Wal-Mart Embraces Controversial Causes

Bid to Appease Liberal Interest Groups Will Likely Fail, Hurt Business

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Box store giant Wal-Mart is one of the world’s most profitable companies, generating $374 billion in revenue and $12.8 billion in profit in the fiscal year ending in January 2008. The ubiquitous corporation has 4,000 stores in the U.S., 2,980 in 13 nations, and employs 1.4 million workers domestically and 550,000 overseas. Outside of the federal government, Wal-Mart is the largest employer in the U.S.

Predictably, Wal-Mart’s incredible success has made it the target of a diverse group of liberal activists and organizations. Most notably, labor unions revile Wal-Mart as an egregious enemy of workers. Led by major unions such as the Service Employees International Union and the United Food and Commercial Workers International Union, organized labor has targeted Wal-Mart for an ambitious unionization campaign.
Unions argue that, among other things, the company pays employees unacceptably low wages and offers paltry health care benefits. Wal-Mart so far has resisted the fierce pressure to unionize.

Despite standing up to union bullying, the company does little to defend the free market principles that have made it so successful.

Cowering to activist pressure, Wal-Mart has over the last four years become a strident advocate of environmentalism, affirmative action, and homosexual rights in an attempt to quell some of the politically-charged criticism. The company mandates strict quotas for the hiring of minorities and women, and goes so far as to penalize senior executives who fail to meet those quotas. Similarly, it promotes the hiring of homosexuals, lesbians, bisexuals, and those of the transgender persuasion, and prides itself in marketing to the gay community. The retailer requires its business partners to employ a sufficiently diverse workforce of minorities and women. Companies that fail to meet the diversity standards risk losing their contracts.

Wal-Mart has even expressed a willingness to work with unions to establish a government-run system of universal health care. However, it is in the realm of environmental activism that Wal-Mart has most aggressively sought to curry favor with the Left. In October 2005, Wal-Mart CEO Lee Scott launched an ambitious environmental campaign in which the company vows to take steps to combat the unproven global warming threat, dramatically boost its sales of organically-produced products, help environmentalists buy up large amounts of land for conservation, and promote renewable energy.

Wal-Mart’s goal to become a “Green” company is ominous. Through its sheer size and global presence, the corporation will help publicize and legitimize the environmental movement’s scientifically spurious and anti-free market agenda. Every week, 127 million people shop at Wal-Mart. With a presence in every state, more than 80 percent of U.S. households have made at least one purchase at a Wal-Mart store. While many corporations have endorsed the environmental agenda, Wal-Mart stands out as a uniquely high-profile corporate spokesman for this controversial ideology.

Wal-Mart has formed close alliances with some of the nation’s leading environmental advocacy groups that provide advice on political policy and help the company implement its environmental business plan. The most prominent groups include Environmental Defense, Conservation International, and the World Wildlife Fund.

Perhaps most disturbing is that Wal-Mart is pressuring its vast army of 60,000 suppliers to adopt its environmental agenda. Wal-Mart has bluntly made clear that suppliers who fail to meet these standards will lose their lucrative contracts. As is all too often the case with environmental policies, large corporations with deep pockets will be able to make the adjustment. But many smaller businesses cannot bear the cost of adhering to onerous environmental mandates.

Wal-Mart’s cynical embrace of environmentalism and other liberal causes is not likely to buy it the political peace it desperately seeks. A number of environmental groups are understandably enthusiastic about co-opting the corporate giant to shill for their agenda. However, many environmentalists have deep reservations about an alliance. Some are cautious about Wal-Mart’s sincerity and are waiting to see how thoroughly the company commits to its environmental plan. Others see no way to reconcile genuine environmentalism with the Wal-Mart business strategy of building unsightly stores in sprawling suburbs that destroy wetlands, erode scenic open spaces and worsen traffic congestion. To these environmentalists, Wal-Mart is beyond redemption.

Despite its strong support for race quotas, many African-American leaders continue to denounce the company. Jesse Jackson, the quintessential practitioner of the corporate shakedown, regularly vilifies Wal-Mart for racial and sexual discrimination. And the labor unions still view Wal-Mart as their number one corporate enemy. They show no sign of abating their campaign to either unionize the Wal-Mart workforce or, failing that, to simply destroy the company.

Rise to Dominance of Retail Market Fuels Lawsuits and Bad Publicity

Wal-Mart was founded in 1962 by Arkansas businessman Sam Walton who viewed discount retailing as the wave of the future. Not coincidentally, 1962 was the same year that Kmart and Target began operations. Initially, Wal-Mart did not make as dramatic
an impact as Kmart. While Kmart expanded across the nation in the 1960s, Walton managed to build only 15 stores. But in the 1970s, Wal-Mart took off. In 1970, its stock was offered on the New York Stock Exchange for the first time and by 1980 had grown to 276 stores in 11 states with sales of $1 billion. The company became a genuine retail giant in the 1980s. Sales skyrocketed to $26 billion by 1989 and employment increased tenfold. In 1988, Wal-Mart opened its first Supercenter, the signature Wal-Mart store featuring a complete grocery department along with the 36 departments of general merchandise.4

Sam Walton passed away in 1992 but the company he founded continued to soar to the pinnacle of the retail market. By 2002, the Wal-Mart network of nearly 5,000 stores made more than $8 billion on revenues of $246 billion. Wal-Mart’s 2005 revenues of $312 billion are greater than the combined sales of its top competitors Target, Sears Roebuck, Costco, Home Depot and The Kroger Company.5

However, simultaneously with its stunning financial success, Wal-Mart became embroiled in controversies over its business practices that took a toll on its image and started to undermine its competitive edge. In 2001, six women filed a lawsuit against the retailer alleging that it systematically pays female employees less than their male counterparts for comparable jobs and bypasses them for promotions. In June 2004, a federal judge expanded the suit to include virtually all women who have worked at Wal-Mart since December 1998, totaling about 2 million current and former employees, making it the largest private civil rights case in U.S. history. The lawsuit is one of the company’s worst legal and public relations problems, especially because women make up 65 percent of its workforce.6 Wal-Mart contends that the suit ignores the thousands of women who earn more than men and fails to consider the factors that cause one job to pay more than another. Nevertheless, the company implemented a new job classification and pay structure to “ensure internal equity and external competitive fairness.”

In February 2007, the 9th U.S. Circuit Court of Appeals upheld the suit’s class action status. The case is pending in federal court in San Francisco.7

At about the same time, the company’s environmental image took a hit after it was fined $3.1 million for violations of the Clean Water Act. In addition, it had to pay out $11 million to the U.S. Justice Department for allowing subcontractors to use undocumented immigrant labor.8 By far, Wal-Mart’s most serious challenge is resisting organized labor’s attempt to unionize its workforce. In 2004, the AFL-CIO and several unions began planning an unprecedented campaign to force Wal-Mart to improve its wages and benefits. This campaign is unusual in a number of respects. Initially, the unions are not pressing to unionize the workers but rather are waging an expensive public relations battle to convince Americans that Wal-Mart’s low wages, which average less than $11 an hour, are pulling down the wages and benefits at companies across the country. Another unique feature is that several unions are involved in the effort. Most unionization campaigns involve just one union. Because Wal-Mart is so huge, labor leaders believe that many unions should work with the AFL-CIO. The unions include the Service Employees International Union (SEIU), the International Brotherhood of Teamsters, and the United Food and Commercial Workers International Union (UFCW). SEIU president Andrew Stern says, “The Wal-Marting of the economy is a threat to every union.” The unions said they planned to spend as much as $25 million a year, the most money labor has ever committed to a unionization campaign against one company.9

David Strasser, an investment analyst with Banc of America Securities LLC, estimated that by March 2007, about two years into the Wal-Mart campaign, unions had invested $10 million at the national level while contributions from local chapters probably pushed the total to more than $20 million.10

