Wal-Mart or World-Mart?
A Teaching Case Study

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Abstract

This teaching case study aims to draw out discussion in a variety of classes about the responsibilities of large corporations and their role in society. The authors provide a profile and a set of questions about Wal-Mart, the largest corporation in the world. Ultimately, the purpose of the study is to provoke discussions about the marketplace, social welfare, cultural homogenization, labor, and economic structure and agency in the context of expanding global corporate influence in society.

JEL classification: A22; P0

Keywords: multinational corporations; sweatshops; working poor; globalization; cultural homogenization; Wal-Mart; labor unions; teaching economics; retail

1. Pedagogical Note

This study is written for college instructors and students to promote critical discussions about business ethics, multinational corporations, and power structures in a global economy. As such, we do not attempt to provide all the answers to the questions that we ask of students reading this case. However, we hope that this reading will provide instructors and students fertile areas of inquiry and discourse.

1. This case originated in a graduate seminar on globalization in the spring of 2000 at Northern Arizona University with all authors contributing equally. Special thanks goes to the instructor of that class, Carol Thompson, whose dedication and patient support has continued over the year and a half beyond the class needed to prepare the manuscript for submission. We also thank Justin Ervin who was an essential member of this research team.

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While we are still experimenting with this teaching guide ourselves, there are several ways in which this study could be used in numerous social science classes. Some instructors may find it useful for students to divide up the areas and have students directly read the entries in or out of class, using the questions at the end of each section to initiate discussion. Using this technique will take one to several weeks, depending on the pace of the discussion, to cover the entirety of the case. The advantage to this approach is that students have the time to elaborate on the intricate social and ethical dimensions of each Wal-Mart policy area.

Regardless of the way in which instructors use this study, “Wal-Mart or World-Mart?” should make economic theories more tangible and available to students. For example, ideas of how corporations affect problems of the working poor as a class can be brought home to students in the case of Wal-Mart by looking at the loss of health benefits and low wages despite the value they add to the corporation. Also, theories of capitalistic development can be exemplified by the Wal-Mart case, especially where grassroots community values are demonstrably secondary to profit and economic growth.

Another potential use that has received favorable responses from students exposed to the study is to take a particular issue area, such as urban growth, and apply Wal-Mart as a factor. Here, Wal-Mart can be presented in the context of corporations as political actors compared to organized resistance efforts, city/county preferences for growth, and the problems with “distancing” political economies as in the importing of sweatshop products (Conca, Princen, and Maniates 2001). Or, sociological, anthropological, and environmental classes could use Wal-Mart as a specific case to depict structural problems of overconsumption or capitalist growth.

The case may also be used as a pilot for students doing their own research on corporations, using the areas of inquiry highlighted in this case to provide ideas in building their own investigation of large corporations.

Finally, using a store familiar to all students because it sells commodities defining their lifestyles (clothes, music, accessories), the case study links the daily lives of students to global political economy issues. “How can the Wal-Mart pair of jeans be so much cheaper than that pair? Why can’t one find this rap CD in Wal-Mart?” In seeking answers, the students will learn much about how the global political economy functions.

After a brief introduction, we will provide a corporate profile of Wal-Mart. It includes the number of people employed by Wal-Mart, the amount of money it makes, and the company’s history. Second, we will provide a portrait of Wal-Mart employment practices. This will include sections on domestic employment, union policies, and international employment including contracted labor. Third, we will move on to discuss Wal-Mart as a local presence for Flagstaff, Arizona, to provide examples of some questions that might be pertinent to local research. The study then concludes with some comments on cultural homogenization.

2. Ken Conca, Thomas Princen, and Michael Maniates used this term when looking at the severed feedback connections between consumption and “geography, culture, agency, and power.”
2. Introduction

Wal-Mart is the world’s largest corporation (The global 500 2002; Belsie 2002). Wal-Mart is a company that most Americans are familiar with, a company with stores that offer everything a person could need at discount prices. What began as a company based in a small Arkansas town has grown to be the largest private employer in the United States. By 1998, Wal-Mart had the fourth highest annual sales revenue of any American company and had stores throughout four continents. It is estimated that within a few years, twenty cents of every retail dollar spent in the United States will be spent at this store. Most students are probably not familiar with how big Wal-Mart truly is, how it became so big, nor how powerful it is.

To minimize operating costs and maintain low prices, Wal-Mart pays relatively low wages, provides minimal benefits to its employees, and contracts with international manufacturing firms that fit the definition of “sweatshops.” In addition, Wal-Mart has taken some fairly drastic measures to ensure that their workforce is not able to form unions. Wal-Mart purchases many of its items, particularly clothing, from developing countries, including the U.S. Commonwealth of Saipan. This case study will consider the implications this policy has on laborers and development in those countries, as well as production and employment in the United States.

Despite the positive public image it portrays, Wal-Mart’s size and growth have also allowed it to force other stores out of business, often causing a disintegration of communities and ultimately reducing consumer choices. One question this case study considers is whether Wal-Mart has lived up to its image as an American success story.

Although focused on Wal-Mart, this case study is more than a study of one particular large U.S. corporation because it analyzes the effects corporate size and growth have on social, political, and economic systems on the local, national, and international levels. Numerous multinational corporations (MNCs), including Wal-Mart, have annual sales greater than the gross domestic product of the majority of countries in the world. This implies that MNCs are potentially becoming more powerful than national and local governments. This shift in power, in many instances, allows corporations to have an increasingly stronger influence on social, political, and economic aspects of people’s lives.

Studying the role of the MNC is crucial to understanding the future of societies throughout the world. Over the past thirty years, sales of the world’s five hundred largest MNCs have increased by sevenfold, yet worldwide employment during this period has remained virtually unchanged (Greider 1997). Since labor is relatively immobile, while capital (money, machines, and technology) is extremely mobile, the power to determine where and how business is carried out clearly lies with corporations. Cities, states, and countries routinely offer favorable terms in competition with other similar areas to attract corporations. In nearly every case, corporations are not concerned with the long-term, and possibly not even the short-term, interests of the area into which they locate. In a market-based economy, profit is the motive underlying corporate decision making. While this has implications

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3. “Wal-Mart” in this article will mean all the subsidiary companies included in the larger corporation. The most important of these are Wal-Mart stores, Supercenters (64 percent of the total company sales), and the Wal-Mart Sam’s Club (14 percent) (Wal-Mart 2001a).
for the ethical positions of specific corporations like Wal-Mart, the primacy of profit in capitalist society should be discussed in its larger, structural terms. We believe it is important to ask ourselves these larger questions, such as, Is capitalism the best political-economic choice? Do the benefits of plentiful goods that occur in wealthy capitalist nations outweigh other social expenses such as inequality and environmental degradation? Can the outcomes that are socially undesirable be reined in to an acceptable level within a capitalist economy?

