

Welfare to Wal-Mart Wal-Mart to China

AMERICANS are junkies, addicted to consumerism. We're addicted to things – and China is our main supplier. China is the man. In 2004, according to the U.S. Census Bureau, we imported a whopping \$197 billion worth of goods from China, and exported \$35 billion worth of goods to them, chalking up an I.O.U. for \$161 billion in the process. China is the main supplier feeding our consumer habit, but Wal-Mart, according to the Congressional Committee on Education and the Workforce, is China's biggest street pusher, responsible for slinging up to one eighth of the Chinese goods sold in the United States. If Wal-Mart were a country, it would be China's seventh largest trade partner.

Eighty percent of the more than 6,000 factories supplying Wal-Mart merchandise are located in China. This reality is shocking to Americans who've bought in to Wal-Mart's "All American" corporate persona. Thanks in large part to Wal-Mart, whose sales make up atwo percent of the United States' Gross Domestic Product, China's U.S. dollar reserves are estimated to be approaching a half trillion dollars.

Forget Silkworm missiles. If China wanted to take down America, they could do it overnight with one massive dumping of U.S. currency. U.S dollars are only worth what people are willing to pay for them on the open market – known as a free floating currency. Years ago, the dollar had a specific value backed by gold reserves but the gold standard

WELFARE TO WAL-MART, WAL-MART TO CHINA / 2

proved untenable in modern world economics and in 1971 Nixon abandoned the system. Now, almost every country, including the U.S., is on a system of fiat money, defined as "money that is intrinsically useless and used only as a medium of exchange." But because America was the world's strongest military power and the world's greatest producer of commodities, cars, arms, technology, clothing etc., our dollar was not considered "intrinsically useless" and the U.S. dollar became the world's gold standard, with countries eagerly hoarding dollars to stabilize their own economies.

Unfortunately, our currency is becoming less and less attractive since there's now very little commodity backing it up. Instead, we've transformed ourselves into a credit economy run by a government that relentlessly borrows on the world market, in the form of bond sales, in order to meet its day-to-day deficit-laden expenses.

China, already burdened with a heavy surplus of U.S. dollars, still remains willing to buy more. They help float our paper-tiger of an economy by continuing to purchase bonds and by holding U.S. currency reserves. In effect, they and a small handful of other foreign governments float the Bush administration, finance our Iraq war, and so on. If China suddenly divested their U.S. currency and bond reserves, the global money market would be flooded with cheap dollars, causing the dollar to crash in value. China, however, doesn't want to see the U.S. economy crash because America is China's biggest customer, and they need us to be able to keep buying from them. They want the dollar to remain valuable so they can continue to sell us plastic toy guns at Wal-Mart stores and use our dollars to purchase real jet fighters, armored tanks and oil.

Simply put, what we are witnessing is the transfer of wealth from the U.S. to China. For the moment, China won't disturb the status quo, but China, along with the Saudis and a slew of others, are our landlords. And one day they'll all be coming for their rent.

How did this happen? How did so-called communists get the upper hand a mere decade and a half after the fall of the Berlin Wall and our triumphant "victory" in the cold war? How did the Chinese gain such a strategic advantage over the U.S. sixteen years after the Tiananmen Square massacre of Chinese democracy activists?

The answer, in part, is Wal-Mart. America's red, white and blue flag waving retailer operates, in effect, as China's fifth column. Indeed, if China itself had planned a clandestine organization within America to further its political and economic agenda, it would have created Wal-Mart. The cruel irony, though, is that Wal-Mart, as a business, is totally dependent upon handouts of U.S. taxpayer dollars.

Welfare to Wal-Mart

It works like this: Wal-Mart pays its 1.3 million workers so little that they qualify for

WELFARE TO WAL-MART, WAL-MART TO CHINA / 3

various forms of public assistance, mostly in the form of Medicaid, government provided children's health care programs, emergency home heating assistance, housing assistance, and so on. This assistance, in effect, constitutes an unofficial part of their compensation package. Wal-Mart, in some instances, even provides social service agency contact information to new hires. The Congressional Committee on Education and Workforce estimates that this cost comes to an average of about \$2,103 per Wal-Mart employee in federal money alone. Multiply \$2,103 by 1.3 million Wal-Mart workers and the total hit to the federal government comes to over \$2.7 billion dollars per year.