In April 2005, the SEIU and UFCW established Wal-Mart Watch and Wake Up Wal-Mart, respectively, to spearhead the public-relations offensive against the company. These groups play a major role in organizing anti-Wal-Mart agitation drives. For instance, at the suggestion of Wake Up Wal-Mart, members of the nation’s largest teachers’ unions staged a boycott of Wal-Mart for back-to-school supplies in the fall of 2005. Wal-Mart Watch established an automated telephone system that called 10,000 people in Arkansas seeking potential whistle-blowers to share secrets about the company.11

The public relations offensive against Wal-Mart gathered more momentum with the release in November 2005 of the film documentary, “Wal-Mart: The High Cost of Low Price.” Directed by activist filmmaker Robert Greenwald, the 95-minute documentary shows how Wal-Mart allegedly destroys small, family-run businesses. The film was shown for months at activist gather-
ings, churches, and community centers before it was released nationally at select theaters.12

**Deteriorating Public Image Begins to Hurt Sales**

Wal-Mart became increasingly concerned about the growing wave of criticism. One compelling reason was that its rate of growth started to noticeably slow. Wal-Mart’s sales gains had declined from nine percent in 1999 to three percent by 2005. This was doubly worrisome because its chief competitor Target posted gains of six percent in 2005 by offering prices almost as low as Wal-Mart’s while honing its appeal to its traditionally upscale shoppers.13 Wal-Mart’s stock accordingly began to suffer. During the 1990s, its stock rose 1,205 percent. Since 2000, the stock has fallen by 30 percent.14

In early 2004, H. Lee Scott, the CEO of Wal-Mart since 2000, undertook a review of Wal-Mart’s legal problems and deteriorating public image. In addition to lawsuits and the unions, activists were increasingly successful in blocking efforts to open new stores in cities such as Los Angeles, San Francisco, and Chicago. Scott came to the conclusion that the corporation’s traditional way of concentrating on business and ignoring criticism just no longer worked. Scott wondered, “If we had known ten years ago what we know now, what would we have done differently that might have kept us out of some of these issues or would have enhanced our reputation?”15

Wal-Mart commissioned the consulting firm McKinsey & Co. to do a study on Wal-Mart’s public perception problems. In August 2004, McKinsey reported its findings and its conclusions jolted senior management: Wal-Mart is seen as treating its employees poorly and has a negative impact in the communities where it operates. The report said, “Sincere concerns exist that Wal-Mart is not treating its employees well, is too aggressive and is hurting local companies.” The study added, “The challenge is likely only to intensify.”16 Company officials were especially worried by the report’s finding that two to eight percent of 1,800 shoppers polled had stopped shopping
at the retailer because of “negative press they have heard.”17

To address these problems, McKinsey recommended that the company implement a long-term, multifaceted strategy to restore public trust. In the first three to 12 months, the company should work to convince the public that its wages and benefits are better than perceived, show that it cares about its employees, boost local philanthropic giving, and research the impact of stores on communities.18

And finally, the report recommended that Wal-Mart should “take public leadership on a broader societal issue.”

Scott quickly decided that Wal-Mart’s cause would be environmentalism.

**Walton Family Connections to the Environmental Movement**

Wal-Mart had dabbled in environmental causes prior to its aggressive embrace of the issue in 2005. Beginning in 1995, Wal-Mart partnered with Worldwide, a leading brand of environmentally responsible product, to be its primary supplier of such goods. Worldwide specializes in manufacturing a wide variety of items from recycled materials. Its products include lawn & garden products made from recycled plastics, pet beds made with recycled plastic content fiberfill, and wood firelogs fashioned from reclaimed sawdust. In conjunction with Earth Day in April 2002, Wal-Mart boasted that it was helping Worldwide market two new pet products, the PoochPlanet pet bed and SmartyKat cat toys.19

However, the motivation to implement a comprehensive environmental business plan came from the most important figures in the Wal-Mart corporate hierarchy—the Walton family. Conservationism apparently has been a longtime personal priority for many Waltons. Robson “Rob” Walton, one of the children of Sam Walton, says he grew up with a love of the outdoors. His brother John, who died in a plane crash in 2005, was a conservationist. Rob Walton’s son Sam, who once worked as a Colorado River guide, sits on the board of Environmental Defense.20 One of the nation’s most influential environmental organizations, Environmental Defense specializes in co-opting the corporate community into supporting the movement’s agenda. It would play a pivotal role in Wal-Mart’s conversion to environmental advocacy.

In 2002, following a trip to Africa, Rob Walton says he began to think about how his family could help preserve wilderness areas through its foundation, the Walton Family Foundation, which has assets of about $1 billion. About that time, a mutual friend introduced Walton to Peter Seligmann, co-founder and CEO of Conservation International, a major environmental foundation dedicated to preserving biologically rich habitats. Conservation International is one of the wealthiest nonprofit foundations in the nation.21 In 2005, it reported revenue of $85.2 million, $112.7 million in expenses, and $169.3 million in assets. Seligmann would prove instrumental in recruiting the Walton family and Wal-Mart into the environmentalist camp.

Over the next two years, Seligmann, Rob and his two sons took a number of trips that featured hiking in Madagascar, a boat trip in a Brazilian wetland, and scuba diving in the Galapagos Islands. The Walton Family Foundation eventually made a $21 million grant to Conservation International for ocean-protection programs and Walton joined the organization’s board. The Conservation International board includes major corporate figures who are strong advocates of the environmental agenda such as Starbucks CEO Orin Smith and Intel chairman Gordon Moore.22

Not surprisingly, Seligmann had more ambitious plans for Walton. During a trip to a Costa Rican national park in February 2004, Seligmann directly told Walton: “We need to change the way the industry works. And you can have an influence.” Walton no longer had an operational role at Wal-Mart but he still had considerable influence. The Walton family has a 40 percent stake in the company worth $80 billion. An intrigued Walton liked Seligmann’s idea and introduced him to Lee Scott.23

The meeting couldn’t have been timed more perfectly as it occurred when Scott was anxiously trying to devise a strategy to reverse Wal-Mart’s sagging public image amid the discrimination lawsuits, environmental fines, and union criticism.

Scott, Walton, Seligmann, Glen Prickett of Conservation International, and Seligmann friend Jib Ellison, who ran a management consulting firm, held an important meeting in June 2004. Discussing ways to boost Wal-Mart’s environmental image, Seligmann and Prickett related how they helped Starbucks develop coffee-buying methods to protect tropical areas and assisted McDonald’s in promoting sustainable agriculture and fishing. Seligmann and Prickett said that by adopting a similarly ambitious environmental plan Wal-Mart could improve its image and even save money while doing so.