3. World-Mart: Big and Getting Bigger

Wal-Mart has grown from a single store opened by the late Sam Walton in 1962 to a global corporation. Wal-Mart has done this in the face of considerable corporate competition: Before Walton had opened 20 stores, there were 250 Kmart stores. The dramatic growth of Wal-Mart Corporation has reflected the dynamism with which Sam Walton operated the organization, maintaining the marketing principles of low prices and customer satisfaction that he practiced and preached while becoming the single largest retailer in the world, and growing. International sales increased 41 percent in 2000 and represent 16.8 percent of total corporate sales of $191.3 billion. Wal-Mart dominates Mexican retailing and is expanding its Supercenters in Canada (Troy 2001: 47–48).

3.1. Employees

Wal-Mart is presently the largest U.S. private employer, hiring directly for its own needs. In 2000, there were an estimated 885,000 Wal-Mart employees in the United States, with another 255,000 employees internationally (Wal-Mart 2000d). In 2001, the total number of associates climbed to 1.24 million (Wal-Mart 2001b). This makes Wal-Mart the second largest overall employer in the country, second only to the federal government (Peled 2001) (see Table 1).

3.2. Sales

Exhibiting tremendous growth in sales revenue in the 1990s, Wal-Mart’s annual sales revenues continue to rise; 1999 net sales revenue exceeded $165 billion (Walker’s Research 1999). In 2001, Wal-Mart announced that net sales for 2000 reached almost $200 billion (Wal-Mart 2001b); the next year, it was $219 billion (The global 500 2002). While its competitors have shown only marginal sales revenue growth, or even fluctuating levels, Wal-Mart’s sales have consistently increased by 15 to 30 percent from one year to the next. Imagine your personal income increasing by these percentages from one year to the next, for seven consecutive years (see Tables 2 and 3).

In 2002, Wal-Mart ranked as the largest corporation in the United States and the world in terms of sales revenue, but note that the U.S. retail market is so large that even Wal-Mart can seem like a miniature actor. However, Wal-Mart’s power in the retail market is now legendary, and the loss of major firms such as Kmart and Bradlees demonstrates that this small number does not capture the extent of Wal-Mart’s influence. Perhaps this should be a warn-
ing to consumers about the use of statistics in general, which often hide important details or trends rather than bring them to light.

For example, this small market share number does not highlight that Wal-Mart’s sales revenues exceed such industry giants as ExxonMobile, General Motors, Ford, Toyota, General Electric, IBM, Daimler-Benz Group, Phillip Morris, AT&T, Sony, Nissan, Nestle, Boeing, Mobil, and Texaco (The super 100 2001; The global 500 2002). In fact, only about 22 countries have equal or more revenue than Wal-Mart, making it comparable to the gross domestic product of Austria (Belsie 2002). It is incredible to think that Wal-Mart’s sales revenue as of 1998 was more than the entire official economic production of such countries as Greece, Finland, Portugal, Ireland, New Zealand, Israel, and the Philippines (Corporate versus country 1999).

<table>
<thead>
<tr>
<th>Table 1</th>
<th>Number of Employees in Major Retail Stores</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Number of U.S. Employees</td>
</tr>
<tr>
<td></td>
<td>1997</td>
</tr>
<tr>
<td>Wal-Mart</td>
<td>675,000</td>
</tr>
<tr>
<td>Kmart</td>
<td>307,000</td>
</tr>
<tr>
<td>Sears</td>
<td>252,000</td>
</tr>
<tr>
<td>Target Corporation</td>
<td>218,000</td>
</tr>
</tbody>
</table>

*Note: As shown in the table, Wal-Mart’s American labor force at year-end 1999 was nearly as large as those of its three largest competitors in the general merchandise retail trade: Kmart, Sears, and JC Penny. In fact, at year-end 1999, Wal-Mart had 40 percent more employees in the United States than General Motors (608,000 employees in 1999) and twice as many as Ford (371,800 employees) (Walker’s Research 1999). a. Formerly Dayton-Hudson Corporation.*

<table>
<thead>
<tr>
<th>Table 2</th>
<th>Total Sales Revenue (in millions of dollars)</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Operating Year</td>
</tr>
<tr>
<td>Wal-Mart</td>
<td>32,602</td>
</tr>
<tr>
<td>Sears</td>
<td>32,250</td>
</tr>
<tr>
<td>Kmart</td>
<td>29,488</td>
</tr>
<tr>
<td>Target Corporation</td>
<td>16,115</td>
</tr>
<tr>
<td>JC Penny</td>
<td>16,648</td>
</tr>
</tbody>
</table>


*Note: In 1991, Wal-Mart’s annual sales revenue of $32.6 billion was only slightly higher than that of Sears ($32.25 billion). By 1997, Wal-Mart’s revenue from sales was higher than Sears, JC Penny, and Kmart combined.*
• How might statistics help us understand the power of a corporation?
• How might these same statistics be used to manipulate the public and public officials?

4. Working Poor?

This section of the case study outlines the more vital issues facing U.S. Wal-Mart employees. The focus will be primarily on what Wal-Mart terms “associates”: the people stocking shelves, working the registers, handling retail sales, and greeting customers at the door. This emphasis underlies the fact that domestic associates numbered 978,205 in 2001 and constitute, by a large margin, the majority of Wal-Mart’s workforce (Wal-Mart 2001a).

Instituted by Sam Walton, two of Wal-Mart’s guiding principles have been to cut inventory and operating overhead and cultivate employee morale, loyalty, and enthusiasm. How can Wal-Mart cut operation costs and simultaneously create an environment that motivates employees and promotes their loyalty? The aim of this section is to provide information necessary for readers to answer this question.

