrial managers at General Motors and other high-benefit firms have frequently insisted upon a longer workweek, perhaps forty-eight or fifty-two hours, in order to meet production goals. Most workers dislike such mandatory overtime, but neither the unions nor the government can do much about it because, from the employer's perspective, the total cost of each additional hour of work has been relatively low. General Motors and other unionized firms have never been required to pay overtime on that large slice of their labor cost that consists of health and pension "fringe benefits." But at Wal-Mart and other low-benefit firms it is a near capital offense for store managers to allow workers to earn overtime pay. Indeed, at Wal-Mart a thirty-two-hour workweek is considered "full-time" employment. This gives managers great flexibility and power, en-

abling them to parcel out the extra hours to fill in the schedule, reward favored employees, and gear up for the holiday rush. But the social consequences of this policy are profound: unlike General Motors, Wal-Mart is not afraid to hire thousands of new workers each year, but employees' attachment to their new job is low, and millions of Americans find it necessary, and possible, to moonlight with two part-time jobs.⁵⁴

GM and Wal-Mart have also generated extraordinarily divergent pay hierarchies. During its heyday, factory supervisors at GM—hard-driving men in charge of between two thousand and three thousand workers—took home about five times as much as an ordinary production employee. At Wal-Mart, district store managers—in charge of about the same number of workers—earn more than ten times the pay of the average full-time hourly employee. And when one calculates the ratio of CEO compensation to that of the sales floor employees, the disparity in pay becomes even greater at these two template corporations: In 1950 GM president Charles E. Wilson, who was one of the most well-paid executives of his era, earned about 140 times more than an assembly line worker; while H. Lee Scott, the Wal-Mart CEO in 2003, took home at least 1,500 times as much as one of his full-time hourly employees.⁵⁵

Reforming the Wal-Mart Template

The fight to change the Wal-Mart business model, and in particular its labor policies, is part of a larger struggle to democratize our economic life. In China and elsewhere this requires a political transformation of the first order. When authoritarian governments preside over an era of massive, sustained proletarianization, an eruption of considerable magnitude cannot be far behind. China's transformation into the workshop of the world is therefore generating the flammable social tinder that might well explode, along lines first glimpsed at Peterloo in 1819, Lowell in 1912, even Shanghai itself in 1927. When this eruption takes place, the shock waves will force companies like Wal-Mart to rethink their wager on the transpacific supply chain and the global sweatshop.

At home our ambitions involve the effort to revive a social democratic ethos within American politics, policy, and work life. The fight is not against Wal-Mart per se, on aesthetic or consumerist grounds, but against the reactionary squeeze the corporation has been able to mount against the wages and income of all who labor within, compete with, or depend upon the new retail-centered political economy. This road leads to pol-

itics, especially in those bicoastal states where Wal-Mart now seeks a large retail footprint. The roar that greeted GM president Wilson's claim that what was good for GM was good for the country generated a set of real constraints upon America's most profitable and efficient auto corporation. GM could have put Chrysler into bankruptcy and pushed Ford to the wall had it chosen to expand its market share beyond the 45 percent it enjoyed during the years after World War II. But it correctly feared federal antitrust action had it chosen to pursue such an overtly aggressive pricing strategy. Instead, GM maintained a price umbrella under which smaller competitors might shelter and autoworkers win higher take-home pay.

Wal-Mart's competitive strategy has been just the opposite, which, not unexpectedly, has generated a howl of outrage from the unions, from small business, and from those communities that see the company's low prices as a threat to Main Street vibrancy. Site fights in California and elsewhere in the coastal United States may well signal the start of an era in which Wal-Mart's business template is subject to much greater political challenge and constraint. Wal-Mart's major worries derive not from the competition mounted by Target or Home Depot, but from angry voters, hostile government officials, and skillful class-action lawyers.

This is not unique in American history: powerful firms have often been forced to alter their business model and their labor policies, even without the passage of new legislation or the unionization of their employees. Even before the passage of antitrust legislation, muckraking journalists put John D. Rockefeller's Standard Oil on notice that it would have to curb its predatory pricing strategy. U.S. Steel was forced to abandon the punishing twelve-hour day in 1924 after clergy, reformers, and Commerce Secretary Herbert Hoover lobbied the autocratic steel men who then led America's largest company. IBM put its entire blue-collar workforce on salary in 1959 to avoid unionization in an era when organized labor seemed to be winning a guaranteed annual wage for factory workers. In the post-civil rights era we have seen how corporations have enshrined "diversity" as a core human resource principle. And in China, Central America, and elsewhere a set of nongovernmental organizations, often backed by students and unionists in the U.S., have put a spotlight on the sweatshop labor employed by the contractors who supply the goods sold in the apparel and toy departments of so many American stores.

Today, Wal-Mart faces legal challenges on a variety of fronts, from the exploitation of

illegal immigrants and the violation of child labor laws to discrimination against its female employees. If successful, these suits will have a material impact on Wal-Mart labor costs, bringing them somewhat closer to those of its competitors. Perhaps even more important, Wal-Mart's labor policies are coming under attack from a wide variety of elected officials, as well as unionists and academics, who argue that the company's ability to pay such low wages is possible only because state and federal tax, welfare, and health care programs subsidize the living standards of Wal-Mart employees far more than those of other U.S. workers.⁵⁶ In California researchers at UC Berkeley found that Wal-Mart wages—about 31 percent below those in large retail establishments as a whole—made it necessary for tens of thousands of company employees to rely on public "safety net" programs, such as food stamps, Medicare, and subsidized housing, to make ends meet. The Berkeley study estimated that reliance by Wal-Mart workers on public assistance programs in California cost state taxpayers about \$86 million annually, in part because the families of Wal-Mart employees utilized an estimated 40 percent more in taxpayer-funded health care than the average for families of all large retail employees. In Connecticut and Alabama the findings were similar if not so dramatic. In Georgia, offspring of Wal-Mart employees were by far the largest participants in Peach-Care, the state's medical insurance plan for poor children.⁵⁷

The challenge, therefore, is to channel this critical wave into a broad coalition that can begin to transform the nature of work at Wal-Mart and the whole business model under which the big-box retailers are now restructuring so much of the economic world. If Wal-Mart's ambitious expansion plans are thwarted, then Wal-Mart management might begin to realize that a higher-wage, higher-benefit employment model may well be only way that it can escape from these populist constraints. And when workers at Wal-Mart see that they may have a lifetime career at the company, then they will be much more likely to look to the trade union idea to give to their work life the democratic dignity and sustaining income it deserves.