Scott hired Conservation International and Ellison’s management firm, BluSkye Sustainability Consultants, to
explore what an environmentally sustainable business strategy might mean for Wal-Mart. For nearly one year, BluSkye, Conservation International and Wal-Mart conducted a broad review of the company’s ecological impact. This assessment included not just Wal-Mart’s operations but its vast supply chain as well.24

Ellison and his partner David Sherman, co-founder of Sustainable Value Partners, convened a two-day meeting for Scott and 25 senior Wal-Mart executives to explore the many different types of sustainability strategies the corporation could adopt. The executives were informed about the alleged deterioration of the planet, why this should matter to Wal-Mart and how the company could affect the planet. The executives were asked, “Given everything else on your platters, are these issues that you should attend to at this time?” The answer was supposedly a unanimous “yes.” Sherman and Ellison assured them that an environmentally friendly business strategy would yield cost savings and give the company a competitive advantage.25

Wal-Mart established 15 “Sustainable Value Networks” to study such issues as energy efficiency, truck fleet efficiency, supplier engagement, waste and operations, packaging, and food and fiber. Consulting with outside experts and environmental nonprofits, including staff from the Natural Resources Defense Council and the radical Greenpeace group, these teams identified “quick wins” that would deliver cost savings and environmental efficiency. For instance, by eliminating excessive packaging for Wal-Mart’s private-label line of toys, On Kid Connection, Wal-Mart could sup-
posedly save $2.4 million a year in shipping costs, 3,800 trees, and one million barrels of oil.26 These stories were filmed and distributed at half-day meetings of an expanding group of executives. By October 2005, when Scott formally unveiled Wal-Mart’s “Green” business plan, more than 100 executives were involved in the sustainability effort. One executive journeyed to Turkey to visit organic and conventional cotton farms where she reported witnessing sharecroppers’ children playing in the pesticide covered fields. Lee Scott spent an evening on a mountain with Fred Krupp, president of Environmental Defense, who allegedly enlightened him on the global warming threat.27

Wal-Mart Hires Public Relations Firm

By early 2005, as Wal-Mart slowly crafted an environmental plan, the company initiated a search for a public relations firm that would market its new image. Executives were determined to stop playing defense and go on the counterattack. While founder Sam Walton dismissed public relations as a waste of time and money, Scott believed that the sophisticated union campaign, lawsuits, and criticism of its alleged corporate bullying rendered that view obsolete. The company quietly mailed a letter to the nation’s largest public relations firms seeking their assistance.28

The contract went to the Edelman company in August 2005. The world’s largest, independent public relations firm, Edelman is highly sought after by some of the nation’s leading corporations. Its clients include General Electric, Shell, Burger King, Ralph Lauren, and Fannie Mae. One of Edelman’s major selling points is its ability to develop pro-environment marketing strategies for corporations. In 2005, for instance, General Electric turned to Edelman to communicate a major new operational strategy emphasizing environmentally friendly initiatives. Wal-Mart would not disclose how much it was paying Edelman. However, the widely-reported estimate is $10 million per year.29

Leslie Dach, who served as the Vice Chairman of Edelman in 2005, is one of the key leaders of the Wal-Mart counteroffensive. Dach, a veteran Democratic political operative, served as a media consultant to President Bill Clinton and advised him during his impeachment battle. Prior to that, Dach was press secretary to former Massachusetts governor and 1988 Democratic presidential candidate Michael Dukakis.30 Not surprisingly, Dach has close ties to the environmental movement. He has worked for Environmental Defense and, at the time he joined Wal-Mart, was serving on the National Audubon Society’s board of directors.

Dach immediately set up a rapid-response team consisting of six people each in Bentonville, Arkansas, Wal-Mart’s headquarters, and Washington, DC. Edelman would eventually assign 35 people to work on the Wal-Mart campaign. As is often the case with public relations firms, the staff includes political operatives from both the Democratic and Republican parties. For example, the Bentonville team includes Jonathan Akashek, director of national delegate strategy for John Kerry and David White who helped manage the 1998 re-election of Republican Congresswoman Nancy Johnson. Perhaps the most prominent Republican working on Edelman’s Wal-Mart campaign was Michael Deaver, former communications advisor to President Ronald Reagan.31 Deaver passed away in 2007.

Industry observers generally applauded Wal-Mart’s public relations offensive. John Waterman, chief investment officer at Rittenhouse Asset Management, which owns about 4.7 million Wal-Mart shares, said, “The negative PR has not helped them. I think they realize they have to play offense a little bit.”32

One of Edelman’s first projects was helping to handle work related to Wal-Mart’s response to Hurricane Katrina which hit the Gulf Coast in August 2005. The company rushed 45 truckloads of supplies to stricken areas immediately following the disaster, drawing praise from local officials frustrated by the delayed response of local and federal authorities. CEO Scott personally spearheaded the relief operation, appearing alongside former Presidents Bush and Clinton as they announced their national relief effort.

Public relations observers praised the Wal-Mart effort. “Through this tragedy, they gained a lot,” said New York public relations expert Howard Rubenstein. “Their PR followed a superb, substantive series of actions, so there could be absolutely no criticism.” Scott, who insisted the Katrina response wasn’t done for public relations purposes, said its positive coverage had been “extraordinarily helpful in helping to at least turn the tide a little bit on the press we have had.”33

In August 2006, Wal-Mart went even further to strengthen its public relations apparatus and hired Dach away from Edelman to serve as a vice president for the corporation, overseeing media and government relations. In addition to an undisclosed base salary, Dach was given
$3 million in stock and 168,000 stock options.\textsuperscript{34}

Liberal critics view the hiring of Edelman and Dach as an example of how Wal-Mart is just trying to use PR spin to cover up its corporate record. “It’s outrageous and disgusting that Wal-Mart finds millions of dollars to pay its executives like Dach but seemingly doesn’t have the money to provide affordable healthcare and good wages to its workers,” said Chris Kofinis, a spokesman for Wake Up Wal-Mart.\textsuperscript{35}

Indeed, the hostile reaction of Dach’s fellow environmentalists to his hiring should have given Wal-Mart executives significant pause about their ability to placate liberal critics. Carl Pope, executive director of the Sierra Club and a board member of Wal-Mart Watch, worked with Dach at the National Audubon Society. Despite praise for Dach’s work in the environmental movement, Pope strongly disapproves of his decision to join Wal-Mart. “You can’t be a good progressive and support Wal-Mart because Wal-Mart is saving money on energy—that’s all they’ve done so far,” said Pope. On the turncoat Dach, Pope said, “One of the remarkable things about the environmental movement is how rarely people from our side end up on the other side, and Leslie is on the other side.” Andrew Stern, who is working with Lee Scott in a health care reform coalition, was harsh in his denunciation of Dach. Stern says Scott pushes unfair labor policies but he is not a hypocrite about it. Dach, on the other hand, is ostensibly a progressive who abandoned his principles by joining Wal-Mart. “I would respect him if he said, ‘Listen, I’m just trying to get Rich,’” said Stern in an interview with \textit{The New Yorker}. “If that was your goal, you did really well. If your goal is to say you’re a progressive, then you’re full of it.”\textsuperscript{36}

\textbf{Wal-Mart Implements Sweeping Environmental Agenda}

On October 24, 2005, Scott formally announced Wal-Mart’s environmental agenda in a speech at the company’s Bentonville headquarters. He declared that the planet was confronted with increasingly stark ecological challenges which “threaten our health and the health of the natural systems we depend on.” These challenges include:

- Global warming, created by man-made greenhouse gases, that is causing climate change and “weather-related disasters.”
- Increasing air pollution that is leading to more asthma and other respiratory diseases.
- Destruction of critical habitat that is threatening the diversity of life, the natural world and us.
Water pollution that is threatening fresh water supplies and causing millions of deaths from water-borne diseases.

To combat these threats, Scott committed Wal-Mart to achieving three major long-term goals that would lessen the company’s negative impact on the environment:

- Generate zero waste
- Sell only sustainable products
- Use 100 percent renewable energy

However, these goals are simply fantastic or, at least, not economically viable. Even Scott admits that to be the case. Asked by Grist Magazine reporter Amanda Griscom Little if the company had a time frame for operating all stores from 100 percent renewable energy, Scott admitted that, “The technology does not exist today to allow Wal-Mart or any company to achieve such goals in total.” He said he just wanted “people to understand that this is the direction this company is going.”

Activists point to the lack of a firm timetable as evidence that Wal-Mart is not serious about “going Green.” Speaking at a Wall Street Journal conference on business and the environment on March 13, 2008, Scott said that the company had to balance its environmental objectives with the need to grow. Asked when Wal-Mart plans to realize its sustainability objectives, Scott replied, “I haven’t a clue.”