The basic approach to management at Wal-Mart is to rhetorically treat associates as equals, to keep them fully informed of company developments, to invite them to share their own suggestions regarding company policy and practice, and to make them feel that their contributions are important and that they are listened to (Vance and Scott 1992). It seems probable that employees would be happy to be working for such a company, one listed in the top one hundred companies to work for by Fortune, Hispanic Magazine, and Latina Magazine (Wal-Mart 1999b).

While most estimates place national annual per capita median income between $25,000 and $30,000, Wal-Mart associates will be fortunate to make even 40 percent of these figures. The low income of full-time Wal-Mart associates may be in part a reflection of their workweek. Wal-Mart classifies as “full-time” any employee who works a minimum of twenty-eight hours per week. Moreover, Wal-Mart makes no commitment to provide asso-

### Table 3
U.S. Retail Market Share

<table>
<thead>
<tr>
<th></th>
<th>U.S. Net Sales (in billions of dollars)</th>
<th>Cost of Market Share</th>
<th>FY Ends</th>
</tr>
</thead>
<tbody>
<tr>
<td>Wal-Mart Corporation</td>
<td>$34.2</td>
<td>3.8%</td>
<td>31 January 2001</td>
</tr>
<tr>
<td>Target Corporation</td>
<td>$11.1</td>
<td>1.2%</td>
<td>Nearest Saturday to 31 January 2001</td>
</tr>
<tr>
<td>Sears and Roebuck</td>
<td>$9.7</td>
<td>1.1%</td>
<td>December 30, 2000</td>
</tr>
<tr>
<td>Kmart Corporation</td>
<td>$7.37</td>
<td>0.8%</td>
<td>Last Wednesday of January 2001</td>
</tr>
<tr>
<td>JC Penny</td>
<td>$2.2</td>
<td>0.2%</td>
<td>31 January 2001</td>
</tr>
<tr>
<td>Total</td>
<td>$64.6</td>
<td>7.1%</td>
<td></td>
</tr>
</tbody>
</table>


Note: Net sales less cost of sales/$893.9 billion in retail value added gross domestic product (Bureau of Economic Analysis 2002). Wal-Mart dominance is 53 percent of the total combined market share of the above corporations, more than three times the market share of its closest competitor.
ciates with a guaranteed minimum hourly workweek. If a store’s profits decline, management may simply cut associates’ hours, possibly resulting in the loss of benefits held by “full-time” employees. A shorter workweek may partially explain why half of Wal-Mart associates, including some full-time, qualify for food stamps and even cash income assistance in states with higher social insurance benefit levels (Wal-Mart Watch 2000; Shils and Taylor 1997).

According to Walton himself, wages at Wal-Mart have always been “as little as we could get by with at the time” (Dedman 1997). In fact, the New York Times has uncovered evidence that Wal-Marts in as many as eighteen states have gone to the extreme measures of forcing workers to work off the clock for hours at a time. The report notes that managers have deleted worked hours from time cards. Managers have also told workers to start work without punching in or to punch out and continue working. Some workers in California, Louisiana, New York, Ohio, Oregon, and Washington even reported being locked in the store after they had clocked out as a measure to keep them cleaning and doing other work off of the payroll to keep labor costs low. The report noted that workers complied out of a fear of being fired (Greenhouse 2002).

At the same time, research on income inequality demonstrates that the richest 20 percent (particularly the richest 1 percent) of U.S. citizens have continued to gain the bulk of income growth in this country, while the poorest citizens continue to see their income fall and their conditions worsen (Wolff 2002). Wal-Mart associates are a prime example as their real income continues to fall, while Wal-Mart executives continue to be listed among the world’s most wealthy citizens. In fact, the Walton family occupies half of the positions in the top-ten list of the world’s most wealthy billionaires (The world’s billionaires 2002) at the same time many Wal-Mart employees may fall under the poverty level.

“Most Wal-Mart workers earn a dollar or two above the former minimum wage of $4.25 an hour” (Shils and Taylor 1997). Noting that the minimum wage is currently $5.15, this would put the most optimistic average gross pay for Wal-Mart associates between $6 and $7 per hour or $196 per week, which is under $10,000 per year. Nationally, retail workers earned on average $9.58 per hour or $275.90 per week in September of 2000, increasing to $9.92 per hour or $284.70 per week in September 2001 (Bureau of Labor Statistics 2001). An associate at the Flagstaff, Arizona, Wal-Mart claimed that in her department, eight of the ten employees hold a second job and a few were forced to hold three jobs just to make ends meet. When comparing Wal-Mart wages to other grocers, which is relevant in the case of “Super Wal-Marts,” Wal-Mart pays at least $4.00 an hour and possibly $5.00 or $6.00 an hour less than other major grocery competitors (Boarnet and Crane 1999).

Here, it may be of interest to note some of the impacts of Wal-Mart on the grocery industry in and of itself. First, Wal-Mart is changing the playing field. By competing with the grocery industry through retail management, it reduces the cost of managing a supermarket. Already, Wal-Mart is the largest grocer in the United States and indeed, the world. Globally, Carrefour (France) and Kroger (United States) come in at distant second and third places; whereas in the United States, Kroger and Albertson’s are its closest competitors (SN global top 25 2001). To sustain deepening competition among grocers, the industry is seeing growing mergers and acquisitions and fewer independent grocery stores (Boarnet and Crane 1999). With Wal-Mart able to pay its grocery workers retail wages, it will likely continue to increase its hold in that industry globally and put stress on its large and small competitors.
An article in the *Wall Street Journal* noted, “Perhaps more than any other U.S. Company, Wal-Mart has relied on stock incentives to motivate otherwise low paid employees, giving them a feeling of ownership and hope for wealth” (Ortega 1995). Introduced in 1971, the profit-sharing and stock-ownership plans provide an incentive for employees to work hard as they have a shared interest in the overall well-being of the company. Theoretically, their own incomes become linked to their productivity. From the perspective of the company, these plans have several benefits: (1) Wal-Mart does not need to pay high labor costs when the company is not experiencing profit growth, (2) associates are motivated to work hard, and (3) stock benefits can be used to redirect complaints about poor pay.

The program is structured using a formula based on profit growth. Employees are awarded a contribution to their profit-sharing plan according to their wages, which employees can keep or cash out when they leave the company. In addition to stock gained through the profit-sharing program, employees can have a percentage taken from their paycheck to purchase Wal-Mart stock from which Wal-Mart matches 15 percent up to $1,800 annually (Wal-Mart 1999a).

