12. China is excluded for several reasons: in the first period, its autarkic policies kept it to a certain degree outside the larger system; in the second, its government dramatically flaunted major principles of neoliberal policy, strategically deploying just the sort of planning, protections, and easy credit arrangements that the rest of the developing world was being forced to abandon.

13. Robert Pollin, *Contours of Descent: U.S. Economic Fractures and the Landscape of Global Austerity* (London: Verso, 2003).

14. If statistics sometimes seem ambiguous, it is largely because many of these figures improved in much of East Asia—usually, in precisely those countries that resisted IMF pressure to pare back or privatize health and education. The declines in Africa and Latin America, where few countries were in a position to resist, were quite dramatic.

15. It has held pride of place since 2004. In the World Economic Forum's 2004–5 rankings, Finland is followed by the United States, then Sweden, Taiwan, Denmark, and Norway. Note that the top six do not include a single country following neoliberal orthodoxy, since the United States itself regularly defies most of the precepts it urges on other governments. For the full report, see World Economic Forum, "Global Competitiveness Report 2004–2005," October 2004, www.weforum.org/en/initiatives/gcp/Global%20Competitiveness%20Report/PastReports/index.htm.

16. One might consider this a perfect example of that hoary piece of economic wisdom: "if you owe the bank a million dollars, the bank owns you. If you owe the bank a hundred million, you own the bank."

17. Walden Bello, *Future in the Balance: Essays on Globalization and Resistance* (Oakland, CA: Food First Books, 2001). See also Walden Bello, *Dark Victory: The United States, Structural Adjustment, and Global Poverty* (Oakland, CA: Institute for Food and Development Policy, 1994).

18. Bello, *Dark Victory;* Harvey, *Brief History of Neoliberalism;* Immanuel Wallerstein, *The Decline of American Power: The U.S. in a Chaotic World* (New York: New Press, 2003).

19. The line is from Richard Overton's *An Arrow against All Tyrants* (Exeter: Rota, 1976). The best discussion of the political theory of possessive individualism is in C. B. MacPherson, *The Political Theory of Possessive Individualism* (Oxford: Oxford University Press, 1962).

20. Giovanni Arrighi, *The Long Twentieth Century: Money, Power, and the Origins of Our Times* (London: Verso, 1994).

21. The fact that the IMF operates under the UN umbrella is particularly ironic when one considers that the UN's Universal Charter of Human Rights specifies that all human beings have a right to food and shelter. It has never shown much ability to enforce such rights. The IMF, however, has intervened quite systematically and effectively against any country that has attempted to enact policies inspired by such principles.

22. The 1980s and 1990s certainly saw more market elements introduced into some of these bureaucracies, particularly with outsourcing of primary production, and new, Asian-inspired "just in time" production strategies. On the other hand it also saw unprecedented concentration of ownership. Few Americans are aware that almost all department stores in the United States, for instance, are now owned by one company, Macy's Retail Holdings. So in effect corporate bureaucracies became more flexible but far larger.

23. The most incisive analysis on the importance of different sorts of "commons" to capitalism has been made by the Midnight Notes Collective: they were the first to emphasize that while capitalists preferred to see a world in which all forms of common property administered by communities for their own collective benefit would be privatized or otherwise eliminated, they also promoted the creation of new forms of commons for their own benefit: for instance, collective responsibilities for research, transport, waste disposal, and new and elaborate security functions. Struggles over the definition and management of collective resources are thus the common theme of global resistance struggles that might otherwise seem to have next to nothing to do with one another, such as those of the Twenty-first Century Socialists in South America and of Islamic movements in the Middle East. See "Midnight Notes Collective," last updated January 4, 2005, www.midnightnotes.org/index2.htl, for the best introduction to this line of thought.

5

The Age of Wal-Mart

Jane L. Collins

PROFITS IN "POORVILLE"

Quarrels about Wal-Mart are everywhere these days, from the *Wall Street Journal* to the smallest local newspaper, on the Internet, in the blogosphere, and in statehouses and local planning commissions across the nation. The debates are fueled by a handful of vociferous watchdog groups, such as Wal-Mart Watch and Wake Up Wal-Mart, whose research supports labor and community battles against the company, and by the firm's own advocacy groups, such as Working Families for Wal-Mart, established to counter public criticism. Wal-Mart's detractors argue that its size, success, and political influence enable it "to rezone our cities, determine the real minimum wage, break trade unions, set the boundaries for popular culture and channel capital throughout the world." They link the firm's competitiveness to "the destruction of all that remains of New Deal social regulation" and its replacement with a "global system that relentlessly squeezes labor . . . from South Carolina to south China."[1] These critics say that, like the Pennsylvania Railroad in the late nineteenth century, U.S. Steel in the early twentieth century, and General Motors in the mid-twentieth century, Wal-Mart has become the template business for world capitalism and that the template it provides contributes to the insecurity of American workers. I will argue in this chapter that these claims understate Wal-Mart's influence.