This \$2.7 billion dollar welfare to Wal-Mart figure is only the tip of the iceberg. Factor in the additional cost to state and county taxpayers around the country and this iceberg becomes a glacier. Thirteen state governments have conducted studies of public health program recipients with an eye to see who the recipients' employers are. In eleven of those states, Wal-Mart showed up as the largest employer of government health aid program recipients – in essence making Wal-Mart the largest user of public health programs in those states. In Massachusetts, Wal-Mart ranked number two with eighteen percent of its work force receiving public assistance. The remaining state study, in Wisconsin, didn't show rankings of individual employers, but did document that almost fifteen percent of Wal-Mart employees in that state receive public health care assistance.

A University of California study estimates that in California, Wal-Mart workers earn thirty-one percent less than the average wage for large retail shops, and the number of Wal-Mart workers with health insurance falls twenty-three percent below the industry norm. The same study estimates that Wal-Mart workers utilize forty percent more taxpayer-subsidized healthcare programs and thirty-eight percent more non-healthcare related public assistance.

Those numbers translate into Wal-Mart workers on public assistance programs in California costing taxpayers \$86 million annually – (\$32 million in health expenses and \$54 million in other assistance). If the big box retail industry as a whole adopted the Wal-Mart model, the study estimates, public assistance costs would rise by \$410 million per year in California alone.

Now imagine the federal cost to taxpayers when Wal-Mart does business that way in all fifty states. Then factor in additional public expenses such as the cost for caring for financially destitute Wal-Mart retirees. It should come as no surprise that Wal-Mart only offers a pittance of a 401(k) retirement plan, controlling the plan's assets and concentrating them Enron-style in the company's own stock. When these retirees are too old to work, and when their Wal-Mart retirement checks fall short of covering their basic needs, the state will have to step in.

Cruel health insurance

Wal-Mart counters many of these charges by touting the company's own health insurance plan – which most Wal-Mart workers either do not qualify for, or opt not to participate in. The plan can only be described as cruel. The buy-in cost can approach a quarter of a worker's before-tax wages – with employees shouldering a whopping forty-two percent of the cost of the program. Out of pocket deductibles for this plan range up to \$3,000 per year for family coverage. The congressional study estimates that "a single worker could end up spending about \$6,400 out of pocket – about 45 percent of her annual full-time salary – before seeing a single benefit from the health plan."

Another reason that so many Wal-Mart workers lack even this basic coverage is the rule that full time workers must wait six months before becoming eligible for this plan. The situation is even worse for part time workers who must wait two years. Given the propensity of Wal-Mart workers to quit or get laid off (turnover is forty-five percent per year), most will never qualify to buy into the program. Currently over 700,000 Wal-Mart workers are not covered by the program.

While denying affordable health insurance to their workers, Wal-Mart, according to an Associated Press report, took out life insurance policies on 355,000 select workers, with the corporation naming itself as the beneficiary – and with the workers being unaware of the policy. Lawyers refer to such policies as "dead peasant policies." Ultimately, Wal-Mart profited when workers, many of whom the company failed to provide with affordable health care, keeled over and died. The irony of the situation wasn't lost on the families of the dead "associates," who sued the company. Wal-Mart discontinued the practice in 2000 when changes in tax laws and legal setbacks rendered the program no longer profitable.

Wal-Mart also serves to depress wages across the big box industry as corporations race to the bottom in an effort to compete with Wal-Mart's exploitation-based model. One study, conducted for the conservative Orange County Business Council in Southern California, where major supermarket chains demanded worker givebacks in order to "remain competitive" when Wal-Mart recently entered the market, estimates that Wal-Mart's presence could depress regional grocery industry wages by as much as \$1.4 billion per year, impacting a quarter million employees. Such a wage depression, if it occurs, would likely be followed by a cataclysmic economic domino effect as decreasing wages translate into decreasing tax revenues and increased demand for public assistance programs – along with a general depressed demand for consumer products and housing that would cause ripples to begin in other industries. The study estimates that overall, Wal-Mart's presence could lower regional wages by \$2.8 billion. This wage depression

WELFARE TO WAL-MART, WAL-MART TO CHINA / 5

would fall disproportionately on the area's poorest families – in a region where most families are currently barely able to afford housing costs.