Dr. Jonathan Rees, Associate Professor of History at Colorado State University and a former AFL-CIO official, says, “I think Lee Scott just negatively impacted Wal-Mart’s reputation. Since it's on the internet, does that mean he'll be fired now?” In a statement on its web site, Wal-Mart Watch commented, “The company has failed to provide tangible benchmarks up until now and Scott’s statements today imply the company has no intention of providing quantifiable results in the years to come.”

In an oft-repeated criticism by environmentalists, Wal-Mart Watch notes the incompatibility between Wal-Mart’s goal to produce zero waste and operate entirely on renewable energy while planning to open 150–200 stores a year over the next three years.

Global Warming

The most ambitious of Wal-Mart’s environmental initiatives is its goal to combat the scientifically unproven global warming threat by dramatically reducing the company’s greenhouse gas emissions.

Wal-Mart will invest $500 million annually in technologies to reduce greenhouse gas emissions at its stores and facilities by 20 percent over the next seven years. Part of this objective is to be achieved by cutting energy use 30 percent at its stores through the installation of more efficient lighting, retrofitting refrigerators and the adoption of other energy-saving devices.

Wal-Mart has also constructed two prototype stores that run strictly on renewable energy.

The company plans to increase the efficiency of its fleet of 7,100 trucks by 25 percent over the next three years, and double its fuel mileage from 6.5 to 13 miles per gallon over the next 10 years. To this end, the company has outfitted its trucks with alternative power units that use 90 percent less fuel than its engines do while idling. It has also ordered 100 hybrid vehicles to complement the current fleet of 100.

Supports Costly Carbon Regulations That Will Hurt Consumers

Wal-Mart has joined the ranks of those corporations that support onerous federal regulation of carbon dioxide emissions. Wal-Mart’s support for carbon regulation is a major coup for the environmental movement. Environmentalists have been unable to persuade the U.S. Senate to ratify the Kyoto Treaty, the agreement negotiated by the Clinton Administration in 1997 that would force the U.S. to make economically-damaging cuts in its carbon emissions. The fallback strategy is to implement the long-term goals of Kyoto in smaller increments.

The most popular tactic is to lobby Congress to enact legislation that would start capping carbon emissions through a regulatory framework called “cap-and-trade.” Under a “cap-and-trade” scheme, the government would cap carbon emissions at a designated level. Companies would then be allowed to buy and sell emission permits. Companies that exceed their emissions targets would have to buy permits from those companies that emit less than the targets. Although touted as a cost-effective way to regulate carbon emissions, a cap-and-trade regulatory system would impose significant costs on businesses and consumers. However, Wal-Mart endorses cap-and-trade regulation.

At a hearing of the U.S. Senate Committee on Energy and Natural Resources on April 4, 2006, Andy Ruben, Wal-Mart Vice President of Corporate Strategy and Sustainability, said that “because we believe that greenhouse gases can be cost-effectively reduced throughout the economy, that Wal-Mart would accept a mandatory cap-and-trade system to control greenhouse gas emissions.”

The Congressional Budget Office (CBO) released a study in April 2007, which concluded that, contrary to Ruben’s claim, cap-and-trade regulations would impose serious financial
burdens on consumers—especially the low-income. According to the study, “Trade-Offs in Allocating Allowances for CO2 emissions:”

Regardless of how the allowances were distributed, most of the cost of meeting a cap on CO2 emissions would be borne by consumers, who would face persistently higher prices for products such as electricity and gasoline. Those price increases would be regressive in that poorer households would bear a larger burden relative to their income than wealthier households would.

CBO calculates that a 15 percent cut in CO2 emissions would cost the average household in the lowest one-fifth of income distribution (less than $23,000) about 3.3 percent of average income. The average income of a Wal-Mart customer is between $35,000 and $40,000, which represents the middle quintile of income distribution. CBO estimates that a 15 percent cut in CO2 emissions would reduce their income by $960.

Wal-Mart rightly points out that its innovative business model provides a typical family $2500 a year in savings. However, cap-and-trade regulations will cut that savings by nearly 40 percent. Such a reduction in the buying power of its core customers would seriously impact Wal-Mart earnings.\(^{45}\)

Wal-Mart’s support for carbon regulation is especially inexplicable because company officials are well aware of how rising energy prices hurt consumers. In August 2007, Wal-Mart admitted that “our customers are really feeling the pinch now with higher food prices and rising energy costs” and, in response, was cutting prices on back-to-school needs and other items.\(^{46}\)

The endorsement of the regulatory need to combat human-induced global warming by Wal-Mart, a company frequently praised by free-market advocates, has complicated the efforts
of climate change skeptics to counter the shrill warnings of environmentalists. In March 2008, several hundred scientists and policy experts met in New York City to discuss the considerable scientific evidence that humans were not dangerously warming the planet. Respected climate scientists Fred Singer stated, “Our findings, if sustained, point to natural causes and a moderate warming trend with beneficial effects for humanity and wildlife.” In a hallway outside the meeting, Kert Davis of Greenpeace told reporters, “This is the largest convergence of the lost tribe of skeptics ever seen on the face of the Earth…How does this message of theirs stack up against that of Governor Schwarzenegger, John McCain, G.E., Wal-Mart, and everyone else who’s getting on board pushing for change?”

Wal-Mart also endorses other costly proposals related to the need to combat climate change. On March 4, 2008, Wal-Mart was one of more than 100 businesses and advocacy groups that called on the U.S. Senate to pass legislation to extend renewable energy taxes that are scheduled to expire this year. These so-called tax credits and direct federal subsidies have cost the taxpayer $14 billion over 30 years. The result of all this federal largesse is that non-fossil fuel energy sources such as wind and solar power account for a miniscule three percent of electricity production. Wal-Mart was joined by major environmental organizations including the Sierra Club and the Natural Resources Defense Council.

**Suppliers Forced to Adopt Wal-Mart’s Environmental Mandates**

Suppliers are going to have to reduce their emissions as well if they want to keep doing business with the retailer. Wal-Mart instituted an 18-month program “that would show preference to suppliers who set their own goals and aggressively reduce their own emissions.”

Indeed, a key component in all of Wal-Mart’s environmental initiatives is to pressure suppliers to adhere to its environmental standards. “We have made it clear that all things being equal, we’ll give business to operators who show they’re fully engaged” in fuel efficiency efforts, said Tim Yatsko, Wal-Mart senior vice president of transportation. Scott says, “Our most direct impact will be on our suppliers. If we request that our suppliers use packaging that has less waste or materials that can be recycled, everybody who buys from that manufacturer will end up using that package.”

A lot of companies doing business with Wal-Mart will have little or no leverage to resist its demands. Frank Dixon, a consultant advising Wal-Mart on sustainability issues, approvingly notes that many companies “are largely or completely dependent on the company for their continued access. As a result, Wal-Mart has unprecedented power to drive change in many industry sectors.”

Christopher Juniper, owner of Natural Capitalism Solutions, a company that specializes in helping businesses reach sustainable goals, says if Wal-Mart stays this “aggressive, then they will affect the supply chain throughout the world—everyone will listen, because they are such a huge customer.”

In September 2007, Wal-Mart announced it is partnering with the London-based Carbon Disclosure Project, a coalition of 315 institutional investors that purportedly controls $41 trillion in assets, to pressure suppliers to reduce their greenhouse gas emissions. Wal-Mart is asking suppliers to measure their carbon footprint, initially by focusing on seven categories of products: DVDs, toothpaste, soap, milk, beer, vacuum cleaners, and soda. John Fleming, Wal-Mart’s chief merchandising officer, said that even huge suppliers like Coca-Cola have agreed to participate in the project—and reduce emissions. Although ostensibly voluntary, the carbon disclosure project is laying the foundation for coercive mandates. Carbon Disclosure Project Coordinator Paul Dickinson called Wal-Mart’s supplier policy “a very significant milestone in corporate action to mitigate climate change.” Dickinson said that a carbon reporting system for suppliers will ultimately lead to cuts in emissions because “what gets measured gets managed.”

