REVIEW ARTICLE

GLOBALIZATION, INTERCONNECTEDNESS, AND WAL-MART THE BULLY

Denis Collins

The World Is Flat: A Brief History of the Twenty-First Century

Thomas L. Friedman


The Exploitative Side of Globalization

Assume that I am starting a business in Madison, Wisconsin, producing desks for professors,” I tell my students at the beginning of a lecture about Marxism. “I ask the Business School dean how much he paid for his current inventory of worn-out desks. The actual price was $500. How much does he tell me?”

“Four hundred fifty dollars!” a student shouts from the back of the room.

“True, he might lie to me to get a better price. So I tell him I can produce a better quality desk for $440. I hire Jim over there, who hasn’t found a job since graduation, to produce the desks. All costs, except labor, total $340. How much do I, the owner, deserve for my labor and profit and how much does Jim, the laborer, deserve for his labor? We’re in a recession and high-quality carpenters are a dime a dozen.”

Students typically provide a wide range of opinions. Some claim that the owner deserves 80 percent of the remaining $100, while others believe the laborer deserves that much. For the sake of enlightened progress, we split the difference evenly, $50 each, after I verify that this is enough to inspire Jim to build another desk.

“Mary also has a desk-production business,” I point out, “and she asks the Business School dean how much he paid for the desk I sold him. The dean lies again and tells her $430. Mary offers to sell him a new desk for $425. The dean, a tough
negotiator, contacts me and says he would remain loyal to me if I could match her $420 offer, which is now his third lie. I say fine.

"Then I tell Jim about having to reduce our price by $20 due to cut-throat competition. I don’t want to reduce my profit, so I renegotiate Jim’s contract and offer to pay him $30 for the next desk. When Jim hesitates I promise to increase his wage back to $50 a desk as soon as we run Mary out of business. I also tell Jim that if he doesn’t like the deal I can find an illegal immigrant who would be happy to do the work for $20, now that we have a prototype.

"Then I come up with an even better idea. I decide I can outsource the work to a skilled carpenter in China for $2 an hour, which is a lot of money in most parts of China. My cousin owns a shipping business, and is willing to let me ship the desks for free, so I end up increasing my profit margin. Am I being ethical?"

A few ardent free-market advocates in the class insist that I am, a few anti-capitalists disagree, and most students don’t know what to make of the situation. Regardless of how students answer the ethics question, most believe this is indeed how business people behave in modern society. At the end of the class session, a student inevitably will ask, "So why don’t we like Marx?" Then we discuss his ill-formulated prescriptive alternative to capitalism and the millions of people who died tragically under totalitarian Marxist governments.

Thomas Friedman, the New York Times essayist, unintentionally provides evidence in support of Karl Marx’s descriptive analysis of capitalist behavioral tendencies in his latest globalization book, The World Is Flat. Capitalism drives labor costs and salaries downward. As a result, the lowest levels of the working class toil in poverty, with few or no opportunities for advancement. Wal-Mart, the world’s largest company, enables unskilled laborers to climb one step up the economic ladder. But it offers no more rungs, except for a few promotions from within, unless a worker stays employed long enough—until retirement age, that is—to receive the full benefit of the company’s profit sharing and discount stock option plan.

Where Marx’s analysis concluded that such capitalist behavior was unethical, Friedman, for the most part, disagrees. Friedman’s writing is witty, insightful, and anecdotal. For instance, he reports that the top four Google word searches on a particular day were sex, God, jobs, and professional wrestling! The first two chapters—"While I Was Sleeping" and "The Ten Forces that Flattened the World"—are the most relevant for business ethics professors and students. The rest of the book, unfortunately, is overburdened with platitudes and shallow analysis.

The Sunny Side of Globalization

Friedman supports the argument that technology and economics, bounded by ethical concerns, drive history. In the current phase of globalization, American companies are shifting more work to India and China, two developing capitalist nations that provide highly skilled and motivated employees for very low costs.
According to Friedman, protectionist American business executives, laborers, politicians, and public policy analysts should embrace this trend. He argues that it is futile and foolish to stop American businesses from outsourcing jobs to lower wage regions of the world. Rather, the anti-globalization crowd should put its energies into humanizing the globalization process.

Friedman is very much like Voltaire's Candide. Everything works out for the best in his worldview. Broadly speaking, globalization is a win-win situation.

