

# ISSUE 7



## Is Wal-Mart Good for the Economy?

**YES: Los Angeles County Economic Development Corporation**, from "Wal-Mart Supercenters: What's in Store for Southern California?" <http://www.laedc.info/data/documents.asp> (January 2004)

**NO: Democratic Staff of the House Committee on Education and the Workforce**, from "Everyday Low Wages: The Hidden Price We All Pay for Wal-Mart," <http://www.mindfully.org/Industry/2004/wal-mart-labor-record16feb04.htm> (February 16, 2004)

### ISSUE SUMMARY

**YES:** The Los Angeles County Economic Development Corporation believes that the introduction of Wal-Mart supercenter stores into the Southern California market will generate significant savings for consumers on their grocery, apparel, and general merchandise spending, and the redirected spending from the savings will create over 35,000 new jobs.

**NO:** The Democratic Staff of the House Committee on Education and the Workforce believes that Wal-Mart, in its efforts to achieve and maintain low prices, has "come to represent the lowest common denominator in the treatment of working people."

Given the company's ubiquitous presence across the country, it would come as a great surprise to find an American who did not recognize the name "Wal-Mart" or find someone who had not shopped at a Wal-Mart store. Many people are familiar with the yellow smiley face that appears in Wal-Mart television ads, in its newspapers ads, and on its in-store promotions. While many people might not know of the persons who created other major retailers like Target, Home Depot, and Kmart, a fair number would be able to identify Sam Walton as Wal-Mart's founder. And, some of these would even be able to tell a short story about the company's history.

Such a short story would begin in 1962; this is the year Sam Walton opened the first Wal-Mart store in Rogers, Arkansas. Interestingly enough,

retailers are similar in their devotion to discount retailing. Indeed, Sam Walton began his venture into discount retailing, in part because his chain of Arkansas and Kansas variety stores (what used to be called five- and ten-cent stores) had experienced competition from regional discount retailers. It was 1968 when Wal-Mart first ventured outside of Arkansas, establishing outlets in Missouri and Oklahoma.

By 1970 there were 38 Wal-Mart stores with annual sales of \$44.2 million and 1,500 employees. By the end of the decade, sales had grown to \$1.2 billion with 276 stores in 11 states and 21,000 employees. By its twenty-fifth anniversary in 1987, Wal-Mart had reached sales of \$15.9 billion with 1,198 stores, and some 200,000 employees. Today, Wal-Mart stands as a "global colossus" with \$256 billion in global revenue, 5,000 stores in 10 countries, and 1.3 million employees. It is said to be the largest private or non-government employer in the world.

What explains Wal-Mart's business success? According to the company's founder, "The secret of successful retailing is to give your customers what they want." And what do customers want? Sam Walton thought they wanted everything: "a wide assortment of good quality merchandise; the lowest possible prices; guaranteed satisfaction with what you buy; friendly, knowledgeable service; convenient hours; free parking; a pleasant shopping experience." Based on Wal-Mart's business success, Sam Walton's creation appears to give consumers what they want. And many, based on the growth figures previously cited, consider Wal-Mart to be the ultimate business success story.

But not everyone admires this business success. Rather, there are those who believe that Wal-Mart's business success has been built upon a series of abuses, with most of the abuses related to the company's goal of offering the lowest possible prices. These critics charge that in its drive to achieve its goal of lowest prices, Wal-Mart is driven to be anti-union, to pay low wages, to discriminate against women, to refuse to pay workers for some of their work, and to break child labor laws.

This issue examines the role of Wal-Mart in the economy. The first reading is a segment of an economic impact study prepared by the Los Angeles County Economic Development Corporation (LAEDC). In this study, paid for by Wal-Mart, the non-profit organization assesses what would happen if Wal-Mart began to open a series of so-called Supercenter stores in Southern California. The report concludes that Wal-Mart's entry into the Southern California market would be of major benefit to consumers and create a significant number of new jobs. The second reading, prepared by the Democratic Staff of the House Committee on Education and the Workforce, summarizes a series of reports prepared by others as well as a series of legal actions taken against Wal-Mart. The staff's conclusion from this summary is that Wal-Mart's business success has only been achieved at a very high social cost.