Between 1981 and 1991, the profit-sharing bonus value paid out to employees averaged 6 percent of their wages (Walton and Huey 1992). However, in more recent times, falling stock prices have diminished the ability of the promise of shared wealth to motivate Wal-Mart’s minimum-wage employees. Due to falling stock prices, Wal-Mart’s profit-sharing plan lost $350 million in value between February 1993 and early 1994. By the end of 1994, the plan lost an additional $250 million (Ortega 1998). Since 1994, Wal-Mart stocks have remained a little less than flat; $10,000 invested on January 3, 1994, and withdrawn on January 3, 2002, would have actually lost $65.54.4

All full-time associates are eligible for participation in Wal-Mart’s medical plan once they have completed their ninety-day probation period. However, only 38 percent of Wal-Mart employees actually get coverage through the company’s plan; another 35 percent are eligible but do not elect coverage, “likely because of the employee cost-sharing and large deductibles” (Boarnet and Crane 1999: 42). Boarnet and Crane suggest that this low number of covered employees probably increases the use of public services and public health; the cost of employee benefits, therefore, is passed on to the general community.

Wal-Mart’s acquisition of Canada’s Woolco can provide some insight into Wal-Mart’s attitude toward their obligation to their employees as well as how they treat employees compared to other companies. Wal-Mart refused to buy the seven Woolco stores that had unionized, leaving 1,000 Canadians jobless. For many of the remaining employees, the buyout meant lower wages: for example, former auto mechanics suffered a halving of their wages when Woolco’s auto repair shops were converted to Wal-Mart lube shops, 500 Woolco warehouse workers were fired and rehired as Wal-Mart associates for much lower wages irrespective of their experience, and 750 former Woolco supervisors were informed that if they wished to keep their $28,000 annual salary, they would have to increase their workweek from forty to fifty-two hours. In the province of Quebec, French is the official language and, for some, the only language they speak. Yet when Wal-Mart took control of the Woolcos located in Quebec, they required employees to sign contracts that were made available only in English (Mander and Boston 1996: 339–340).

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• Does Wal-Mart provide its associates with a fair wage? What would you consider a “fair wage”? Should corporations provide fair or living wages to employees?
• Is profit sharing and stock ownership an adequate substitute for wages?
• What would be the impacts of below-subsistence wages on a local community? On local government revenue? On family life?

5. “Right to Work”: Wal-Mart Wins Again

“Wal-Mart Wins Again,” read the Economist headline. Wal-Mart won a court ruling against the United Food and Commercial Workers (UFCW) in October of 1999 (Wal-Mart wins again 1999), and the right of a union to organize workers at the location of labor (see Appendix A) was temporarily restrained while the union was banned from Wal-Mart property. Wal-Mart, the leading direct private employer in the United States, had once again avoided the union by winning a battle with the unions in court. Later, the judge was forced to step down from the case due to his conflict of interest when it was discovered that he owned more than $500,000 of Wal-Mart stock (UFCW 1999).

In Merrill, Wisconsin, Wal-Mart showed antiunion videos to associates, and the company was also charged with destroying union literature and intimidating workers (Dedman 1997). The UFCW argues that the giant retail firm has illegally tampered with workers’ right to organize, which is established through the National Labor Relations Act of 1935 (NLRA). The union has also brought charges against Wal-Mart that the corporation has destabilized the bargaining process by not negotiating in good faith, and it has obstructed organizing activities that are legally protected to provide “workers’ rights.” The National Labor Relations Board (NLRB) has agreed with these charges in the past. In decisions dated 1999, 1996, and 1993, Wal-Mart was found to have threatened associates affiliated with protected organizing activities (National Labor Relations Board 1996). According to Jim Mclaughlin (personal communication, March 2000), a representative of the Arizona UFCW, if Wal-Mart workers were to unionize, they would make an average of $5.00 an hour in wages and benefits above what they make now. Also, because, as one study estimates, for every person Wal-Mart employs, they displace 1.5 full-time workers somewhere else in that geographic job market, low-wage Wal-Mart jobs are taking over higher-paying retail and grocery jobs (Residents for Responsible Growth 1994; Shils and Taylor 1997). This is why some studies suggest that social service needs, such as food stamps and health care, go up in an area where Wal-Mart is a major employer (Shils and Taylor 1997; Boarnet and Crane 1999).

Given that there are currently more than 900,000 Wal-Mart employees in the United States, a $5.00 per hour wage increase would substantially increase Wal-Mart’s operating costs. To offset this increase in costs, Wal-Mart would likely argue that it would need to increase prices or lay off large numbers of workers if workers unionized.

5. Kenneth Stone (1995) noted that as with many of the effects of Wal-Mart on a community, this kind of estimate assumes low or static growth in the retail market of that area; in high retail growth, these estimates become much more complicated. The size of the retail pie available is key—if the pie is small, static, or shrinking, Wal-Mart is more of a threat than in a large retail pie that is growing.
To say that Wal-Mart is not unionized is not entirely correct. One department in one store in the United States has voted to unionize, and one store in Canada has been unionized. One meat department in one store in Texas voted to unionize (United Food and Commercial Workers Union 2000). After this vote, Wal-Mart implemented a policy to begin using pre-packaged meat. This would then allow them to close the butcheries in their stores, but Wal-Mart has denied the closures are related to the union and have anything to do with bargaining in good faith demanded by the NLRA (Wal-Mart 2000a). In July of 1997, an Ontario court found Wal-Mart threatened employees by “hinting that it might close the store if the union won” a vote in that region. In fact, the vote for the Windsor, Ontario, store was 151 against and 43 for unionizing with the United Steelworkers, but the Ontario Labor Relations Board voided that vote and certified the union because of illegal interference by Wal-Mart management (Dedman 1997).

- How is it that such a large employer, who pays low wages, offers limited health benefits, and inconsistent working hours, has been able to create a “union-free zone”?
- If there are difficulties in the Wal-Mart workplace for Wal-Mart workers, are low prices worth these difficulties? For whom?
- Are low prices/low wages versus higher prices/higher wages the only real choices? What are other scenarios?
- What is the effect on the community when many community jobs are low-wage jobs?
- As you refer to Appendix A on workers’ rights, can you suggest any other rights you think workers should have, or ones they do have but should not?
- Could Wal-Mart simply lower salaries of the executives or overall profit margins to increase associate pay?
- Are the associates simply too poor to risk trying to organize? In other words, do they have the power to do so?
- Do workers have any means of improving low pay and benefits in an industry or sector other than with a union?