On the developing nations' side of the equation, places such as India and China receive an influx of capital and jobs that help them emerge from deplorable poverty. The statistics provided by Friedman are remarkable. The number of Chinese living in poverty has declined dramatically since China's participation in the capitalist supply chain, from 375 million people living on $1 a day in 1990 to 212 million in 2001. Sub-Sahara Africa, still waiting at the globalization doorstep, has experienced the opposite. The number of Sub-Saharan Africans living on $1 a day has increased from 227 million to 313 million during the same eleven year time period. Analysts predict the Chinese trend will continue, declining to 16 million by 2015, as will the Sub-Saharan trend, increasing to 340 million by 2015. As Adam Smith stated back in 1776, the individual pursuit of economic self-interests unintentionally enhances the wealth of nations.

In his previous book, *The Lexus and the Olive Tree*, Friedman argued that capitalism thrives best in nations with the least amount of corruption. We now learn that the global search for higher profits has inspired Hewlett Packard, Dell, IBM, and their international supply chain partners to jointly advocate for bans on bribes, child labor, embezzlement, and extortion practices in developing nations.

Globalization, Friedman argues, is also good for the United States. American consumers get low priced goods and American businesses have new international markets for their products. Unites States exports to India have doubled since 1990.

In addition, economically integrated nations tend to sign peace treaties rather than war declarations. This reduces the burden of the world's largest military power. Take Dell, for example. Dell sells an average of 150,000 computers a day. The supply chain for a single Dell notebook computer includes passes through India, China, South Korea, Taiwan, Malaysia, Thailand, Philippines, Japan, Costa Rica, Israel, and Germany. A belligerent military action between any two of these nations would damage their place in this highly valued supply network.

According to Friedman, any pity for the American who loses his or her job to a lower priced laborer elsewhere in the world is misplaced. Most, though not all, of the outsourced jobs tend to be mechanistic. As a result, globalization provides Americans a major incentive to learn new skills and seek more creative employment opportunities. After all, who really wants to spend his or her entire adult life stuck in a cubicle answering call-center telephones or calculating tax returns?
Friedman wants Americans to become more aware and supportive of globalization trends and implications. The year 2000 failed to bring about the utopian miracle predicted by some millennial groups. However, according to Friedman, a triple convergence occurred around 2000 that made the global economic playing field flatter: (1) new technologies efficiently linked people through cyberspace, (2) new business processes took advantage of the new technological efficiencies, and (3) newly liberated people from former communist nations merged onto the information superhighway and took advantage of the new business processes and new technological efficiencies. Many people in other nations are using the new technologies to conduct business more efficiently across the world.

Back in the late 1990s, American businesses were exporting low-skilled blue collar manufacturing jobs to India and other developing nations. Now American businesses are exporting high-skilled white collar jobs. The United States does not have a monopoly on creative people and, Friedman argues, it is time for American policy makers to wake up to this fact. He offers some interesting facts to support his case.

- In 2005, an estimated 400,000 U.S. tax returns were calculated by accountants living in India earning $100 a month.
- U.S. radiologists send CAT scans electronically to doctors in India for a second opinion. The results are available for U.S. doctors when they arrive at work the next morning.
- Investment analysts in Bangalore, India, earning $15,000 a year, perform work previously done by $80,000 a year analysts living in New York and London.
- 245,000 people in India work in call centers selling credit cards to U.S. consumers, responding to consumer complaints, and collecting overdue bills.
- 555 million people in India, representing 54 percent of the population, are under the age of 25. The labor price for one American worker is equivalent to that of five workers from India wanting to climb up the economic ladder.

The price and quality of labor elsewhere is so good that American small businesses, nonprofits and government agencies have joined multinationals in outsourcing work overseas. The winner of the most ironic outsourcing award goes to the state of Indiana. An increase in unemployment claims, caused partly by private companies outsourcing their work to India, overburdened the state’s computer processing system. The pro-labor Democratic governor, who had pledged to increase employment within the state, made the computer upgrade work available to the lowest bidder. A firm from India bid $15.2 million, $8.1 million below the next lowest bid. Free-market Republicans scored political points by exposing the irony of the
state’s unemployment agency outsourcing work to India. Adding irony to irony, the Republicans established market barriers to keep the work in the United States.