It gets more outrageous. In many states, compliant politicians actually give public money and tax breaks to Wal-Mart to help build distribution centers much like Buffalo and Erie County plan to subsidize the construction of a new Bass Pro store. The government of Maine, for example, gave Wal-Mart \$17 million in incentives to open a warehouse facility that would eventually employ 150 people. That comes out to a \$113,000 government payout for each new sub-standard Wal-Mart McJob created – plus whatever social service costs are needed to maintain these workers.

On our dime

Wal-Mart sales were over \$285 billion dollars this past year, and the company posts profits of \$10 billion. But when you add up all the government incentives paid to Wal-Mart, and the public assistance and taxpayer funded health benefits paid to Wal-Mart employees across the country, it doesn't take a math wizard to realize the company's \$10 billion in annual profits are largely the result of welfare paid to the company. What would their profit be if they paid market rate wages, health benefits and had no government incentives? The bottom line is that Wal-Mart is not really earning the profit that it pockets. It just takes government subsidies and passes them on to their investors – ultimately floating their billions in cash-to-China operation on our government's dime while depressing wages and standards of living across the United States.

To truly understand the Wal-Mart model we need to understand what drew Wal-Mart to China in the first place. For the virulently anti-union Wal-Mart, China is a utopia. According to the Institute for Policy Studies, workers employed by Chinese Wal-Mart sub-contractors currently earn approximately seventeen cents per hour (compare this to Wal-Mart's CEO, H. Lee Scott, who "earned" \$8,434 per hour last year). A study by the National Labor Committee also documents that Wal-Mart subcontractors making toys in China were working up to 130 hours per week without overtime or benefits. To work 130 hours in a week, one would have to work 19 hours per day Monday through Saturday with a 16-hour day, perhaps, on Sunday.

When American workers faced similar conditions at the turn of the last century, they organized into unions. In China, however, independent labor unions are illegal. There is no Occupational Safety and Health Agency, hence no need to provide costly safety equipment, give workers breaks away from dangerous fumes or provide adequate ventilation. Chinese employers don't need to worry about repetitive stress injuries or Carpal Tunnel Syndrome. And there are few environmental protection regulations, so sub-

WELFARE TO WAL-MART, WAL-MART TO CHINA / 6

contractors can let their smokestacks belch and they can easily dump their toxic byproducts. All of this adds up to cheaper production costs and a lower bottom line for Wal-Mart and their "always low prices."

For what it's worth, Wal-Mart's "Made in the U.S.A." policy states that the company will buy American whenever an American-made product is available at a competitive cost. In essence, this means that when American workers can compete with Chinese workers earning seventeen cents per hour while working themselves to death in toxic communities, Wal-Mart will once again buy American.

The frustrating part of this equation is that even given this economic disadvantage, American workers traditionally were able to compete with China and other low wage countries, given America's technological superiority. American corporations, however, struggling to meet ever shrinking bottom lines dictated by Wal-Mart and its imitators, have transferred that technology over to China. Ultimately, American companies are behind most of the branded products Wal-Mart and others import from China. And it was the hard work of Americans that initially provided these quisling companies with the profits to finance their recent technology transfers to China. The end result is not only a loss of American jobs, but a growing reliance on China not only to fill our Wal-Marts with trinkets, but to build our country's essential infrastructure, such as the backbone of our communication system.

Wal-Mart's Chinese labor model

Wal-Mart is also actively working to bring the anti-union Chinese labor model to the United States, often treating its American workforce as if they were in China. In recent years Wal-Mart has been busted for illegally firing workers who attempted to organize unions, threatening workers who advocated for unions, and spying on workers they suspected of being pro-union. Wal-Mart even went as far as to distribute a written "Manager's Toolbox to Remaining Union Free" to supervisory employees. The documents describe supposed signs of union organizing for managers to watch for. These include "Frequent meetings at associates' [employees] homes" or employees suddenly becoming friendly with each other. Managers who observe such signs are encouraged to call corporate headquarters. H.Q. then sends in a rapid response team of "specialists" to deal with the situation.