6. Cheaper Clothes: At What Price?

With drastically low wages for those who make the clothing and other goods, Wal-Mart can profit greatly while still providing low prices to its customers. With global competition, companies seek the cheapest, most exploitable conditions, with little worker protection or regulations to increase profit.

Many of these wages do not match up to minimal living standards in these countries (International Labor Organization 2000). According to the doctrine of the free traders, Third World countries have an economic advantage with their cheap labor. The question is not only whether the Third World will catch up, but also how far the American worker falls behind. The American worker is now in competition with children who will work 60 hours a week for pennies an hour. American workers will lose production jobs to these countries unless American workers are willing to match the labor deals in the Third World. The number of American garment workers, for example, has declined from 1.4 million in the early 1970s to 800,000 by 1999 (Appelbaum and Dreier 1999: 72). The commitment to low prices seems to rely on the exploitation of Third World labor, and this factor should be taken into account when Wal-Mart makes claims about “always the lowest prices” (see Table 4).
Contrary to its Vendor Partner Standards (Wal-Mart 2000c), Wal-Mart’s labor practices represent below-subsistence wages for the workers who are supposed to be protected through their implementation (see Appendix B). In fact, “Wal-Mart has been caught numerous times having subcontracted work to vendors operating under abusive conditions” (Kaufman 2000). Wal-Mart also routinely purchases merchandise from factories in Latin America where workers are forced to work overtime, are verbally abused, not given clean drinking water, denied health care, are limited to bathroom breaks controlled by armed guards, and have even been threatened with death for organizing (National Labor Committee 1999a, 1999b).

H. H. Cutler sports apparel, owned by VF Corp, producer of Wrangler and Lee jeans, was reportedly sewing “Made in the USA” labels on garments produced in Haiti and sold at Wal-Mart (Verhoogen 1996). A 1992 NBC Dateline exposé also found that garments sewn together by 12-year olds in Bangladesh had “Made in the USA” labels sewn into them and were sold at Wal-Mart under such pretense (Verhoogen 1996).

Furthermore, in October 2000, BusinessWeek reported that Wal-Mart vendor Chun Si Enterprise in Zhongshan, China, was imposing brutal sweatshop conditions on its workers to make Kathie Lee Gifford handbags, a Wal-Mart–licensed line. The factory had been inspected by Wal-Mart paid auditors, but these auditors failed to find the major offences, and the ones they did find remained uncorrected despite Wal-Mart acknowledgment. The same factory was used to manufacture handbags sold in Payless ShoeSource stores. In this factory, workers regularly faced beatings, fines for taking too long in the bathroom and other restricted behavior, unpaid forced overtime, and wages that equaled one-half a cent per hour. When the National Labor Committee in 1997 suggested that Kathie Lee products

<table>
<thead>
<tr>
<th>Country</th>
<th>Wage (cents/hour)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Nicaragua</td>
<td>15</td>
</tr>
<tr>
<td>Guatemala</td>
<td>65</td>
</tr>
<tr>
<td>Bangladesh</td>
<td>20</td>
</tr>
<tr>
<td>Haiti</td>
<td>67</td>
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<td>El Salvador</td>
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</tr>
<tr>
<td>Mexico</td>
<td>61</td>
</tr>
<tr>
<td>Honduras</td>
<td>43</td>
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</tbody>
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Note: A sample of Honduras sweatshops includes the Evergreen Factory (McKids Wal-Mart children’s clothing), Ecotex Factory (McKids, White Stag, In Design, and Simply Basic apparel), and Seolim Baracoa (White Stag and Faded Glory apparel). All of the above paid 43 cents/hour (US$3.47/day) in 1999 and control bathroom breaks or access to the bathrooms and may turn off the water for several days at a time. Some have stolen social security payments from the workers and pocketed the money; none of the factories allow the freedom to associate or organize and will penalize workers several days’ pay or fire them if they are suspected of doing so. All have forced overtime and often have seven-day workweeks. The buildings have poor ventilation with contaminants from the fabrics heavy in the air, and almost none of the workers have heard of the Wal-Mart Code of Conduct.

Contrary to its Vendor Partner Standards (Wal-Mart 2000c), Wal-Mart’s labor practices represent below-subsistence wages for the workers who are supposed to be protected through their implementation (see Appendix B). In fact, “Wal-Mart has been caught numerous times having subcontracted work to vendors operating under abusive conditions” (Kaufman 2000). Wal-Mart also routinely purchases merchandise from factories in Latin America where workers are forced to work overtime, are verbally abused, not given clean drinking water, denied health care, are limited to bathroom breaks controlled by armed guards, and have even been threatened with death for organizing (National Labor Committee 1999a, 1999b).

H. H. Cutler sports apparel, owned by VF Corp, producer of Wrangler and Lee jeans, was reportedly sewing “Made in the USA” labels on garments produced in Haiti and sold at Wal-Mart (Verhoogen 1996). A 1992 NBC Dateline exposé also found that garments sewn together by 12-year olds in Bangladesh had “Made in the USA” labels sewn into them and were sold at Wal-Mart under such pretense (Verhoogen 1996).

Furthermore, in October 2000, BusinessWeek reported that Wal-Mart vendor Chun Si Enterprise in Zhongshan, China, was imposing brutal sweatshop conditions on its workers to make Kathie Lee Gifford handbags, a Wal-Mart–licensed line. The factory had been inspected by Wal-Mart paid auditors, but these auditors failed to find the major offences, and the ones they did find remained uncorrected despite Wal-Mart acknowledgment. The same factory was used to manufacture handbags sold in Payless ShoeSource stores. In this factory, workers regularly faced beatings, fines for taking too long in the bathroom and other restricted behavior, unpaid forced overtime, and wages that equaled one-half a cent per hour. When the National Labor Committee in 1997 suggested that Kathie Lee products
were coming from the notorious Chun Si Factory, Wal-Mart accused them of lying. However, Wal-Mart was found to have used the Chun Si Factory until 1999 and was forced to admit so after the BusinessWeek investigation (Inside a Chinese sweatshop 2000). In light of this, Wal-Mart’s claims of “Made in the USA” products have not been as truthful as they would like us to believe; perhaps this is the reason Wal-Mart has so far refused to use third-party independent monitoring programs.