**Leveling the Economic Playing Field**

Friedman stretches his analysis to develop a list of ten forces that have contributed to leveling the global economic playing field. The Tower of Babel is collapsing and people raised in different cultures are adopting the same set of economic rules and technological innovations, which eases the flow of capital and information across national boundaries. The ten factors are:

1. **The collapse of communism.** The tearing down of the Berlin Wall on November 9, 1989, made capitalism the standard economic system throughout the world.
2. **Netscape’s IPO offering on August 9, 1995.** The Netscape browser enables anyone with a computer and modem to access information through the internet. Cyberspace technology start-ups began attracting huge capital investments and the internet became the standard communication form.
3. **World Flow Software.** The standardization of computer software file sharing programs enhances the transfer of information.
4. **Open-Sourcing.** By putting program source codes in the public domain, companies allow any computer programmer in the world to improve the existing code.
5. **Out-Sourcing.** American companies sent work overseas to reduce labor costs. This, in turn, fuels economic development in other nations.
6. **Off-Shoring.** By joining the World Trade Organization, China aligned its business practices with those of member nations. As a result, American companies moved entire facilities, rather than a particular work task, to China.
7. **Supply-Chaining.** Collaboration between companies and their customers and suppliers have forced all three parties to more efficiently share information by linking their computer and distribution systems.
8. **In-Sourcing.** This is outsourcing from the partner’s perspective. For example, when customers return Hewlett Packard computers for repair work, UPS delivers the malfunctioning computer to a UPS distribution center, where UPS employees are contracted to repair the computer and send it back to the Hewlett Packard customer.
9. **In-forming: Internet search engines enable users to gain access to incredible amounts of digitized information.**
10. **The Steroids:** Unlike the former Beatle John Lennon, Friedman apparently does not like the number “9” and couldn’t think of another leveling force. The steroid metaphor refers to performing the previous nine activities at continually faster speeds.
All-star status must be given to the standardization of technological and economic systems. People living anywhere in the world can access many of the technological and economic innovations fueling the United States’ current economic supremacy. For decades, India and China gave away future wealth by exporting their most highly educated residents to the United States. They studied at American colleges and universities, enjoyed the benefits of living in a democratic capitalist society, and often decided to remain, making the United States a more productive and wealthier nation. Now budding entrepreneurs, business leaders and policymakers born in other nations can access the information and contacts they need from the comforts of their home nation and apply it locally.

The ten flatteners have also changed how and where work is performed in the United States. Between 1997 and 2004, the number of self-employed Americans increased from 18 million to 23.4 million, and the number of Americans working at home at least part-time increased from 11.6 million to 23.5 million. Currently, 16 percent of the American labor force works at home. This helps strengthen families, neighborhoods, and the local economy.

Advances in technology have both increased and decreased business transparency. Boeing conducts auctions on the internet. Suppliers can view bids by competitors and then offer the same services at a lower price or better quality services at the same price. On the other end of the transparency spectrum, the drive-in order taker for a McDonald’s in Missouri is efficiently processing the information from a call center in Colorado Springs.

How should Americans respond to this brave new world? Friedman provides some paternal advice: differentiate yourself by becoming a specialist or new knowledge generator, upgrade your creative skills, perform work that requires face-to-face communication, be adaptable to current and future business needs, and recognize that this trend is good for the world. Friedman defends his Democratic Party credentials by recommending that government provide wage insurance and healthcare to people enrolled in job retraining programs, lending a helping hand to people transitioning from an outsourced job to a new job, rather than preventing outsourcing.

Wal-Mart’s Cowboy Capitalism

Friedman concludes The World is Flat with a superficial discussion of barriers to successful globalization. His list of obstacles includes health epidemics, disconnected rural peasants, terrorists, environmental problems, and, of course, a misguided anti-globalization movement.

Missing from this list are the capitalist bullies whose behaviors are described so well by Marx, whether the year is 1848 or 2005. Absent an assertive referee, a level playing field provides the local bully more room to impose his or her self-centered will on vulnerable populations. Take Wal-Mart. It has become the symbol for all that is wrong with corporate America and capitalist-driven globalization.
(www.wakeupwalmart.com; http://walmartwatch.com). Friedman throws a few jabs at Wal-Mart for being heartlessly efficient and pitting everyday low prices for consumers against everyday low wages and benefits for employees, but he fails to explore these issues in depth.