Historian Nelson Lichtenstein has laid out the template argument in the following way: "Wal-Mart is setting a new standard that other firms have to follow if they hope to compete. . . . It is setting standards for the nation as a whole. It's almost legislating social policy, not in terms of votes and lobbying, but when it does something, it's so large, it's so influential, others follow it."[2] This argument attributes Wal-Mart's dominance to its size and global reach, which have been extensively chronicled in the popular press. Wal-Mart is the largest company in the world. It has over five thousand stores and employs over 1.2 million U.S. workers. With its sales of over $3 billion a year, it does more business than Target, Home Depot, Sears, Safeway, K-Mart, and Kroger combined. With annual profits in the tens of billions of dollars, Sam Walton's heirs are twice as wealthy as Bill Gates. As the largest profit-making enterprise in the world, Wal-Mart has no rival. Clearly market share and profitability are part of the story of Wal-Mart's dominance.[3]

Sociologists Edna Bonacich and Khaleelah Hardie take the idea of the template a bit further when they say that "Wal-Mart lowers labor standards, not just for its workers, but for employees of all competitors and potential competitors." They are suggesting that other firms emulate Wal-Mart, not just because it sets an example of how to be profitable in today's economy, but because if they do not find ways to offer "everyday low prices" they will lose market share. They must copy Wal-Mart's labor practices and logistics to stay in business.[4]

This chapter builds on these understandings but goes further to suggest that Wal-Mart's business practices forge a relationship between poverty and profits that is breathtaking in its implications for the economy as a whole. Wal-Mart is not only actively unraveling mid-twentieth-century bargains among workers, employers, and the state and wrapping its neoliberal assault on labor in nostalgia for the good old days and the flag. It is also *inverting* the mid-twentieth-century relationship between production and consumption that has come to be known as Fordism. This idea was first articulated by journalist Liza Featherstone in a 2005 article for the *Nation*. She said: "In a chilling reversal of Henry Ford's strategy, which was to pay his workers amply so they could buy Ford cars, Wal-Mart's stingy compensation policies contribute to an economy in which workers can only afford to shop at Wal-Mart."[5]

In what follows, I will explore the idea that Wal-Mart's success is built on—actually premised on—the impoverishment of workers, both here and abroad, who lose out in the race to the bottom. Like Featherstone, I will argue that, through payment of poverty-level wages to retail workers in the United States and sweatshop conditions in supplier factories abroad, Wal-Mart is creating consumers whose survival depends on the low prices thus achieved. As Wal-Mart's low wages and harsh labor practices reverberate throughout the economy, they unleash a vicious cycle in which profits, lower consumer prices, and poverty are intertwined. CEO Lee Scott's claim that the company gives consumers "a wage increase every time they shop with us" is frighteningly clear: workers who are paid little enough will have to stretch their wages by shopping at Wal-Mart.

A disclaimer: Wal-Mart has never been the subject of my research. But in recent years I have studied life at the lower end of the labor market in several settings. I have interviewed apparel workers in southern Virginia, central Mexico, and rural Wisconsin and women transitioning off welfare in the declining industrial centers of Milwaukee and Racine. In every phase of this research I bumped into Wal-Mart in ways that highlighted the relationship between the firm's profits and poverty. Driving into Martinsville, Virginia, in the summer of 1999, I asked a Stop-N-Go clerk for directions to the Tultex apparel factory. "Straight ahead and left at the Wal-Mart," he said. When I drove into Dodgeville, Wisconsin, in 2003 looking for the Lands' End plant, the clerk at McDonald's directed me: "Right up there on the hill, across from Wal-Mart." I noticed, but did not dwell on, Wal-Mart's salient presence in the daily environment of the women I was interviewing.

In her article "Down and Out in Discount America," Liza Featherstone makes the case that Wal-Mart knows that its customer base is low-waged people. She cites evidence that the company takes out ads in poor communities on the days that women receive welfare checks and cites studies showing that 23 percent of Wal-Mart customers live on salaries of less than $25,000 a year and that 20 percent are too poor to even have a bank account. She quotes economists who have found a significant negative relationship between median household income and Wal-Mart's presence in the local labor market. While some upscale retailers worry that Wal-Mart also attracts a share of their more affluent customers, poor people have been and continue to be Wal-Mart's bread and butter. As one of Featherstone's sources noted: "They plant themselves right in the middle of Poorville."[6]

The connection between Wal-Mart's profits and poverty became clearer to me in 2004, when I was collecting the work histories of forty women who were losing access to welfare in Milwaukee and Racine, Wisconsin. Wal-Mart figured prominently in nearly every narrative. A large proportion of the women I spoke with had worked at Wal-Mart at one time or another and told stories about their experiences. Those who had not had often worked for Wal-Mart's competitors under conditions that were similar to and shaped by Wal-Mart's practices. An even larger proportion of the women—virtually all of them—shopped at Wal-Mart. What is more, they saw shopping at Wal-Mart as crucial to making ends meet—the only way they could afford to buy clothing and diapers for the children. As Wal-Mart moved aggressively into the grocery trade, they increasingly felt that way about food as well. These interviews convinced me that there is an integral, intentional, and multifaceted relationship between Wal-Mart and poverty.