Wal-Mart is also emulating the Chinese model by forming its own little in-store police state where they habitually monitor employees, including workers on break and workers defecating in the employee restrooms. In one case, for example, a Kentucky court forced the company to pay punitive damages after "baiting" an employee break room with an

WELFARE TO WAL-MART, WAL-MART TO CHINA / 7

open bag of candy and a hidden video camera – subsequently firing employees who “stole” candy from the bag. A Vermont court found Wal-Mart guilty of using a hidden voice activated tape recorder to secretly record conversations between employees. A Louisiana court found the company guilty of trying to set up a surveillance camera in an employee rest room.

Hooters and Family Values

Wal-Mart is also fighting what is emerging as the largest class action lawsuit in U.S. history, with, according to US News and World Report, as many as 1.6 million current and former employees participating. The issue is sex discrimination. Two thirds of Wal-Mart's hourly workers are women, yet only fifteen percent of their store managers are women. Plaintiffs are claiming that male supervisors often push women into “female” positions with limited advancement opportunity. Journalist Liza Featherstone documents how male managers at the “family-values” espousing Wal-Mart often hold business meetings at Hooters and at strip clubs. Asking women to attend these meetings is a form of sexual harassment since women are systematically objectified in these male-dominated environments. Not attending these meetings could bar women from receiving promotions.

Overall, Wal-Mart women earn about forty cents per hour less than men with equal jobs and equal seniority. When one plaintiff complained about this inequality, three Wal-Mart officials explained to her that men earn more because they need to support families – this from a company whose health insurance plan doesn't cover contraception for women and whose pharmacies refuse to sell emergency oral contraception pills to women. Featherstone documents Wal-Mart officials telling workers that “women's main responsibility is raising children” — something they are apparently supposed to do without money. Wal-Mart has also lost court cases involving similar issues. Court records show that they've paid out settlements after not responding to numerous sexual harassment complaints, suspending women for complaining about on the job sexual harassment and for promoting serial sexual harassers,

Wal-Mart has also spent quite a bit of money settling a slew of racial discrimination lawsuits, with plaintiffs alleging a “plantation mentality” at Wal-Mart. In one 1998 case in Texas, Wal-Mart paid out \$94,000 after firing a white female worker for the crime of dating a black man during her off hours. According to trial records, a Wal-Mart supervisor told the woman she would “never move up with the company being associated with a black man.”

Wal-Mart has also been caught working employees off the clock (as in not paying them) at various stores around the country. This is because, as The New York Times

reports, Wal-Mart pressures managers to limit labor costs to eight percent of total sales. Hence, when sales drop, managers often compensate by dropping hours from employees' time cards – illegally depressing Wal-Mart's already rock bottom wages. Wal-Mart was also busted, according to another Times report, for locking employees into their stores at night when the stores were closed – threatening to fine them if they exited via alarmed fire exits. In one case, an employee had to wait four hours for a manager to open a door after he broke his foot. Another employee had to wait until morning to go to a hospital to receive thirteen stitches for a hand injury. More common was the case of employees having to wait for hours, without pay, for someone to open the door after their shifts ended. Wal-Mart also has a track record of discrimination against disabled employees (they were sued in 2001 by the federal Equal employment Opportunity Commission), of forcing workers to work during their legally mandated breaks, and of exposing underage workers to toxic environments.

Mutually assured destruction

When Wal-Mart workers defy all odds and actually form a union, Wal-Mart employs the nuclear option of mutually assured destruction. When Wal-Mart meat cutters in Jacksonville, Texas unionized in 2000, the company closed all of its butcher shops nationally, opting to contract out for pre-cut meat rather than negotiate a contract with their unionized workers. This year, when workers in Wal-Mart Canada's Jonquiere, Quebec, store successfully won union recognition, the company responded by firing all 190 workers and shutting down the store. When the union made moves to sue to keep the store open, the company abruptly locked its doors, called the workers in to a spontaneous staff meeting, and told them that the store would immediately close. Police then escorted the unionized workers from the closed store. Wal-Mart opponents see this action as a radical company warning to other Wal-Mart workers in both Canada and the U.S. who are considering voting for union recognition. Join a union – lose your job.