Halfway through the book, Friedman expresses amazement that Karl Marx foresaw the age of technology and economic-driven globalization. He should revisit Marx's descriptive analysis and directly address Wal-Mart's outcomes—below living wages, inadequate healthcare coverage, elimination of competing small businesses, and suppliers using sweatshop labor, all for the purpose of minimizing costs—if he wishes to influence the moral sentiments of the anti-globalization movement.

Wal-Mart, which includes Sam's Club, is the largest company in the world. In 2004, Wal-Mart's 1.7 million employees and 5,700 stores generated $285 billion in revenue and $10.3 billion in profits by serving approximately 140 million customers a week (www.walmartstores.com). Eighty-five percent of all consumers buy something from Wal-Mart every year. If Wal-Mart were a political entity, it would be the twentieth largest nation in the world, the fifth largest city in the United States, and China's tenth largest trading partner. Its #1 ranking on the Fortune 500 list is the envy of the next 499 companies on the list, and countless wannabes.

Wal-Mart's impact on labor and product markets is pervasive. In twenty-one states it is the largest employer, and it is the single largest employer of African-Americans and Hispanics in the United States (Thompson 2005). In 2003, Wal-Mart accounted for 30 percent of the household staples market, 20 percent of the CD/video/DVD market, 19 percent of the grocery market, 16 percent of the pharmacy market, and 15 percent of the magazine market (Bianco and Zellner 2003). The company sells more than 25 percent of all products made by Dial, Del Monte, Clorox, and Revlon. All this was prior to Wal-Mart initiating a plan to open 1,000 more stores over the next five years. The company's goal is to sustain its 15 percent growth rate, which would amount to annual revenue of $600 billion by 2011.

Sam Walton established Wal-Mart Discount Stores in 1962 to provide low price products to people living in small towns typically overlooked by large companies. Wal-Mart remains the low-cost leader, offering affordable products to people who have the least amount of discretionary income. Selling a box of Corn Flakes at two-thirds the price of a competitor's benefits people living paycheck to paycheck. In 2002, by selling products at prices that are, on average, 14 percent less than its competitors, Wal-Mart directly saved consumers at least $20 billion, and indirectly saved them another $80 billion by forcing competitors to sell at lower prices (Bianco and Zellner 2003). Even though I do not shop at Wal-Mart, I am a price beneficiary of its existence. A more recent economic study, commissioned by Wal-Mart, reported that, taking into account the residual cost savings, the company saved consumers $263 billion in 2004, approximately $2,329 per household (Bernstein 2005).

Wal-Mart can do this because of its efficient global supply chain, low supplier costs, and low employee wages and benefits. Much of Wal-Mart's wealth is attrib-
uted to using its immense market power to bully the best prices from suppliers and taking short-term financial advantage of a vulnerable labor force.

Bullies tend to behave better under close supervision. How well does Wal-Mart treat its employees in the United States, where company behaviors are regulated by government officials and closely monitored by unions, the media, and political activists? In 2004, the average earnings for Wal-Mart employees was $19,226, compared to $19,699 for supermarket employees, $22,101 for wholesale club and supercenter employees, and $24,023 for retail employees (Bernhardt, Chaddha, and McGrath 2005). The average salary for a Wal-Mart employee is $8.23 an hour, with full-time employees (those working at least 34 hours a week), averaging $9.68 an hour, or $20,134 a year. Wal-Mart’s wages look worse when the data is broken down by job title. Sales associates working at least 45 weeks a year earned $14,787 at Wal-Mart, contrasted with the national retail average of $22,760, while cashiers earned $12,818, contrasted with the national average of $17,220.

Wal-Mart has controlled rising healthcare costs through long eligibility waits, high premiums for good coverage, and high deductibles. Given the low wages and other factors, Wal-Mart employees spend 8 percent of their income on healthcare expenses, approximately twice the national average. Less than 46 percent of Wal-Mart’s employees have healthcare coverage, slightly below the average for the retail industry. An internal investigation at Wal-Mart found that almost half the children of its employees either had no insurance or were covered by Medicaid (Abelson 2005). Full-time employees are eligible for healthcare benefits after six months of employment, while part-time employees must wait two years. Premiums for individual coverage range from $33 to $72 a month, and family coverage premiums range from $133 to $264. Deductibles range from $350 to $1,000.