HOW POVERTY AND PROFITS ARE RELATED

Perhaps the most thoroughgoing attempts to theorize the connection between production and consumption in an economy have come from regulation theory, a school of economics that arose in France in the 1960s and 1970s. Regulation theorists were concerned with a key paradox of capitalism: how its tendencies toward instability, crisis, and change were balanced by its ability to coalesce and stabilize around institutions, norms, and rules that promote stability. To explain this, regulation theorists developed the concept of regime of accumulation. A regime of accumulation is a relationship between production and consumption in an economy at a given moment. It includes norms governing work and the organization of production; financial rules and practices; rules governing the management of industries and corporations; accepted principles about how income should be shared among wages, profits, and taxes; and norms of consumption and related patterns of demand in the market. Regulation theorists believe that the stability of a regime of accumulation is linked to these formal and informal rules, laws, agreements, habits, and practices.[7]

Here is the story, in very broad strokes, of one regime of accumulation. In 1914, Henry Ford introduced the $5, eight-hour day on the basis of an understanding that mass production was going to require mass consumption and that, for his company to sell cars, workers would need enough income to buy them and enough leisure to use them. He maintained this approach even through the worst of the Depression. During the massive labor mobilizations of the 1930s, this vision of how the fruits of labor should be distributed was a powerful part of workers' ideas about how the world should be organized and what was fair. By the 1940s, as the United States began to recover from the crisis of the Depression, a new era of stability began to grow up around practices of assembly line production pioneered in the auto industry. Ford and General Motors were the template firms of that era. Not only did they pay their workers enough to buy cars and the other household necessities of the day, but they recognized unions and engaged in collective bargaining with their workers. The Treaty of Detroit in 1948 guaranteed that workers' income would increase annually regardless of inflation, recession, or corporate profitability. And increase it did: the real income of auto workers doubled between 1947 and 1973, and the real income of those in the bottom half of the U.S. income distribution rose as rapidly as the income of those in the top 10 percent during that period.[8]

This wage growth represented a new societal consensus about how income should be shared among workers and owners of capital. It was part of a mode of growth in the larger economy that was based on the following interlinked features: mass production, rising productivity based on economies of scale, rising incomes linked to productivity, increasing demand due to rising wages, increased profits based on full utilization of capacity, and increased investment in improved mass production. As Bob Jessop has pointed out, this virtuous cycle relied on separation of ownership and control in large, multidivisional, decentralized corporations; on monopoly pricing; and on union recognition and collective bargaining. It required wages indexed to productivity growth and retail price inflation and monetary credit policies oriented to securing demand.[9] Not all workers and branches of industry participated directly in mass production—racial and gender segregation relegated many to a secondary sector of work that was far less stable and well paid. But the wage bargains

struck in companies like Ford and General Motors spread through comparability claims. Integral to these social arrangements, which Antonio Gramsci christened "Fordism," was the consumption of standardized commodities in nuclear family households. The newly emerging Keynesian state played key roles in managing conflict between owners and workers, in providing social benefits to elderly and unemployed white male workers, and in providing collective goods and services.

Beginning in the 1970s, these arrangements became unstable. Many economists argue that this was due to rigidities in the system: the rigidity of fixed investments in large factories, the rigidity of labor contracts and lifelong bargains with workers, and the rigidity of the state's commitments to social programs. The crisis was also linked to the sharp recession and oil shocks of 1973, which caused instability in world financial markets and led to new patterns of global investment. Inflation, excess capacity, and intensifying global competition drove corporations to find ways to roll back their bargains with workers. Through the next three decades, the rise of neoliberal public policy and the erosion of Fordism went hand in hand.