And Wal-Mart didn’t waste any time in ratcheting up the pressure on companies to “manage” their emissions. Less than a month after announcing the “voluntary” carbon disclosure policy, Lee Scott announced that the company would implement a supplier index in 2008 that will rate suppliers’ environmental practices. Scott said the supplier index would give credit to vendors who helped the retailer reduce its “carbon footprint.” Wal-Mart’s Andy Ruben claimed that the company would not use the supplier scorecard to choose suppliers, but that is precisely the purpose. Scott said that while Wal-Mart will continue to carry products that aren’t good for the environment, the products will not get prominently displayed. That is a risk few companies will want to run.

These onerous mandates, besides hurting small business, contradict Wal-Mart’s sound business philosophy of cutting costs to achieve “everyday
low prices.” Wal-Mart needs to concentrate on devising new strategies to improve its competitiveness and profitability. It is not going to achieve that by saddling suppliers with stringent environment scorecards.

For instance, in 2008 Wal-Mart plans to introduce an environmental scorecard for electronics companies. This scorecard would rate televisions, computers and other electronics on their energy usage and hazardous waste content. Yet Wal-Mart is struggling to compete with companies like Best Buy which offer better installation and other services for its products. In 2006, Best Buy sales rose 16 percent while analysts estimate electronic sales rose only 7.6 percent. Rather than wasting time evaluating the “Greenness” of its electronics suppliers, Wal-Mart should be concentrating on how to match Best Buy’s superior customer service.

The electronics scorecard is also dubious because it imposes reporting mandates that manufacturers simply can not meet. One of Wal-Mart’s objectives is to reduce the environmental impact of electronic waste by recycling or disposing of it more safely. Wal-Mart says products will be evaluated “on their ability to use innovative materials that reduce the amount of hazardous substances, such as lead and cadmium, contained in the product.” However, this is far easier said than done. In an article in the Stanford Social Innovation Review, authors Erica Plambeck and Lyn Denend write that the “sheer complexity of electronic products and the electronics supply chain makes certifying that they are free of hazardous materials costly and difficult.” Most consumer electronic goods are made up of sophisticated components that are assembled through complicated, multi-level supply chains. One set of suppliers acquires the raw materials, another assembles those materials into components, yet another assembles these components into more complex parts, and so on. These suppliers have technical expertise and proprietary information that Wal-Mart cannot access.

Another problem is that recycling electronic waste depends upon consumers. Due to the scarce number of recycling facilities, consumers often face lengthy trips to find the nearest facility. Understandably, few bother to make the effort. According to the Environmental Protection Agency, in 2005 the U.S. generated 2.3 million tons of electronic waste. Only 12.5 percent was recycled, the rest going to landfills and incinerators. Since Wal-Mart will not assume the burden of accepting and recycling electronic products, the responsibility would fall to local governments, private agencies and individual consumers. This ensures that Wal-Mart’s bold recycling goals will not be met.

Despite misgivings about Wal-Mart’s motivations and sustainability goals, environmentalists are excited by the prospect of Wal-Mart pressuring its supply chain. This is not surprising since Wal-Mart’s coercion of suppliers can be just as effective as coercive government regulation in advancing their goals. Peter Seligmann says that by working with environmentally friendly companies, Wal-Mart will force other companies to adopt similar policies and products. “Encouraging suppliers to change behavior in the supply chain is extraordinarily powerful,” says Seligmann. Amory Lovins of the Rocky Mountain Institute notes that the plan to force trucks to double fuel mileage is sure “to get truck suppliers’ undivided attention” because Wal-Mart is “a big enough buyer.” Lovins believes that if Wal-Mart introduces “green practices throughout their supply chain, it could have a huge impact.” Gwen Ruta, director of corporate partnerships at Environmental Defense, says, “I’d like to see them flex their purchasing muscle. If you can make a change in Wal-Mart, even if it’s a small change, it’s really a big change, especially if it affects the supply chain.”

It’s the height of hypocrisy that environmental activists are now praising Wal-Mart for “flexing its muscle” to bully smaller businesses. After all, the most common liberal criticism of Wal-Mart is that it destroys small, family-owned businesses in an amoral pursuit of corporate profits. Greenwald’s 2005 documentary, “Wal-Mart: The High Cost of Low Price,” focused on the corporate behemoth’s campaign to crush independent businesses and use its monopoly-like influence to underpay workers, deprive them of quality health care, and discriminate against women and minorities. But now that Wal-Mart is using its huge resources to pressure small business into doing the bidding of a cherished left-wing cause, many environmentalists shower it with praise.

**Organic Products**

A key Wal-Mart sustainability objective is to market more organic foods or organically-produced goods. Organic shoppers believe organic food is healthier and better for the environment because it must be grown without pesticides, chemical fertilizers, and antibiotics. Wal-Mart hopes that by offering organic prod-
pects, it will improve its appeal to urban, upscale consumers that tend to buy organic goods. CEO Scott has also said that it is imperative for the company to attract a larger number of affluent consumers, who typically shop at Target, if it is to retain its competitive edge.

But Wal-Mart’s organic marketing strategy is failing on two counts: 1) there is not that much money to be made in the organic food market; and 2) organic activists emphatically reject the retailer as a threat to the organic industry.

At first sight, Wal-Mart’s decision to go organic appears to make good business sense. The organic food industry has been growing 15 percent a year for the last 10 years. Currently valued at $14 billion, it is projected to increase to $23 billion over the next three years.67

However, organic food still constitutes just 2.4 percent of the food industry. While organic food may increase its market share, there are a number of factors limiting its potential to make truly significant inroads into traditional foods.68

Many consumers often say they prefer organic and other environmentally friendly goods, but in practice buy traditional goods. In a speech to the annual Green Chemistry and Engineering Conference in 2004, J. Michael Fitzpatrick, an environmental technology expert, noted that most Americans are “talking environmentalists” who often refuse to buy products that are officially listed as environmentally friendly. “In fact,” says Fitzpatrick, “40 percent of U.S. consumers are fearful that green products don’t perform as well as traditional ones.”69 According to the NPD research group, less than 20 percent of adults eat organic food at least once a week.70 It also doesn’t help matters that organic food is typically 20 to 30 percent more expensive than conventional food.71

Nevertheless, Wal-Mart is rapidly expanding its organic choices. It doubled its organic grocery offerings and plans to sell the organic line for just 10 percent more than the conventional equivalents to attract consumers. Some food industry experts predicted that Wal-Mart could become the largest seller of organic products, bypassing Whole Foods. Already, Wal-Mart is the largest seller of organic milk.72

As usual, Wal-Mart is forcing companies to offer more organic alternatives. DeDe Priest, senior vice president for dry groceries at Wal-Mart, said, “Once we let the companies know we were serious about this and that they needed to take it seriously (emphasis added), they moved pretty fast.”73

In a testimony to Wal-Mart’s influence on large as well as small business, major food producers such as Kellogg and Kraft are quickly developing organic versions of their best-selling products. In 2006, Kellogg introduced organic Raisin Bran. General Mills and PepsiCo planned to introduce organic versions of their well-known brands.74

In addition, Wal-Mart has introduced clothes and linens made from organically-grown cotton because a large percentage of the five billion pounds of pesticides applied worldwide each year are used on cotton. Scott “encouraged” Wal-Mart buyers to visit organic cotton farms and learn about the risks posed by conventional farming that rely more on pesticides.75

Organic Activists Reject Wal-Mart

However, Wal-Mart’s organic strategy is drawing serious criticism from leading organic advocates, illustrating that Wal-Mart’s “Green” strategy is not going to win it the broad-based environmental support it covets. Organic activists believe that for large companies to mass market organic products, they must rely upon factory farms, increased imports and other mass marketing strategies that undermine the organic ethos of small, traditional farming.