A deeply held American value holds that working full-time should move people out of poverty, not keep them in it. But a full-time job at the #1 company in the world does not enable most of its employees to pull themselves out of poverty. Many full-time employees do not earn a living wage and, as a result, they are eligible to receive government subsidies for healthcare, housing expenses, and energy costs.

Quigley (2003) defines a living wage as enough income to escape poverty and become self-supporting. President Franklin Roosevelt’s original justification for a minimum wage in the 1930s was “a fair day’s pay for a fair day’s work.” An employee working full-time should earn enough to pay basic living expenses (Sklar, Mykyta, and Wefald 2001). Budget categories for living wage calculations include the cost of housing, healthcare, food, child care for a preschool child, after school care for a school aged child, transportation, clothing, household expenses, telephone services, and taxes. In 2002, a living wage was estimated to reflect an hourly rate of $8.50 if healthcare is provided, or $17,680 a year for a full-time employee, and $10.50 if healthcare is not, or $21,840 a year. This amount fluctuates based on factors such as geographical region and urban versus rural setting.
Labor law violations also provide insight into how Wal-Mart treats its American employees. The table below summarizes material released by the Brennan Center for Justice at the New York University School of Law in August 2005, prepared to inform debate on Wal-Mart's effort to open its first store in New York City.

<table>
<thead>
<tr>
<th>Wal-Mart's Labor Law Violations (Bernhardt, Chaddha, and McGrath 2005)</th>
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<tr>
<td><strong>Off-the-Clock Work</strong></td>
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<td><strong>Illegal Retaliation for Union Organizing</strong></td>
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<td><strong>Workers' Compensation</strong></td>
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<td><strong>Gender Discrimination</strong></td>
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<td><strong>Child Labor</strong></td>
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<td><strong>Suppliers and Subcontractors</strong></td>
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**Long-Term Financial Benefits at Wal-Mart**

Given all these problems, why aren't Wal-Mart employees running into the outstretched arms of union organizers anxiously awaiting them? A Wal-Mart job is a step up the economic ladder for someone who previously earned a minimum wage or was unemployed. Wal-Mart is not only #1 on the Fortune 500 list and #1 on *Fortune* magazine’s list of most admired companies, it is also listed among the “100 Best Companies to Work For.” It has been honored with diversity awards by *Black Enterprise*, *DiversityInc*, *Asian Enterprise*, and the Hispanic Association on Corporate Responsibility. Despite the low hourly wage, employees are attracted to the company’s other compensation benefits—profit sharing, 401(k) pension plan, and discount stock option plans—and dream of being promoted from within. Approximately 76 percent of Wal-Mart's managers began as hourly employees. Employees speak highly of the sense of camaraderie that exists at Wal-Mart and the company’s employee suggestion system, open door policy, and extensive training programs. The mixture of these policies and benefits has enabled some middle-level managers to become millionaires.
Wal-Mart’s profit sharing, 401(k) retirement plans, and discount stock option plans are impressive. Sam Walton felt bad about the low wages of employees in the discount store industry (Walton and Huey 1992). When his company went public, he instituted a generous profit sharing plan. Wal-Mart allocates up to 10 percent of net profits into a profit sharing trust fund for its employees. At the time of his death in 1992, Wal-Mart contributed an amount equivalent to 6 percent of an employee’s wages into profit sharing and 401(k) accounts. The company’s contribution has since declined to 4 percent and may be reduced further. Employees are eligible for profit sharing after one year and 1,000 hours of service. They are 20 percent vested after three years of employment and fully vested after seven years, at which point employees can withdraw the money upon termination or retirement.

Wal-Mart makes annual contributions to employee 401(k) plans based on company profits and annually covers 15 percent of the price of Wal-Mart stock purchased by employees up to $1,800. In 2003 alone, Wal-Mart contributed $663 million into employee profit sharing and 401(k) accounts and paid more than half a billion dollars in incentive bonuses. One hundred shares of stock purchased in 1971 for $1,650 ($16.50 a share), following many stock splits, would now be worth about $6 million. An $8,000 investment in Wal-Mart’s profit sharing plan in 1981 skyrocketed in value to $228,000 ten years later (Walton and Huey 1992). In 2002, Wal-Mart donated $136 million to 80,000 organizations, including $45 million to educational programs. Customers and associates donated an additional $70 million. Its employee relations, along with its community initiatives and philanthropy, earned the company the 2002 Corporate Leadership Award from the Bush Administration.