Scholars have spent a great deal of time arguing about how to properly characterize the years since 1973. The approach that has gained most traction argues that we are now in an era of "flexible accumulation." Proponents of this view, which is associated most closely with the work of Michael Piore and Charles Sabel and their book *The Second Industrial Divide,* see large corporations being replaced by new lean firms that subcontract production and services. Piore and Sabel argue that whereas mass production used special-purpose machines and employed semiskilled workers to produce standardized goods, flexible firms use skilled workers to produce small batches of customized goods on a quick-response basis. They argue that these new economic arrangements foster worker participation in decentralized decision making and a culture of cooperation and trust among firms.[10] Other social scientists see the rise of new "flexible" arrangements more critically, noting that it essentially frees firms to reduce wages, increase hours, undercut unions, and demand concessions from workers, taking advantage of uneven development to pit workers in different places and different sectors against each other.[11]

How does Wal-Mart fit into this picture? Sam Walton started Wal-Mart in 1962. During the 1970s, the company expanded out of the South "like molasses spreading through tier after tier of rural and exurban counties." As Lichtenstein has noted, the firm emerged out of a rural southern context "that barely tolerated New Deal social regulation, the civil rights revolution or the feminist [movement]." It promulgated "an ideology of family, faith and small town sentimentality that coexists in strange harmony with a world of transnational commerce, stagnant living standards and a stressful work life."[12] As historian Nancy MacLean argues, these kinds of southern ideas, rooted in the social relations of slavery and white privilege, offered a new and appealing model to nascent neoliberals of the 1980s and 1990s, especially to corporations clamoring for ways to roll back the moral economy of

Fordism.[13] Lichtenstein claims that "Wal-Mart's Christian entrepreneurialism and faux egalitarianism translated Reagan-era conservative populism into tropes that worked to legitimate the firm's hierarchy," such as calling workers "associates."[14] Framing the corporation as a family and a bastion of homespun values masked its stingy wages, harsh work rules, and discriminatory practices. As Bethany Moreton emphasizes, Wal-Mart's cultivated traditionalism is a new creation. Its folksy formulations were not behind the curve in labor relations but ahead of it, shaping the emerging contours of a new regime of accumulation, a new set of patterned relations between production and consumption, and a new (though contested) consensus among workers, employers, and the state.[15]

What gave a retailer emerging out of Bentonville, Arkansas, the power to hijack a regime of accumulation? The model that Wal-Mart was constructing had a sound footing in an entrepreneurial strategy that gave it power and influence unprecedented for a firm in the retail sector. Three features were key. To start with, Wal-Mart was a first mover in adopting four new technologies associated with what has come to be called "lean retailing." These included the use of bar codes and scanning devices, computerized inventory management, automated distribution centers, and electronic data interchange along its supply chain. To quote analysts, the firm emerged as the "undisputed leader of supply chain rationalization" and the "major driver of technology-based productivity gains in the American economy."[16] Second, during the 1980s (ironically the high point of its "Buy American" advertising campaigns), Wal-Mart was establishing relationships with offshore manufacturers, particularly in Asia. By the mid-1980s, almost half of all the merchandise sold in its stores was imported, a figure now closer to 85 percent.[17] Third, by the mid-1980s, Wal-Mart's buying power had grown so large that it gained the upper hand in its relationships with suppliers, allowing the firm not only to dictate the price of an order but to insist that suppliers adopt bar coding, electronic data interchange, and other technologies. In Lichtenstein's words, "For the first time in the history of modern capitalism, the Wal-Mart template has made the retailer king and the manufacturer his vassal."[18]

THE DOUBLE LIFE OF LOW-WAGE WORKERS

In the film *Wal-Mart: The High Cost of Low Price*, a woman leaves Wal-Mart and cashes her paycheck in order to return to Wal-Mart to shop.[19] Liza Featherstone writes of the "solidarity across the check-out counter" that results from this double connection to discount shopping.[20] While Barbara Ehrenreich, in her brief stint working in a Minnesota Wal-Mart, confessed to hating customers she perceived as sloppy, demanding, and obese, the women Featherstone spoke to said things like "I always loved shopping there. . . . That's why I wanted to work there."[21] In the interviews I conducted in Milwaukee, women talked about being able to buy at Wal-Mart as a benefit of being employed there; they spoke of family members working at the store who brought home sale-priced diapers and clothing purchased with an employee discount. This link between workers and consumers is more important than it might seem at first glance; in fact, the secret of Wal-Mart's success lies in the dense, gendered connection between these two roles.

For the women I interviewed in Milwaukee, shopping at Wal-Mart was both pleasurable and a crucial part of their strategy for making a $628 welfare check or a $750 paycheck last their families for a month. For these women, meeting their children's needs was a constant struggle. As one woman explained: "Everything you face every day, the first thing you're faced with is 'I got to do this by myself.' I got to come up with food by myself. I got to come up with clothes by myself. . . . If they need anything, I got to come up with the money to get it. Everything is just a hardship, from school to the summer. They want summer clothes, so now you got to worry about summer clothes. You got to come up with this stuff." Another told us, "I'd like to do better for them. I wish I could be like, 'Hey guys, it's a Friday night. Here, mom will get you some new shoes, or some new clothes.' I can't do that, and I feel bad." Still another said, "It's either they're bustin' out of their coats or their pants don't fit and you're scrounging up change to get them a new pair of shoes, you know."