- How does the use of overseas labor affect your community?
- What are the consequences of Wal-Mart’s low prices for laborers abroad?
- What costs are included when a price for an item is set? What costs should be included? Who is affected by the practices of pricing?
- How can consumers know when they are buying products made in sweatshops?

7. “Made in the USA”

Saipan, the governmental seat of the Commonwealth of the Northern Mariana Islands (CNMI), is important to our study of Wal-Mart because in 1986 it became a commonwealth of the United States. Therefore, textiles and other products manufactured on the island can technically wear the “Made in the USA” label, which Wal-Mart proudly waves.

But in the island garment factories of Saipan, U.S. labor standards have not been enforced. Because Saipan is exempted from the U.S. Immigration and Nationality Act, foreign-owned companies are located in the CNMI and are allowed to recruit tens of thousands of foreign laborers each year.

Foreign laborers vastly outnumber the local, resident workers and have not been protected by labor laws. In the 1986 Covenant to Establish a Commonwealth of the Northern Mariana Islands (CNMI), the U.S. government granted the concession that minimum-wage laws need not be enforced. The average Saipan textile worker sewing U.S. garments earns $3 an hour. These workers, mostly young women, could be fired and deported for a variety of reasons, including refusing to work overtime and unpaid “volunteer hours,” participating in political or religious activities, asking for a higher wage, criticizing labor conditions, refusing to have an abortion if they became pregnant, refusing to lie to inspectors, or trying to organize a union (National Labor Committee 1999a).

In fact, in January of 1999, an international labor union and three human rights organizations filed a class-action lawsuit in California against U.S. corporations using sweatshops in Saipan. Among a group of top retailers, including Tommy Hilfiger USA, J. Crew, and the Gap, the lawsuit charges that Wal-Mart has shipped approximately 7.3 million pounds of garments (worth approximately $43.8 million) manufactured in sweatshops in the CNMI (National Labor Committee 1999a).

The U.S. government has taken some steps to address these concerns. In October 1999, the U.S. NLRB, which oversees treatment of labor by American firms, entered into a Memorandum of Understanding with the Mariana Islands (CNMI). The memorandum appears to be a compromise between the sweatshop conditions and full implementation of the NLRA. Specifically, the Memorandum refers to the “protection of non-resident workers” in the CNMI and recognizes that the CNMI retains authority over immigration and that a CNMI government official will act as a liaison to the NLRB.
Have things improved? After a 1998 Senate hearing on the alleged labor abuses, Saipan clothiers agreed to allow monitors in their manufacturing sites. Yet there is a decreasing availability of “indigenous” items in Saipan’s biggest retailing group. Carline B. Sablan stated that “local” manufacturers hold only about 5 percent of the market, and most items are imported from the mainland (C. Sablan, personal communication, 2000). This is an interesting observation, considering that much of the manufacturing in Saipan is shipped to the U.S. mainland. Items being produced in Saipan by someone being paid $3 an hour may be shipped to the United States and then shipped back to Saipan and shelved with a price that the person who actually sewed the garment cannot afford to pay.

- What would happen if Wal-Mart changed its overseas labor practices and stopped using underpaid labor?
- Should the U.S. government step in and enforce U.S. labor laws as a condition of “Made in the USA” labels?


Wal-Mart pursues a hometown identity for itself in every community it enters. It displays this identity through its “People Greeters,” who are the happy people welcoming you as you enter any Wal-Mart in the country. Wal-Mart claims to proudly display and frequently sell locally made merchandise in its stores. After much searching, it was determined that “locally made” for Flagstaff, Arizona, refers to a few decorative items at the register such as imitation Native American pots and wood-crafted coyotes with handkerchiefs around their necks.

Wal-Mart reaches out to the community by placing associates who grew up in the area in outreach programs, as they are more likely to understand the needs of the community. Associates seem to be given a great deal of freedom in terms of community involvement, such as influencing the charities to which funds are donated. Much of the funds, after all, come out of their pockets. The Wal-Mart Foundation operates by matching up to $2,000 for funds raised by associates and donated by customers. Wal-Mart announced it contributed $163 million in 1999, or one-tenth of 1 percent of total annual sales, to charities nationwide. What is not clear is the proportion of that amount that really is private contributions from associates and customers.

Wal-Mart promotes educational values by offering college scholarships to graduating seniors as well as money ($500) for classroom supplies given to the teacher of the year. In Flagstaff, for example, students apply for Wal-Mart scholarships every year. The “Competitive Edge” scholarship, based on ACT/SAT scores and interest in certain fields and in certain universities, is an award of $20,000 to a teen who is chosen. In addition, “Community Leadership” awards of $1,000 are given to seniors who apply.

Wal-Mart also promotes recycling and other environmental topics with the help of the “Green Coordinator,” a specially trained associate who coordinates efforts to make the store environmentally responsible (see Appendix C). Wal-Mart claims to have given more than $1 million in Wal-Mart environmental grants to community recycling and environmental education programs in 1999.
8.1. Contributions to the local community: is there a trade-off for cheaper goods?

“Sam Walton believed that each Wal-Mart store should reflect the values of its customers and support the vision they hold for their community” (Wal-Mart 2000b). According to the Economic Impact Information FYE 1/31/99, Wal-Mart’s community involvement in Arizona was $1.5 million. On a national level, Wal-Mart gave $61 million in contributions to community grants, $27 million for Children’s Miracle Network, $14.5 million to United Way chapters, $8 million in scholarships, nearly $3 million in economic development grants, $1.5 million in environmental grants, and nearly $3.4 million for all other types of donations (Wal-Mart 2000e). Does this mean that Wal-Mart offsets or even overcompensates for any potential detrimental effects on a community?

Wal-Marts move into the city limits or county limits and encourage residents to buy what Wal-Mart considers to be local goods at a cheaper price. This provides the local government additional tax revenue. It is important to consider where Wal-Mart is now opening its superstores. Located off exit ramps on the outskirts of cities or in counties, these stores pull the local dollars out of the core of the city. Reporter and author Bill Quinn (1998) provided anecdotal evidence of downtown areas that have been reduced to ghost towns, since small local businesses are unable to compete with Wal-Mart’s cheap goods for very long. Wal-Mart expert Kenneth Stone (1995) is more precise: “Merchants selling the same goods as Wal-Mart are in jeopardy.” After 1983, the year Wal-Mart came to Iowa, towns with 5,000 people or fewer lost 7,326 businesses (Stone 1995).