**Bullying Government Regulators**

Wal-Mart’s response to the child labor law violations reveals how the company bullies government regulators. In the early 2000s, the Department of Labor investigated 27 Wal-Mart stores in three states and found 25 of them in violation of child labor laws. Minors, employees under the age of 18, were found to be illegally operating hazardous equipment, such as fork-lifts and balers. Initially, the Employment Standards Administration Wage and Hour Division (WHD) assessed $150,600 in fines. Wal-Mart denied the well-documented allegations and threatened an expensive legal fight.

WHD offered to reduce the fine to $135,540 without any admission of guilt by Wal-Mart if the company agreed to implement selected best practices in child labor policy—a complaint hot-line, disseminating child labor law information to parents, and making a manager’s child labor law compliance record part of performance evaluations. From the government’s perspective, Wal-Mart could then serve as a model for other retailers. Government lawyers sent Wal-Mart lawyers the agreement documents for their review. Wal-Mart then modified three standard provisions in the legal document.
First, Wal-Mart inserted a phrase stating that WHD would provide a 15 day prior notice before initiating any audits of a Wal-Mart store, rather than conducting unannounced investigations. Second, Wal-Mart placed restrictions on WHD’s ability to assess fines. Wal-Mart changed the provision to read that if a store was brought into compliance within 10 days of a violation notification, the company would not be formally cited or fined. Third, Wal-Mart changed a provision to read that the press release announcing the agreement to the media would be jointly developed by Wal-Mart and WHD rather than independently issued by WHD.

In other words, Wal-Mart wanted to be warned two weeks in advance of any government investigation, to not inform the public about a violation if it was fixed immediately, and to compose the government agency’s press releases about Wal-Mart. By signing the revised agreement, WHD forfeited legal rights it had maintained in similar agreements with other companies. Wal-Mart lawyers had out-negotiated government regulators. But the pyrrhic victory led to negative media stories, a government investigation into the agreement, and greater public mistrust.

Developing a New Image

Lee Scott, who in 2000 became Wal-Mart’s third CEO, is well aware of the numerous criticisms against the company. Small business owners not wanting to be priced out of the market often demand public forums and voting referendums when Wal-Mart requests permission to open a new store in their community, and the company has lost several high profile referendums. According to customer surveys conducted by Wal-Mart, 5 percent of the respondents stopped shopping at the store because of the growing negative publicity (Featherstone 2005). With its stock declining by more than 20 percent during the past year, Wal-Mart hired Ronald Reagan’s former communications director and Bill Clinton’s former media consultant to improve stakeholder relations, and Scott conducted stakeholder listening sessions about the company’s social responsibility shortcomings (Barbaro 2005).

Hurricane Katrina destroyed parts of Louisiana and Mississippi while Wal-Mart was in the process of developing a response to its critics. Wal-Mart had to temporarily close 123 stores, and some employees lost their homes and savings. The company used its channels of distribution expertise to deliver emergency supplies, such as 1,900 truckloads of water, and donated more than $20 million and merchandise valued at $3 million, such as food for 100,000 meals. It promised all displaced workers a job in another store. Scott joined former presidents George H. W. Bush and Bill Clinton when they toured the Houston Astrodome. Wal-Mart received very favorable media coverage for its humanitarian efforts (Barbaro and Gillis 2005).

In October 2005, Wal-Mart announced new plans based on Scott’s listening sessions. Among the most impressive changes are new policies for certifying international suppliers, a new low-premium health insurance plan, and expanded healthcare coverage. The company also committed to establishing healthcare clin-
ics in stores, increasing diversity recruiting, promoting a greater percentage of
women and minorities into management positions, and purchasing supplies from
minority-owned businesses.

Wal-Mart's Environmental Epiphany

Scott's major listening session breakthrough was related to the environment, not
employees, and linked to Wal-Mart's economic self-interests. As the retail industry's
low-cost leader, Wal-Mart could achieve significant long-term cost reductions and
increase profits by improving its environmental performance. The company has
developed cost-based environmental goals in partnership with the Rocky Mountain
Institute. For instance, increasing the fuel efficiency of trucks, which average 6.5
miles a gallon, by just one mile a gallon would result in gasoline savings of $52
million a year. Recycling plastics would save the company $28 million a year.