Ronnie Cummins is the national director of the Organic Consumers Association, an 800,000-member group that advocates for strict standards and small organic farms. Cummins dismisses Wal-Mart’s organic outreach as an unprincipled ploy that will only drive down prices and hurt organic farmers. “This model of one size fits all and ‘lowest prices possible’ doesn’t work in organic,” said Cummins. “Their business model is going to wreck organic the way it’s wrecking retail stores, driving out competitors.”76

In a May 2006 New York Times article, Cummins predicted that Wal-Mart will end up outsourcing from nations like China with “dubious organic standards” and oppressive labor conditions that are “contrary to what any organic consumer would consider equitable.”

Indeed, it was soon discovered that Wal-Mart is going to China for some of its organic foods, fueling growing anger by organic groups at the retailer. In September 2006, the Cornucopia Institute, a major organic farming watchdog, released a report denounced by Wal-Mart for “cheapening the value of the organic label by sourcing products from giant factory farms and Third World countries, such as China.” The Cornucopia Institute says Wal-Mart’s organic strategy, reliant on corporate agribusiness, will drive down the price of organic food and destroy the true organic farmers. Mark Kastel of the Farm Policy Research Group says, “Organic family

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Farmers in this country could see their livelihoods disintegrate the same way so many industrial workers saw their family-supporting wages evaporate as Wal-Mart and other big-box retailers put the screws to manufacturers—forcing a production shift to China and other low-wage countries.77

Wal-Mart Sued for Allegedly Defrauding Organic Consumers
Wal-Mart is finding it hard to even boast about some of its supposed organic achievements such as being the largest seller of organic milk. Wal-Mart partners with the milk processor Dean Foods (Horizon Organic) and Aurora Organic Dairy to market its organic milk. But organic spokesmen charge Wal-Mart is falsely advertising its milk as organic because large amounts of Horizon and Aurora milk come from factory farms in which thousands of cows are milked in confinement conditions. In 2007, the Organics Consumer Association called on consumers to boycott Wal-Mart. “It is now obvious that organic consumers and anyone who cares about health, justice, and sustainability should stop ‘bargain shopping’ for organic products at Wal-Mart and its Big Box competitors,” said Cummins.78

In November 2006, the Cornucopia Institute filed a complaint with the U.S. Department of Agriculture charging that Wal-Mart was incorrectly labeling several products as organic. Although the department did not act on the request, the Cornucopia Institute maintains that Wal-Mart continues to mislead consumers by advertising non-organic products as organic.79 In August 2007, the U.S. Department of Agriculture threatened to revoke the organic status of Aurora Organic, charging the company with using conventional farming methods in its dairy operations.80 Two months later, two federal class action lawsuits were filed against Aurora Organic accusing it of defrauding consumers by selling products that did not meet federal organic standards.81

In December 2007, a series of similar class action lawsuits were filed against Wal-Mart, Target, and other retailers for selling Aurora Organic’s allegedly non-organic milk. The lawsuits are seeking a refund for those consumers who purchased the milk and punitive damages. Kastel said the Cornucopia Institute, which is not involved in the lawsuits, repeatedly warned Wal-Mart that Aurora’s products were not organic. “The USDA is ultimately responsible…but it does not absolve the retailers from doing due diligence to make sure what they’re representing is accurate, especially when they’re putting their own name on the label,” said Kastel.82

Wal-Mart Business Model Incompatible With Organic Industry
The ire of organic activists is not the only problem plaguing Wal-Mart’s efforts to mass market organic food. Wal-Mart’s low-price business model is just not compatible with the dynamics of the organic food industry. Peter Ricker is a Maine organic apple grower who received an order from Wal-Mart in the fall of 2006 that was the biggest order he had ever seen. Ricker thought this was the beginning of a long-term, profitable relationship with the company. However, Wal-Mart never placed another order. Ricker’s experience is not isolated. Organic farmers across the nation report that after an initial burst of activity, Wal-Mart is significantly curtailing new orders. Wade Groetsch, president of the Florida-based Blue Lake Citrus Products, says he stopped shipping his organic orange-tangerine blend after a few months. “The sales there just weren’t enough to justify our costs of packing and shipping,” says Groetsch.83

The problem is that Wal-Mart’s customers are price-conscious and not willing to pay extra for organic while organic-minded consumers are less price-sensitive. “The Whole Foods customer is walking in there to buy organic and is more concerned about how the fruit was farmed,” says Ricker, “but the Wal-Mart customer is used to shopping with a calculator.”84

Another complication is that Wal-Mart’s tough reputation for pressuring suppliers to drive down costs and frequently changing suppliers to get the best price alienates organic farmers. For example, Organic Valley Family of Farms of Wisconsin, one of the nation’s largest cooperatives of organic farmers, chose not to compete for Wal-Mart’s business with rival Horizon Organic Dairy when it began selling to the retailer for 15 percent below Organic Valley’s price. “Looking for ever-lower costs comes at a real cost to sustainability,” says George Siemon, Organic Valley’s chief executive. “To have consistent supply, you have to change the paradigm of thinking and think about long-term partnerships.”85 Jim Riddle, organic research coordinator and guest lecturer at the University of Minnesota says, “Is organic really compatible with the Wal-Mart approach? We’re finding out that it’s not.”86

Packaging
A major goal of Wal-Mart’s sustainability strategy is to reduce its solid waste by 25 percent over the next three years. To achieve this, the
company is ordering its suppliers to reduce the size of their packaging and increase the amount of recyclable packaging materials.

In October 2005, Wal-Mart announced it would switch from petroleum-based to corn-based plastic packaging. The first substitution involved 114 million clear-plastic clamshell containers used annually by the retailer for cut fruit, herbs, strawberries and Brussels sprouts.

Wal-Mart justified the change in the name of combating global warming. According to Matt Kistler, vice president for product development and private brands for Sam’s Club, the non-petroleum-based packaging would “save the equivalent of 800,000 gallons of gasoline and reduce more than 11 million pounds of greenhouse gas emissions.”

Kistler, though, did not say if the new corn-based plastic will cost more or less than the materials it replaces. That’s because he didn’t want to draw attention to the inconvenient fact that corn-based plastics are five to 25 percent more expensive than petroleum-based packaging. Wal-Mart isn’t offering to defray the cost so suppliers will have to bear the cost—and possibly pass it on to the consumer.

This year, the Oakland, California city council passed a law prohibiting businesses from using petroleum-based packaging. Restaurant owners complained that the switch would increase the price of a typical fast-food meal by at least 15 cents.

Another major drawback to corn-based plastic is that it has a much lower melting point than petroleum-based plastic. Joe Selzer, vice president of Wilkinson Industries, which converts resin into packaging, says that corn-based packaging “can’t go above 114 degrees. I’ve had people call me and say, ‘Oh my god, I had my take-out box in my car and it melted into a pancake.’” That could very well lead to some negative environmental side effects since some suppliers will have to air condition their warehouses and other storage facilities, thereby causing an increase in energy usage.

There are other environmental problems with corn-based packaging. Wal-Mart boasts that it is biodegradable and thus will lessen the amount of waste shipped to landfills. What the company fails to address is that corn-based products require large facilities specifically equipped to compost the materials. There are 113 such facilities nationwide, but only one-quarter accept residential waste. Since Wal-Mart will not accept used packages for composting, it will be up to the consumer to try to find a compost site. Kistler insists that it’s the responsibility of states and municipalities to build the necessary recycling systems. So typically, Wal-Mart wants to make others bear the cost of its environmentally friendly material, it seems clear that a great deal of corn packing, probably the majority of it, will end up in landfills. And there’s no evidence it will break down there any faster or more thoroughly than conventional plastics.