Several women saw Wal-Mart's low prices as helping them provide for their children within their budgets. One young single mother of three told me: "When times get bad, I don't mind shopping at Wal-Mart. Wal-Mart is $2.88 on the clearance rack for nice outfits like she's got on here." An older woman explained that because her teenaged son refused to wear Wal-Mart clothes she could get him only one outfit at the beginning of the school year, but because her daughter didn't mind shopping there she "could get her a little bit more." She said, "I told her brother if he didn't like it, he could change his name brand of clothes." A young woman spoke to the pleasure of shopping at Wal-Mart: "I'm a Wal-Mart girl," she said. "Even with my preferred customer card, I spend too much there." A mother of five, after describing the complex budgeting strategy that allowed her to make it through the month, said, "I shop at Wal-Mart because they have nice clothes for all of us." All of the women I talked to relied on Wal-Mart or other discount retailers to obtain diapers or baby formula, reduce their grocery bills, or keep their children in clothing and shoes.

Wal-Mart is aware that its low prices are indispensable to some consumers and appealing to many. Whenever critics point to unfair labor practices or the ways the firm strong-arms local communities over zoning issues, the company responds by pointing to its low prices. The firm's Web site claims to save working families "countless millions on the everyday items they need for daily life"—over $2,300 per household per year. It says that Wal-Mart lowers the grocery bills of families who shop there by 20 percent over competitors' prices. CEO Lee Scott suggests that these savings represent a "wage increase" for the working poor. But unlike money in a paycheck, which can be saved or used for any purpose, this raise can be realized only by shopping at Wal-Mart. The company is so focused on low prices as the hook that guarantees public loyalty that one activist has commented, "Every time we try to talk about quality of life, they bring up the price of underpants."[22]

Like all discount retailers, Wal-Mart can sell at such low prices because of its sales volume. Big box discounters turn product over two to three times faster than traditional department stores, and Wal-Mart is the fastest. Crucial to its formula is keeping labor costs to less than 15 percent of sales, or about half of what they are in most department stores.[23] The key to Wal-Mart's success in delivering on this model, and in continually "rolling back" prices, is its demand that store managers "beat yesterday" by increasing sales and decreasing labor costs in every department over the previous period. The company applies this same dictate to its supplier factories, demanding either higher quality or lower unit price in every product category for each new contract. Low prices are thus transformed into a relentless force driving down wages and increasing the stress of work both for U.S. retail employees and for factory workers here and abroad.[24]

Wal-Mart's low wages have been well documented. The average hourly starting wage for a sales associate in 2005 was $7.05. For a cashier it was $7.20. A full-time worker would thus bring home between $12,000 and $14,000 a year, far below the federal poverty line of $19,157 or a living wage as calculated anywhere in the country.[25] The media have also begun to pay significant attention to Wal-Mart's stingy benefits. Until recently, full-time employees had to wait six months before they were eligible for any coverage; part-time employees had to wait two years. The insurance provided excluded many important items, such as vaccinations and well-child visits, and had deductibles as high as $1,000. The company expected employees to pay one-third of their premium; this share could be as high as $400 a month, often 40 percent of a paycheck or higher. For this reason only 44 percent of Wal-Mart's employees choose coverage under this plan.[26] In response to public criticism, Wal-Mart upgraded its health plan in the fall of 2007, cutting the waiting period from two years to one and offering a wider array of plans. Now workers can pay as little as $250 a year for bare-bones plans with a $4,000 deductible, while better plans with lower deductibles can cost up to $7,000 a year. The company still insures fewer than half of its employees.[27] At the same time, Wal-Mart's workers' compensation policies were drawn into the public spotlight after the State of Washington's Department of Labor and Industries—in response to the company's repeated refusal to pay claims—seized control of its program, saying, "Wal-Mart has shown itself unwilling or unable to manage its workers compensation program as required by law."[28]

The media have seized on the health care issue because most of the employees who are not covered are eligible for state medical assistance. In Wisconsin, in 2004, the state spent $1.8 million to cover Wal-Mart workers and their children. The state of Tennessee spent $15.3 million and the state of California $32 million. As one woman in Milwaukee told me, the personnel officer at Wal-Mart explained to her "off the record" that with her salary she would still be eligible for state medical assistance and "that might be a better value." In 2005, several states passed "fair share" bills that would require Wal-Mart and other large employers to do better. The most visible campaign was in Maryland, where the legislature passed a measure that obliged all employers with more than ten thousand employees to spend at least 8 percent of their payroll on health benefits or to put the money directly into the state's health program for the poor. As Wal-Mart was the only firm large enough to be affected, the bill became known as the Wal-Mart Bill. Governor Robert Ehrlich vetoed the measure, but the legislature overturned his veto in January 2006. In July 2006, a federal judge struck down the law.[29]

The salaries of many Wal-Mart workers are also low enough that they remain eligible for food stamps, free lunches, and subsidized housing. Wal-Mart employees' participation in these programs cost the state of California $54 million in 2004.[30] As more and more public assistance goes to the working poor, these trends have unleashed public debate about taxpayer subsidies to corporations.