Wal-Mart released new environmental goals in October 2005. They include reli-
ance on 100 percent renewal energy, reducing energy use by 30 percent, reducing
greenhouse gases by 20 percent over the next seven years, reducing solid waste by
25 percent over the next three years, increasing trucking fleet miles per gallon by
25 percent during the next three years and 50 percent within ten years, preferred
supplier status based on environmental performance, working with suppliers to
reduce packaging and increase recycling, and conserving one parcel of priority
wildlife habitat for every parcel of land developed over the next ten years, all very
admirable activities.

Some of these ideas are being tested in a very innovative "environmental store"
built in McKinney, Texas. Wal-Mart has promised to apply successful techniques
in other stores. Some of the building's many environmentally friendly features ap-
pear in the table on page 301.

Controlling Healthcare Costs and Other Employee Benefits

Some of the goodwill these policy changes generated dissipated when a report
on controlling the cost of employee benefits prepared for a Board of Directors
retreat by Susan Chambers, Executive Vice President for Benefits, was leaked to
the media (Chambers 2005; Greenhouse and Barbaro 2005). Between 2002 and
2005, the cost of employee benefits increased 15 percent, compared to a 5 percent
increase in employees and an 11 percent increase in sales. Employee benefits cost
the company $4.2 billion, an increase from 1.5 to 1.9 percent of sales. Wal-Mart
executives concluded that these trends were unacceptable.

As with most companies, the highest increase was healthcare costs. Chambers
attributed this to an aging and more overweight workforce making poor medical
consumption choices, such as using hospital emergency room services instead of
scheduling an office visit. The next two highest increases in employee benefits were
**McKinney Environmental Store Features**

<table>
<thead>
<tr>
<th>Climate Control</th>
<th>• Reflective ceramic paint reduces internal heat gain</th>
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<tr>
<td></td>
<td>• Radiant floor heating system</td>
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<td>• Reduced building height</td>
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<td>• Even air flow distribution system</td>
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<td></td>
<td>• Refrigeration heat funneled to floor system and bathroom sinks</td>
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<tr>
<td>Internal Lighting</td>
<td>• Fluorescent lamps</td>
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<td></td>
<td>• Natural lighting in daytime</td>
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<td></td>
<td>• Artificial light levels lowered at night</td>
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<td>• LED lighting in grocery cases</td>
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<tr>
<td>Recycling</td>
<td>• Food waste composted and resold</td>
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<td></td>
<td>• Low or no Volatile Organic Compounds (VOCs) in building materials</td>
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<td></td>
<td>• Fly ash, an inorganic coal industry byproduct, used in building’s concrete</td>
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<td></td>
<td>• Most construction materials and waste recycled</td>
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<tr>
<td>Solar Energy</td>
<td>• Polycrystalline photovoltaic laminates integrated into Garden Center canopy</td>
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<tr>
<td></td>
<td>• Thin film photovoltaic laminated integrated into vestibule roofs, front entry façade, and Tire &amp; Lube Express roof</td>
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<tr>
<td>Water Conservation</td>
<td>• Rainwater from roof contained in pond and used for irrigation</td>
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<td></td>
<td>• Parking lot runoff filtered through bioswale</td>
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<td></td>
<td>• Wildflower meadows require no irrigation</td>
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<tr>
<td></td>
<td>• Recycled tires and shredded hardwood used as garden mulch</td>
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<td></td>
<td>• Windmill water circulation</td>
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<tr>
<td>Wind Turbine and Heat Island Effect</td>
<td>• Wind turbine for energy production</td>
</tr>
<tr>
<td></td>
<td>• Trees and other shade structures reflect the sun and cool cars and parking surface</td>
</tr>
<tr>
<td>Bioswale and Pervious Pavement</td>
<td>• Bioswale shrubs, grasses and rocks trap pollutants and cleanse water before entering the wetland pond</td>
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<tr>
<td></td>
<td>• Pervious parking lot pavement allows rain to filter into the ground</td>
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<td>Other Experiments</td>
<td>• Recovered cooking oil and used motor oil reused in a bio-fuel boiler for heating and ventilation system</td>
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<tr>
<td></td>
<td>• Condensation water from air conditioning system stored in pond and used to irrigate landscaping</td>
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<tr>
<td></td>
<td>• Alternative freezer/cooler refrigeration units</td>
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</tbody>
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paid-time off and profit sharing/401(k) contributions. These cost increases were attributed to reductions in employee turnover. Chambers, a Human Resource Vice President at a company that just earned $10 billion in annual profits, questioned why Wal-Mart should keep someone with seven years of service when a new employee, who consumes 55 percent less benefits, is just as productive.