Of note, our town of Flagstaff, Arizona, is currently struggling with whether to allow Wal-Mart to build another store in town. This store would be a Supercenter across town from the existing Wal-Mart and would sell groceries in addition to retail sales. It would compete with and be located directly across from a unionized Safeway. When the current mall owners presented their plans to expand their operations to include a Super Wal-Mart at an informal development review board, they were frustrated that the process of approval was not as “smooth” as it should be. The informal developmental review board is a premeeting typically attended only by city staff who aid the developer with comments that will guide the developer through the process and help the builder conform to development ordinances. However, the Wal-Mart meeting became an event that drew a standing-room-only crowd. The public is not permitted to comment during this phase of development, but protestors organized by the local Friends of Flagstaff’s Future and the Flagstaff Activist Network came holding large anti–Wal-Mart signs and buttons. City staff commented that this kind of attendance had never occurred before and that the apparent opposition, and key design flaws, would have to be addressed. Since that time, panel discussions and newspaper articles continue to cover the issue as the town deals with the tensions of allowing or not allowing the Supercenter to be built.

Among the concerns at hand are the potential for closing the existing Wal-Mart, a potential loss of jobs and local businesses, and the loss of local revenue. Nationally, Wal-Mart is closing their regular stores and building more Supercenters, presumably to capture more grocery market share. Between FY 1999 and 2001, Wal-Mart closed 133 domestic Wal-Mart stores, while opening 324 domestic Supercenters (Wal-Mart 2001b). Also, since there will be a substantial increase in traffic in that area, the developers will have to improve the infrastructure to handle that traffic. However, the developers have demanded that “the city rebate 75 percent of sales taxes collected during the first 10 years after the project was
completed” (Frazier 2001: 18). So far, the city has refused to entertain these demands seriously, but many towns do grant such corporate subsidies. While Wal-Mart and the mall owners claim that the expansion will be a positive boost in the local economy, local activists see this as a smokescreen for allowing global corporations to run over community values and desires to make a profit (see Appendix D).

- How much responsibility should Wal-Mart and other corporations have in the community in which they are located?
- What effects might a store offering cheaper goods in bulk under one roof have on various community groups (the customers, local store owners, the local government, other communities with or without Wal-Mart)?
- Do benefits to one group cause difficulties for another? Which groups benefit, and which ones are hurt?
- How would you measure the “local impacts” of a Wal-Mart superstore in your town?

9. Monocultural Capital

Cultural homogenization can be understood as the domination of one worldview over another, as the monopolization of a certain product or company over its competition, or as the lack of opportunity within a certain region for individuals to explore moral, social, or cultural alternatives. Marlboro billboards, Levi jeans, and Michael Jackson CDs have re-packaged American culture for global consumption in many newly democratic postcommunist countries, as well as in Third World nations, slick advertising and all.

Due to its size, the Wal-Mart corporation can afford to lose money for long periods of time at any given location. By selling an assortment of products near or below cost, Wal-Mart successfully draws business away from any local business epicenter. After smaller businesses go under, small- to medium-size communities become dependent on the product offerings at Wal-Mart for their consumer needs. Studies have shown that within a five-year period after Wal-Mart sets up shop, “stores within a 20-mile radius suffer an average 19 percent loss in retail sales” (Mander and Boston 1996: 339). This is more than enough to put most mom-and-pop stores out of business.

If we take into account the fact that Wal-Mart has become the sole retailer in many communities nationwide via its business tactics, Wal-Mart’s decisions to stock or not stock certain products limit the variety of goods available to consumers. Freedom of choice in selecting laundry soap has environmental consequences. For example, environmentally conscientious shoppers routinely buy “low-suds” detergents with low pollutant levels; if these consumers have access to only Wal-Mart–brand products, they may not be able to make environmentally friendly purchases.

This “monoculture” also has the capacity to impose a single morality on its consumers. Wal-Mart has undertaken a moral crusade to eliminate “unsuitable” products from its shelves. Along with decisions not to sell handguns, adult magazines, and Sheryl Crow CDs,
Wal-Mart has banned Preven, the so-called “morning after” contraceptive, from every one of its 2,428 pharmacies. While our position here is not to judge the morality or immorality of any of these products, we must ask whether it is Wal-Mart’s right to act as the moral policeman for hundreds of communities. Put another way, if Wal-Mart moves into a community and drives out pharmacies, grocery stores, and department stores, then Wal-Mart has instituted itself as the sole merchant in that community. What it then sells or does not sell directly affects customers’ right to choose for themselves.

The effects of Wal-Mart’s homogenizing practices should give consumers and citizens pause. If Wal-Mart’s economic power is a result of competing well in a market economy, does a market economy eventually lead to fewer choices rather than more; does a market economy encourage centralizing corporate power rather than decentralizing power to consumers or citizens? The only stores, it seems, that can compete with the retail giant are streamlined discount stores. Stores such as Save-A-Lot, Aldi Stores, and Dollar General are the only true competition that Wal-Mart faces. But to keep their prices at a standard 20 to 40 percent below Wal-Mart’s, these stores must take measures that severely affect local communities (Baron 1999). For example, they offer a product line of between 600 and 1,200 items, most of which are private-label products and are offered in a one-size, one-brand context. These stores often buy cheap property near a Wal-Mart, detouring bargain hunters. Aldi Stores are each run by a staff of three employees, and no store phone numbers are listed to discourage any on-the-job disruptions.

Thus, Wal-Mart’s competitors may have to employ Wal-Mart–like business tactics to succeed. These stores offer less of a selection than even Wal-Mart, further collapsing any local variety of product. By employing a limited number of people, these stores contribute almost nothing to the local economy. The outcome entails economically disadvantaged people being faced with an almost complete uniformity of product. Wal-Mart publicly proclaims its allegiance to the free market and free consumer choice, but are their practices in contradiction with such beliefs? (See Bruyn 2000 for discussion of the role of global capital in civil society, chaps. 5–6.)

- What are some examples of cultural homogenization that you have observed in your community?
- What is the relationship between corporate competition and cultural homogenization? Is it plausible that a powerful corporation could use a strategy of cultural differentiation and heterogeneity to gain market share?
- How does cultural homogenization affect your free choice?
- Is cultural homogenization inevitable in today’s global economy?
- What are the relationships and tensions that exist between being a consumer and a citizen? Who has more power? Who should have more power?