Some environmentalists also object to the merits of corn-based packaging. Lester Brown, president of the Earth Policy Institute, questions the morality of turning foodstuff into packaging when so many people in the world are hungry. “Already, we’re converting 12 percent of the U.S. grain harvest to ethanol,” says Brown, “How much corn do we want to convert to non-food products?” Martin Bourque, executive director of the Berkeley Ecology Center, says that while corn-based packaging is better than petroleum-based, “it’s not as good as asking, ‘Why are we using so many containers?’ My worry is that PLA legitimizes single-serving, overpackaged products.”

Despite the serious problems with corn-based packaging, suppliers have no choice but to adjust. Ben Miyares of “Packaging Management Update,” wrote that Wal-Mart’s packaging decision “will inevitably become marching orders for its suppliers and ripple beyond, to manufacturers around the globe.”

But getting suppliers to change the packaging of their products has proved to be especially challenging for Wal-Mart. Companies simply do not like small packages. A larger package is generally more preferable because large packages occupy more shelf space and are good for advertising. Another important consideration is that consumers find large packages financially appealing because they tend to believe they are getting more product for their money.

That’s what Unilever executives told Wal-Mart officials when Wal-Mart started pressuring Unilever to downsize its 32-ounce bottle of “All Small & Mighty” laundry detergent. Lee Scott and Unilever executives eventually arrived at a compromise in which Unilever would reduce the size of its detergent in exchange for Wal-Mart making the detergent a VPI. That is the retailer’s code for “Volume-Production Item,” which means Wal-Mart will heavily promote the product.

Now, the “All Small & Mighty” deter-
gent, though smaller, gets top space on the end of aisles with lots of signs.98

Other companies are making similarly major revisions in their product packaging. Proctor & Gamble is replacing its bulky plastic jugs with slimmer versions of its liquid laundry detergents—Cheer, Gain, Tide, Era and Dreft.99

and Dreft.99 that may be true for Wal-Mart, of packaging,” just a “different mind-set.”100 That may be true for Wal-Mart, but not its suppliers. Aside from the cost of implementing a new image for its product, there could be negative ramifications in broader marketing and advertising strategy. While Wal-Mart may offer companies, like Unilever, favorable display space and promotional advantages at its stores to compensate for the smaller packages, those companies are by no means guaranteed such favors with other distributors.

Of course, Unilever and Procter & Gamble are large corporations that have the resources to revamp their packaging. But, there are certainly many small-to-medium-sized businesses that will find it economically prohibitive to make such changes.

Still, Wal-Mart is moving even more aggressively to force suppliers to change their packaging. In September 2006, Wal-Mart announced a five-year program in which its suppliers will have to reduce overall packaging by five percent. Wal-Mart said it will begin “grading” suppliers on how well they do.101

Packaging Scorecard

This grading system formally went into effect on February 1, 2008 when Wal-Mart announced it will begin using a packaging scorecard to rate suppliers on their ability to develop “sustainable packaging.” The scorecard rates the sustainability values of vendors’ packaging according to greenhouse gas emissions, the amount of renewable energy used in packaging production, emissions related to the distance packaging materials are transported, and other factors. “It’s important to us that our suppliers see the intrinsic value behind sustainability, both for their business and the environment,” says Wal-Mart’s Matt Kistler. “We’ve made significant progress throughout the first year of the scorecard and it is a key responsibility of our suppliers to input new products and update packaging changes on an ongoing basis.”102

As with its supplier index on carbon emissions, Wal-Mart is using its packaging scorecard to tell manufacturers to change their sustainability practices or look for other sales outlets. Wal-Mart sustainability director Amy Zettlemoyer says, “If after several years they don’t improve their score, then they’re probably not going to be able to compete.”103 Environmentalists and industry officials agree that suppliers will have no choice but to implement Wal-Mart’s sustainability standards. “When Wal-Mart tells a supplier that it wants a change in packaging, that supplier will change all its packaging,” says David Willet, spokesperson for The Sierra Club.104 Kerry Bailey, director of retail at Menasha Packaging Corp./Retail Integration Institute says, “The packaging scorecard says one thing—make an improvement.”105

Suppliers are scrambling to educate themselves about how to meet Wal-Mart’s packaging standards. Numerous companies are hiring consultants. For instance, Adalis Corporation, a global packaging and supply chains solutions company, announced in January 2008 that it was partnering with Bellisio Foods to help it meet the requirements of the scorecard.106 Tom Blanck, Packaging Solutions Manager for Adalis, says, “The reality is that it’s difficult for a company to have the time and resources to calculate and maintain scorecard submissions for each package, in addition to developing strategies for improving scorecard values.” The Drake Co., a Houston-based packaging company, launched a new sustainable package called Lite-Pak to help merchandisers comply with Wal-Mart’s stringent new criteria. Drake Co-Owner Dave Gaidousek bluntly states that vendors have no choice but to change their packaging practices. “Those with the better score will get more market share,” says Gaidousek.107

Sustainable Fishing

In February 2006, Wal-Mart announced that it intended to purchase all of its wild-caught fish from fisheries certified by environmentalists. The London-based Marine Stewardship Council (MSC), a joint venture of the World Wildlife Fund (WWF) and the Unilever company, issues certificates to inform consumers which fisheries avoid overfishing and don’t damage the ocean environment.108

The WWF has assigned 10 staffers to work with Wal-Mart on fisheries sustainability. Like other environmental groups, the WWF relishes in Wal-Mart’s ability to pressure smaller business suppliers to adhere to its environmental directives. “Wal-Mart is a huge player, and they have enormous clout,” says Scott Burns of the WWF. “They’re sending a very powerful signal that already is having effects on the way people produce products for them.”109
One month prior to announcing its fishing policy, Wal-Mart called in its 25 to 30 fish wholesalers to tell them it was switching to MSC-certified seafood. The wholesalers were told they had three to five years to develop plans to get MSC-certified. Wal-Mart also applied pressure in another way. It developed a plan to force non-certified fisheries used by suppliers to become environmentally acceptable. The fisheries would have 12 to 18 months to implement the needed changes before the suppliers would have to switch to a certified fishery.

Manish Kumar supplies frozen fish to Wal-Mart, which is his biggest customer. He is astounded at how fast Wal-Mart is compelling wholesalers to change their fishing practices. “We didn’t even know what the Marine Stewardship Council was. Now, it’s all we do.”

Land Conservation

In the spring of 2005, Wal-Mart announced it was partnering with the National Fish & Wildlife Federation (NFWF) to conserve hundreds of thousands of acres of land considered sensitive wildlife habitat.

Under the “Acres for America” initiative, Wal-Mart has committed $35 million over 10 years to permanently conserve at least one acre of wildlife habitat for every acre developed by Wal-Mart. It is Wal-Mart’s way to counter environmental criticisms that its huge network of stores is contributing to sprawl and consuming valuable natural habitat. Although such land is technically private, this conservation strategy serves the environmental movement’s overall goal to reduce the amount of land available for private use and the free market. Private conservation organizations often transfer such land to the federal government. Property rights groups have made it a top priority to stop such encroachment given that at least 40 percent of the U.S. is now owned by some local, state or governmental entity. To date, the “Acres for America” program has purchased about 395,000 acres.

Environment-Friendly Products Not Always Consumer-Friendly

Wal-Mart believes that selling more eco-friendly products will boost sales in addition to boosting its sagging image. However, the company is only wasting its time and resources because the large majority of consumers do not consider environmental factors in their purchasing decisions. Surveys by America’s Research Group found that only about one-third of consumers care about environmentally friendly products. Only 16 percent are willing to pay extra for them.
Likewise, Leo J. Shapiro & Associates, a Chicago-based research firm, conducted a telephone survey of more than 800 consumers across the nation and found that consumers say they want more environmentally friendly products but they don’t want to spend more. Arturo Angel, Shapiro’s research director, shared these results with representatives of Wal-Mart and its suppliers at a retailing seminar in February 2008. Angel told the audience that “consumers are skeptical about companies jumping on the green bandwagon.”