Wal-Mart surveyed employees with the unstated purpose of determining how to rebalance the company’s employee benefits. Chambers recommended that benefits receiving high satisfaction but low importance ratings—such as profit sharing, pension plans, and life insurance—should be reduced to help fund benefits receiving high importance but low satisfaction ratings, such as healthcare. She also noted that reducing employee benefits would not hinder recruitment efforts or morale, because only 3 percent of Wal-Mart employees joined the company due to its benefits package, and because employee satisfaction with the company was not statistically related to employee satisfaction with benefits.

Chambers’s report contained nine “limited-risk initiatives” and five “bold steps” to improve healthcare benefits or control their rising costs. The limited risk initiatives included making healthcare benefits available to both full- and part-time employees after 1,000 hours of employment, charging higher premiums for spousal policies
to discourage their use, educating employees on how to more efficiently spend healthcare monies, and reducing life insurance coverage. She also recommended that Wal-Mart hire part-time rather than full-time employees because they have fewer benefits, and increase the number of hours worked by full-time employees in order to decrease the ratio of benefits paid per full-time employee hour worked. Among the riskier “bold steps” were reducing employee profit sharing and pension plan contributions (Sam Walton’s pride and joy) from 4 percent of wages to 3 percent; screening out obese job applicants by requiring more physical work from cashiers and clerks, such as gathering shopping carts from the parking lot; and a public relations campaign to detract attention away from Wal-Mart by emphasizing that many other companies provide low wages and inadequate healthcare benefits.

Unfortunately, Scott has failed to take a leadership role on wage issues within his own company, maintaining that Wal-Mart operates on very small profit margins. This sounds miserly, given that the company earned $10 billion in profits for 2004 and it posted 2005 third-quarter profits of $2.4 billion, a 3.8 percent increase over the same quarter the previous year despite significantly higher fuel costs and the temporary closing of stores. In addition, Sam Walton’s widow and four children are listed among the top ten richest Americans, each with a net worth of more than $15 billion, while company employees go without healthcare and a living wage.

In November of 2005, labor unions, church leaders, and community activists organized “Wal-Mart Week of Action” in conjunction with the nationwide release of Robert Greenwald’s critical documentary *Wal-Mart: The High Cost of Low Price*. In rebutting Greenwald, Wal-Mart bragged that the average hourly wage at its Chicago area stores was $10.69 an hour, one dollar more than the living wage established by the city (Wal-Mart Press Release, October 25, 2005). But that means each person earning one dollar over the average hourly wage is matched by someone barely making a living wage. At the very least, Wal-Mart could establish a more innovative gainsharing plan linking higher wages to a store’s economic performance.

**Concluding Comments**

Thomas Friedman argues that Americans should develop processes that soften the negative human impacts associated with technology and economic-driven globalization, rather than fight against it. For the past two decades, poverty in the United States has fluctuated at around 13 percent. Now Americans are being asked to sacrifice both blue-collar and white-collar jobs to developing nations, where poverty is even worse. Hopefully, in a few years, Friedman can write a similarly breathtaking follow-up book that describes all the support mechanisms that have assisted American employees through this transition.

American-based Wal-Mart is among the earliest and biggest corporate winners in the latest globalization phase, the tallest skyscraper on a flatter planet. But, Wal-Mart’s behavior patterns provide additional support to Marx’s devastating critique
of capitalism. The company and its key executives have enriched themselves at the expense of low-wage employees and locally owned small businesses. Wal-Mart bullies its suppliers and employees and establishes low standards that competitors are compelled to match for their own economic survival.

Lee Scott, Wal-Mart’s CEO, can prove Marx wrong. Socially responsible capitalism needs a triple convergence. Wal-Mart’s new leadership role in environmental matters is a step in the right direction. The other two steps should be wage reform and healthcare reform in Wal-Mart, the retail and supermarket industries, the nation, and the world. Then the earth would be both flat and happy.

References