10. Conclusion

In summary, there is more to a corporation and how it affects the world, the region, and the locality than the prices it charges for its goods and services. At the same time, the prices that a company does charge have social, economic, and environmental effects in and of themselves. Determining what is right for a community, or an economy for that matter, is a
complex ethical problem that is more routinely left up to a least-restricted market. When this occurs, other costs of the market are left outside the purview of community decision making: the costs of covering the health insurance for poor employees, the costs to the environment, and the costs to decision making itself. If we are to confront these issues, the politics and economies of large corporations must be investigated. We hope that this case study has inspired lively discussion and a new curiosity about the politics of globalization and how they affect your everyday life.

Appendix A
What Are Workers’ Rights to Organize?

The National Labor Relations Act (NLRA) of 1935 protects the right to organize into labor unions. This law created the National Labor Relations Board to mediate the tensions between workers and employers and ensure the free flow of commerce. Under this act, workers have several important rights:

1. Right to self-organization
2. Right to “form, join, or assist labor organizations”
3. Right to bargain collectively through representatives of the workers’ own choosing
4. Right to concerted activities that are for the purposes of collective bargaining
5. Right not to join a union

Also, the NLRA prohibits “unfair labor practices.” Unfair labor practices include the following:

1. Dominating or interfering with the formation of a union
2. Discrimination in hiring or promoting any person due to their union affiliation or nonaffiliation. Firing an employee because they have filed a complaint or given testimony about a violation of worker rights or unfair labor practices
3. Refusing to bargain with a union; conversely, it is illegal for a union to coerce employees into bargaining or not bargaining

Appendix B
The International Labor Organization (ILO)

The ILO is the labor rights organization at the United Nations that focuses on labor rights and treatment throughout the world. It is founded on the conviction that “social justice is essential to universal and lasting peace.” Unlike many mainstream economists who argue that economic growth leads to social justice, the ILO advocates that “economic growth is essential but not sufficient to ensure equality, social progress, and the eradication of poverty.” The ILO states that only strong social policies within just and democratic societies can alleviate the exploitation of labor worldwide.

The ILO produced its Declaration on Fundamental Principles and Rights at Work in 1998 at its 86th convention. All nations signing the agreement must adhere to the following fundamental rights:

1. Freedom of association and the effective recognition of the right to collective bargaining
2. The elimination of all forms of forced and compulsory labor
3. The effective abolition of child labor

Wal-Mart itself promotes its “Vendor Standards,” but they have yet to assimilate the principles of the ILO with their intent to create a world based on social justice and equality.

Appendix C
It’s Our Neighborhood Too

The urban bike trail and large, deep wash (gully) along the expansive parking lot of Wal-Mart in Flagstaff, Arizona, was declared by the city as the very worst place of trash litter, including large pieces of metal and plastic. For years, Wal-Mart overlooked the fact that the business their store attracted was the source of the litter. The local cycling club, weary of endless hours of trash clean up, started a campaign with the manager. Each day, a different member requested to speak to the manager and mentioned the heavy trash problem, defining it as a Wal-Mart responsibility.

Two months later, another local club chose the trail as a “Forest Week” project, bringing out forty people from the community to clean a one-mile stretch, the most debris-strewn portion of which was along the parking lot. When they arrived to begin, the shopping carts had been removed from the deep gully wash; no Wal-Mart plastic bags were to be seen. Along a log-rail fence, Wal-Mart had put up a mesh fence to catch debris blowing from the parking lot onto the trail. Furthermore, about 10 “associates” of Wal-Mart came to assist the cleanup, but all as volunteers on their own time. The store provided cold drinks and hot dogs for all and did pay the vendor her wages for the time.

In responding to appreciation for the Wal-Mart effort, the manager replied, “It’s our neighborhood too.” Such an attitude change resulted from adverse publicity and direct customer pressure.

It remains to be seen if Wal-Mart accepts full responsibility for keeping the trail clean.

Appendix D
Environmental Concerns

Three primary environmental effects are involved with Wal-Mart stores: consumption practices, urban sprawl, and pollution.

Consumption practices inherited from Wal-Mart and other discount stores are problematic if scarce natural resources are used to provide cheaper goods that may not last as long. Consequently, consumption spurs further consumption, which affects the raw material resources for the goods and the ecosystems that eventually absorb the wastes.

Overconsumption is a global environmental problem because it decreases raw materials of poorer countries who sell off natural resources for less than they are worth, which in turn feeds a global inequity between “developed” and “lesser developed” countries due to the low prices paid for the raw materials. Developed nations consume about 80 percent of the world’s resources but hold only 20 percent of the world’s population; conversely, the lesser developed countries consume 20 percent of the world’s resources but harbor 80 percent of the world’s population. If consumption is a driving factor in global environmental degradation, then people in the developed countries will eventually have to reconsider their own spending habits, especially at centers of capitalism such as the world’s largest retailer.
Sprawl, or low-density discontinuous development, is a problem in which communities allow development to occur more and more on the outer ring of the core urban areas, instead of using more efficient development techniques that use space already developed within a city.

Wal-Mart is a key player in this problem because it often builds at the periphery of a community and draws an average of 1,800 vehicle visits per day (State of New York 1999), as well as more development out toward its self-generated commercial hub. Primary casualties of sprawl are open space, wildlife habitat, and rural agriculture. Calculations of how much space Wal-Mart has developed depends on the estimate needed per store; below are some estimates using only currently open stores.

<table>
<thead>
<tr>
<th>Estimated Acre per Site</th>
<th>Square Feet</th>
<th>Square Miles</th>
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<tr>
<td>15</td>
<td>1.7 billion</td>
<td>62</td>
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<tr>
<td>20</td>
<td>2.3 billion</td>
<td>82</td>
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Pollution from large parking lots, such as those found at Wal-Mart, contribute pollutants to local groundwater. Oil, antifreeze, and other automobile pollutants run off from the lots and seep into local water sources. By selling in bulk, however, Wal-Mart may be reducing packaging.

References

National Labor Relations Board. 1996. Sam’s Club, division of Walmart Corporation and Robin Zaas. Case 7-CA-36934, August 27.
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