Wal-Mart also has other issues, such as the company censoring music, magazines and videos sold in their stores. Wal-Mart, the nation's largest music retailer, often demands toned down versions of music CDs and edited-for-Wal-Mart versions of popular movies. The packaging for the Wal-Mart versions appear identical to the packaging for the uncensored versions. They don't use a label such as "Warning – Contents Guttled by Wal-Mart".

Unsuspecting consumers are usually not aware of the Wal-Mart edits. Wal-Mart is also forcing a religious orthodoxy upon its pharmacies – refusing to sell the "morning after" emergency contraception pill.

Bigger than GM

Wal-Mart's model of moving into communities with giant "category killing" stores filled with cheap sweatshop booty is a winning formula. Their new stores are three times the size of a football field. They often effectively suck the retail life out of entire towns, leaving the tell-tale boarded up downtown that lets you know a Wal-Mart is nearby. As independent retailers are forced to trade in their livelihoods for blue bibs and low paying jobs, the corporation flourishes. Wal-Mart has surpassed General Motors as America's largest corporation.

But Wal-Mart doesn't always win. More and more, local communities are effectively organizing to prevent Wal-Mart from building its signature supercenters in their communities. Town of Aurora residents, for example, persisted in their fight against Wal-Mart – the town eventually refused to change their anti-bigbox zoning ordinances to allow construction of a \$12 million Wal-Mart in 2000. East Aurora won a similar victory in 1995.

Killing Vermont

Wins against Wal-Mart, however, are often short-lived. Vermont held out as the last Wal-Mart-free U.S. state. During the 1990s Wal-Mart slipped in by feigning respect for Vermont's unique character. The company agreed to open smaller Vermont-scale stores, utilizing existing buildings to house three of their four stores. Last Year Wal-Mart announced plans to expand their Vermont beachhead with the construction of seven megastores – each to be housed in a new building measuring at least 150,000 square feet and located Wal-Mart style on the outskirts of Vermont's towns where they would consume farmland and encourage sprawl. If constructed, these seven stores would dominate tiny Vermont's (population 600,000) economy and set a new low wage standard for the state while vacuuming wealth out of Vermont and zapping it off to Wal-Mart's corporate headquarters in Arkansas. As a result, the National Trust for Historic Preservation took an unprecedented step and declared the entire state of Vermont to be one of America's most endangered historic places – declaring that Wal-Mart threatens the very identity of Vermont.

The Vermont situation is textbook Wal-Mart. The company might give lip service to community concerns, but they never give up on pursuing their own agenda to build oversized economically toxic life-sucking mega-stores. In reporting on a recent community struggle to stop the construction of a new Wal-Mart Supercenter in Lockport, the Buffalo News reported that "Wal-Mart has its heart set" on the project. But they're wrong. Wal-Mart has no heart. It's the epitome of the heartless corporation. Following its

amoral anti-humanistic model it's grown to be bigger than GM – yet it produces nothing. It just destroys things like communities and economies while accelerating our economy's free-trade low-wage non-union race to the bottom.

The ultimate irony is that eventually, Wal-Mart will destroy its own customer base. For the time being the business model is good. The poorer people become, the more dependent they become on low-price stores like Wal-Mart. Eventually, however, wage depression and the collapse of the dollar will mean that they won't be able to afford to shop anywhere. Perhaps then we'll all be working in sweatshops to supply the voracious appetite of China's new consumer class.

Waving the flag

Wal-Mart is not about the triumph of the free market. Without a police state to repress labor rights in China, and without a corporate welfare state to underwrite their American operation, Wal-Mart would not exist as we know it. Their business model is dependent on the world's two most powerful centrally organized states keeping them afloat with taxpayer-financed subsidies and the repression of workers rights.

Whether they're oppressing workers or censoring media, Wal-Mart seems to be emulating the Chinese political model – spreading their un-American anti-labor anti-free speech ethos across our American landscape. And they're doing it on our taxpayer dime.

Wal-Mart's relationship with China is symbiotic. They support each other's economic growth. And together they form a parasite – eating away at both the American economy and ultimately at the American social fabric. And Wal-Mart has the gall to do all this while waving the American flag as if it was their dustcloth.

*Michael I. Niman's previous columns are archived at www.mediastudy.com.
For more information about Wal-Mart, see www.wakeupwalmart.com and
www.walmartwatch.com*