One of the young women we interviewed, who worked at Wal-Mart thirty-six hours a week, vividly illustrated the impact of the company's low wages on her family's standard of living. "I want my kids to have more than what they have," she said, "but financially, it's kind of hard. It makes me sad. I just wish they had more than what they have. Like their own rooms . . . stuff of their own. 'Cause we all sleep in my room and it's crowded. They have the TV there, and their toys."

In addition to low wages and poor benefits, Wal-Mart is facing increasing legal pressure for violating labor and antidiscrimination laws. The company's 2005 annual report listed more than forty pending wage and hour cases currently seeking class action status. These cases allege that the company forced employees to work off the clock or deprived them of breaks. The company has settled lawsuits with sixty-nine thousand workers who claimed that they had been forced to work unpaid hours.[31] One of the Wal-Mart workers I interviewed in Milwaukee started each day at 2:00 p.m. and was supposed to clock out at 10:00 p.m., when the store closed and when the last bus left to return to her neighborhood. Managers told her that she was expected to stay until 11:00 to help clean up the store. When she said that she couldn't because she would not have a way home, they cut her hours back to part time.

In July of 2000, Wal-Mart's own internal audit found tens of thousands of instances of employees working through breaks and meals and over a thousand cases of minors working too late, during school hours, or too many hours a day.[32] Since 1995, the less-than-aggressive Bush-era National Labor Relations Board has issued more than sixty complaints against Wal-Mart.[33] Two of the company's union-busting efforts were sufficiently brazen to make the national and international news: the firm's closure of a store in Quebec after a successful union certification drive and its "phaseout" of in-store meat preparation and packing after meat cutters organized at a store in Texas.[34] In addition, in *Dukes v. Wal-Mart,* the largest class action lawsuit ever mounted, over one million current and former employees charged Wal-Mart with systematic gender discrimination in pay and promotions.[35]

Finally, Wal-Mart has perfected a kind of workplace control that Rosen has called "management by intimidation." She argues that the imperative for managers to reduce costs over the previous year results in deliberate understaffing. Scheduling formulas are devised at Wal-Mart headquarters in Bentonville. Rosen quotes a manager as saying, "There is not a store out there that is allowed to run the kind of hours that are needed." For workers, this generates a constant sense of insufficient time. In addition, Wal-Mart's state-of-the-art information technology systems create stress as managers push employees to work to the speed of the new system.[36] Thomas Adams has described how the layout of Wal-Mart's stores facilitates continuous surveillance.[37] One example of how far the company will go is their practice of locking in workers overnight. In 2004, the national press carried stories of a worker in Corpus Christi, Texas, who was injured by equipment while working in the store at night and could not be reached by an ambulance because workers were locked in. Subsequent investigations revealed that this was a common practice across the country and that other workers had experienced problems getting health care during asthma attacks and had been unable to leave to respond to family crises.[38]

In 2003, all the major media in the United States carried the news that federal agents had raided Wal-Mart headquarters and sixty of their stores in twenty-one states, arresting more than three hundred illegal workers. While the workers were technically employed by firms subcontracted to clean its stores, federal agents alleged that Wal-Mart knew that the contractors were hiring illegal immigrants. A number of immigrants have since filed suit, claiming that Wal-Mart's contractors exploited their immigration status to avoid paying them overtime, filing their taxes, or making required workers' compensation contributions. Wal-Mart agreed to pay a fine and to take internal measures to ensure that illegal immigrant workers would not be hired in the future.

Women in Milwaukee had many stories about harsh management practices. One woman, who had a back injury, was fired for allowing a customer to lift a large bag of water softener salt onto the conveyor belt. Another, who had worked for Wal-Mart for several years and had been promoted to claims manager, said, "I ended up getting fired for taking my break fifteen minutes early because I had to use the restroom. And I was pregnant, mind you. They called it time theft because it wasn't my scheduled time to take my break." These labor practices contribute to Wal-Mart's 40 percent annual turnover in employment. But this extraordinarily high rate—close to that of McDonald's—does not worry Wal-Mart. Secret memos leaked from the company's headquarters in 2005 revealed that it actively sought to push out all employees making more than $10 an hour.

As disturbing as these labor conditions are, they are far better than the situation in the offshore factories Wal-Mart contracts to produce its beach balls and tank tops, lawn furniture and shoes. Because of their imperative to produce at the lowest price, Wal-Mart drives the global "race to the bottom" in wages. While CEO H. Lee Scott made over $17 million in 2004, and the average U.S. Wal-Mart employee made $9.68 per hour, workers in Bangladesh and China made $0.17 an hour, those in Nicaragua $0.23, and those in Indonesia $0.46.[39] Wal-Mart's size and reach result in the extension of its low-wage practices beyond its own contract factories. As STITCH notes: "Wal-Mart is a pricing leader, meaning that once they set an incredibly low price, all other retailers are then expected to offer the same price and must cut costs to do so. Therefore, the practices and policies of Wal-Mart set the retail standard and even more workers are ultimately affected."[40] Because of the scope of Wal-Mart's retail presence, these price pressures affect a wide range of sectors, from electronics, consumer goods, and clothing to agriculture.

The company claims that it bears no responsibility for what happens in these factories, since it is not the direct employer of the workers and since it asks the contract factories to follow a code of conduct. But conditions in factories that produce for Wal-Mart are notoriously harsh. Workers in Dhaka, Bangladesh, report working fifteen hours per day, seven days a week, without proper overtime pay. Women in Guatemala say they have been forced to take illegal pregnancy tests before and during employment. Workers producing for Wal-Mart in Shenzhan, China, have reported working eleven-hour days, with half of their wages deducted for dormitory rent. Women as young as fourteen labor up to fourteen hours a day in Honduran factories. Managers deny them sick leave and closely monitor bathroom breaks. Workers producing for Wal-Mart in Bangladesh make less than $50 a month, and Canadian journalists have documented child labor in Wal-Mart's contract factories there, after the company claimed to have fully implemented its code of conduct.[41]

In its offshore operations, as in the United States and Canada, Wal-Mart is among the most antiunion corporations in the world, and workers who try to unionize in any of its factories face reprisals. For this reason, as well as low wages, the company finds it congenial to operate in China, where state-sponsored unions are an instrument of labor control and other forms of organizing are actively repressed. In 2001, violence against women organizing union drives at Choi Sin and CIMA Textiles factories in Guatemala—where Wal-Mart had contracts—was widely documented. While Liz Claiborne, which also produced in these factories, spoke out against the repression by supervisors and antiunion workers, Wal-Mart did not.

Workers abroad also feel the impact of Wal-Mart's "beat yesterday" policy, which is known to its international suppliers as the "plus one" policy. A Wal-Mart vice president explained, "For each item a factory handles they must either lower the cost or raise the quality" on each order. As one worker suffering from a severe repetitive stress injury reported, "There is always an acceleration. The goals are always increasing but the pay stays the same." Her Korean boss said that Wal-Mart was paying $3 for a shirt—less than last year's price. He said, "I think we have reached the limit."[42] Factory managers in Indonesia tell employees that they cannot pay the legally mandated wage because Wal-Mart does not pay the managers enough per item to cover it.[43]

THE DOWNWARD SPIRAL

What do these interlinked experiences—those of Wal-Mart's customers, its retail associates, and the workers who assemble its merchandise—tell us about its corporate strategy and the effect of that strategy on the U.S. economy as a whole? Liza Featherstone quotes an official of the United Food and Commercial Workers union who explains that appealing to the poor "was Sam Walton's real genius. He figured out how to make money off of poverty. He located his first stores in poor rural areas and discovered a real market. The only problem with the business model is that it really needs to create more poverty to grow."[44]

How does Wal-Mart create more poverty? Not simply by paying its own workers poverty wages and denying them health care. An increasing body of evidence supports what workers have been saying for quite some time: that Wal-Mart's presence in a local labor market depresses wages. Studies in San Diego County, California, associated Wal-Mart's entry into the regional economy with an annual decline in wages and benefits of between $105 and $221 million.[45] A study of three thousand counties nationwide showed that those with more Wal-Mart stores had larger increases in the poverty rate than counties with fewer or no Wal-Marts. It concluded that "the presence of Wal-Mart unequivocally raised poverty rates in U.S. counties in the 1990s relative to places that had no such stores."[46] A third study found that Wal-Mart's incursion into the Southern California grocery market triggered a dynamic in which grocery stores negotiated with workers for reduced compensation in an attempt to relevel the playing field, lowering wages at area grocers by as much as $8 an hour.[47]

Wal-Mart's large shadow, both as a direct employer and as a competitor with low labor costs, creates an impact on the economy so pervasive that in 2005 the independent humor rag the *Onion,* famous for its fake headlines, could quip, "Okie Hears There's Sam's Club Work in New Mexico."[48] What followed was a short story about day laborer Carl Thornton, who was ready to drive his family from the Oklahoma Wal-Mart where they had worked the stockroom for generations to a Sam's Club in Las Cruces where they would unload pallets of toilet paper, baby food, and cans of peaches "so big, you got to use two hands to lift 'em." Not only does the coming of Wal-Mart drive clothing stores, groceries, and hardware outlets out of business, but, to remain competitive, the retailers that remain have to adopt labor practices that

look increasingly like Wal-Mart's; soon, Wal-Mart-style labor practices dominate the landscape for the working poor.

The reverse Fordism that Wal-Mart unleashes links the company's growth and profits to the expansion of a low-waged, near-poverty-level population. The firm expands that sector by pushing down wages in its stores and setting the labor cost parameters that its competitors must meet. Thus the virtuous cycle of Fordism is transformed into a vicious downward spiral: downward pressure on wages creates more people who need to shop at Wal-Mart, and the "beat yesterday" policy that allows the firm to continually roll back prices for these consumers unleashes new waves of cost cutting, wage reductions, and hours violations both here and abroad. This relationship between Wal-Mart's everyday low prices and the impoverishment of the workforce gives new meaning to what Herbert Gans once called "the uses of poverty."

Of course, every regime of accumulation generates its own contradictions. Wal-Mart is generating resistance, through watchdog groups that mobilize consumer pressure, through neighborhood associations that question the economic benefits it claims to bring and take issue with the subsidies it receives, and through muckraking journalists, lawsuits, and the emerging strategy of a Wal-Mart employees' association.[49] But there are contradictions within the economy as well.

Many scholars who theorize the end of Fordism argue that, in the 1970s, the U.S. economy reached a point when it needed to throw off the fetters of the Keynesian welfare state and the bargains with a unionized workforce in order to free capital to invest and be productive once again. But the assumption in these accounts was that unfettered capital would create new and better jobs—that cutting spending on social programs and rolling back labor regulation would open new opportunities for growth, not just in profits, but in productivity and well-being. In the scenarios laid out by neoliberal policy makers, a new market-driven economy would harness new technologies and generate new, skilled higher-paying jobs.

Whether we agree with that rosy prediction or not, it is clear that Wal-Mart has hijacked a large portion of the economic activity of this new phase, linking its own growth, not to skilled and lucrative jobs, but to a downward-spiraling relationship between production and consumption. Wal-Mart is not the whole of the economy and never will be. Given the tremendous bifurcation of wealth that is occurring in America, other retailers will make their fortunes purveying high-end goods to the very rich. But with $2.5 billion in sales and a ranking at the top of the Fortune 500, Wal-Mart runs a business model that profits from this growing class schism and contributes to it through its labor practices and retail strategy. This means that for the first time in U.S. history a substantial portion of the retail sector and its associated manufacturing has a material interest, not in increasing consumer incomes, but in perpetuating the poverty that makes shopping at Wal-Mart their best option.

After twenty-five years in which neoliberalism and market fundamentalism gained strength, the years from 2004 to 2006 revealed a growing public debate about where this had brought us. Outspoken voices were asking what it meant that two decades had passed without an increase in the minimum wage, that a significant portion of the U.S. population had no health care, and that corporations had acquired more rights than people. One could sense the emergence of what Karl Polanyi called "a double movement"—a public outcry for measures that would temper the treatment of labor as a simple commodity.[50] Debates over Wal-Mart—attempts to require the firm to provide better benefits, pay living wages, and behave as a better corporate citizen in the communities where it does business—were central to these debates as they played out at mid-decade. Because of the company's size and its role in driving new practices in the retail sector, solving the problem of Wal-Mart will have major implications for the outcome of these debates. It will challenge us to rethink the relationship, not just between firms and their workers, but among corporations, the state, and citizens who both consume and labor within their enterprise.

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6

Deindustrializing Chicago

A Daughter's Story

Christine J. Walley

When I was fourteen, my world was turned upside down. My mom entered my bedroom and shook my shoulder as I lay sleeping. She said quietly, "Don't worry, it'll be okay. They called the ore boat back, but it'll be all right." I was puzzled why we should be worrying about an "oar boat" but drowsily accepted her reassurances. Only later did I learn that the recall of the ore boat meant that the financial lenders to the Wisconsin Steel Works, where my father worked in a rolling mill, had foreclosed on the property, sending it into bankruptcy. It was a crucial moment of rupture, sharply dividing our lives into a time Before the Mill Went Down and After the Mill Went Down. Wisconsin Steel's collapse in 1980 was also a harbinger of things to come for the Calumet area,[1] once one of the largest steel-producing regions in the world, as well as for the United States as a whole. In the ensuing years, the steel mills in Southeast Chicago would close one by one. As stunned residents strove to assimilate what had happened, some noted bitterly that the situation was even worse than that of the 1930s Great Depression. At least after the Depression, they said, the mills had reopened and people had gone on with their lives. This time, the steel mills were gone for good. Their closing would tear through a social fabric that had sustained generations. Although the midwestern part of the United States may have been hit particularly hard by deindustrialization, what happened in Southeast Chicago is not unique. Over the last quarter-century, variations of such experiences have occurred—and continue to occur—throughout the country, creating a widespread sense of insecurity for countless Americans.

This account of Southeast Chicago and the trauma its residents went through is unabashedly personal. It is a story of my childhood, my family, and the area in which I was raised. Yet I am also writing as an anthropologist. Some might even describe