At the same seminar, JoAnn Hines, a consultant on consumer packaging trends and product branding, advised companies to proceed cautiously in reducing the size and volume of product packages. Stressing that protecting the consumer must remain the top priority, Hines said before going too far companies should ask themselves, “Does your consumer really care?”

Despite these warnings from experts, Wal-Mart is proceeding with its plan to introduce a wide variety of allegedly “green” products. The company is especially pushing sales of compact fluorescent light bulbs (CFLs) because they use one-third the energy of traditional incandescent bulbs and last longer. To date, Wal-Mart reports that it has sold more than 100 million CFLs.

But there are economic drawbacks to CFL bulbs. Consumers are put off by the fact that a single CFL bulb at Wal-Mart costs $1.65 compared to just 24 cents for the incandescent bulb. Other CFLs can cost as much as $5 per bulb.

Another major problem is that CFLs are simply inferior in quality and practicality to the incandescent light bulb, which is souring consumer attitudes. Without a doubt, CFL sales are booming. In 2007, they made up 20 percent of the U.S. light bulb market, up from 11 percent in 2006. Sales will likely continue to grow in part because Congress mandated that light bulbs be 25 percent more efficient by 2012. However, the more people use CFLs, the more they discover their shortcomings.

Even though one in five light bulbs sold are CFLs, a lower percentage of American homes—about 11 percent—have at least one bulb. For one thing, consumers do not like the dingy color of light emitted by CFL bulbs. The Color Rendering Index (CRI) measures the quality of light. A CRI of 100 is sunlight or an incandescent bulb. A CFL bulb, on the other hand, has a CRI rating in the 80s. While that’s close enough that some people won’t notice, it’s not close enough for others. Amateur photographer Eric Chan of Belmont, Massachusetts doesn’t like the quality of CFL bulbs. “As a photographer who produces my own color prints, I am unusually picky about how these prints ought to look,” says Chan. “They look fine under daylight, incandescent and halogen bulbs, but appear mediocre in comparison when lit by CFL bulbs.”

There are many other downsides to CFL bulbs. They don’t start at full brightness when turned on, taking about one minute to reach maximum intensity. They are temperature-sensitive. If it gets below 30 degrees, the bulbs take even longer to start up. Connie Samla, a lighting specialist at the Municipal Utility District in Sacramento, California, says, because the phosphor in CFL bulbs that emits light takes awhile to warm up, the bulbs “like to be a little warmer. But if you get them too hot, they’ don’t like that. They love 77 degrees: office temperature.”

People are frustrated by the fact that some CFL bulbs, like the 120-watt version, won’t fit in many lamps and fixtures. When used with a dimmer switch, a CFL bulb will dim to about 20 percent of its full capacity and then simply cut out. CFLs don’t function well in three-way light fixtures. Many CFL bulbs will pop, hiss and buzz. There are a few three-way bulbs but they are hard to find and often too big for many lamps.

It’s not hard to understand why consumers prefer the reliable incandescent bulb rather than the high maintenance CFL.

**CFL Light Bulbs Pose Potential Health Threat**

In addition, CFLs raise health concerns because they contain mercury. While the mercury level in a CFL is very low when compared to a thermometer, a broken CFL can still release mercury vapors that can affect a person’s brain, spinal cord, kidneys and liver. The Environmental Protection Agency recommends that if a CFL bulb breaks, an individual should immediately open a window to disperse vapors, not touch the area where the bulb was broken, carefully clean the area, and remove all glass fragments. A vacuum cleaner should not be used because that would cause the mercury to go airborne.

If a bulb burns out, it is considered hazardous waste and must be sealed in a safe container before disposal.

A 2007 story reported by Cybercast News Service about one woman’s bad experience with CFLs illustrates the serious drawbacks to Wal-Mart’s touting of the bulbs. Maine resident Brandy Bridges removed all CFL bulbs from her home just months after installing them as part of a remodeling.
project. The reason is because of safety. Bridges dropped a bulb in her daughter’s room and it shattered, leaving potentially unsafe levels of mercury inside the rug. At the suggestion of the state’s Department of Environmental Protection, Bridges had to pay $2,000 for a professional environmental clean-up. Her seven-year-old daughter had to sleep in the family room while her room was sealed off by plastic. An entire bag full of her toys had to be discarded because they were contaminated with dangerous levels of mercury.125

“I bought the bulbs because I wanted to do my part for the environment and save money,” said Bridges. “You can save 20 cents per month on your electric bill—but spend $2,000 for the cleanup.”126

Wal-Mart is making a huge mistake by pushing products like CFL bulbs just because environmentalists deem them ecologically safe. Environmentalists are notorious for pushing “Green-friendly” products that turn out to have their own ecological baggage. And in the case of CFLs, environmentalists are sure to eventually reject them because the mercury content will cause serious hazardous waste disposal problems. The company will then find itself scrambling to get rid of CFLs to embrace yet another allegedly “Green” product.

Environmental Movement Divided Over Wal-Mart

There is no denying that Wal-Mart’s sustainability strategy has scored some notable successes in winning support from environmental critics. The most dramatic example is former Vice President Al Gore, the nation’s premier environmental politician, who praises Wal-Mart’s initiative.

On July 12, 2006, Gore journeyed to the company’s corporate headquarters and spoke to 800 Wal-Mart employees, suppliers and outside experts. After showing his movie, “An Inconvenient Truth,” an alarmist view of the alleged global warming threat, Gore told the audience, “The message from Wal-Mart today to the rest of the business community is, there need not be any conflict between the environment and the economy.”127 He said employees should be “proud” to be a part of a company that would make such a commitment.128

A significant number of influential environmental organizations strongly endorse Wal-Mart’s sustainability agenda, most notably Conservation International, Environmental Defense, and the World Wildlife Fund. These groups, which have partnered with the retailer, take the pragmatic approach that the support of such a giant corporation can only advance the fortunes of the environmental movement. Amanda Griscom Little notes that Wal-Mart’s size, which makes it vulnerable to attack, is also what “could make it a powerful force for good for the planet.”129

For his part, Lee Scott boasts about how important the anti-free market environmental groups are to Wal-Mart. In March 2008, Scott was one of several executives who attended the Wall Street Journal’s ECO:nomics Conference on business and the environment. A number of attendees such as the pro-free market Competitive Enterprise Institute denounced environmental groups for browbeating business. However, Scott strongly defended environmental nonprofits. “We would not be where we are today without [these groups],” said Scott. “And when we started this process, we thought of them as the enemy.”130

It’s important to understand, though, that groups like Environmental Defense and Conservation International represent the faction of the environmental movement that has traditionally worked most closely with business.131 Other environmental groups are more skeptical of Wal-Mart’s motives. Membership-based groups, such as the Sierra Club, seek to work in coalition with other elements of the liberal movement, especially organized labor. These groups are wary of getting too close to Wal-Mart, the poster child of corporate villainy, for fear of losing support from coalition allies. Michael Marx, head of Corporate Ethics International, an environmental campaign group, says, “Environmentalists are cautious about applauding Wal-Mart’s commitments because we believe the company is trying to isolate the labor movement.”132

Sierra Club leader Carl Pope, a member of the union-backed Wal-Mart Watch, said that while Wal-Mart’s proposals will be good for the environment, it is too early to determine if it will actually deliver. “Wal-Mart’s new commitments to increase efficiency and reduce pollution and waste are important first steps for a company that has such a profound impact on our environment,” says Pope.133 He just wonders, “Are they going to go there strongly enough?”134

A significant factor contributing to the Sierra Club’s skeptical attitude is a deep-seated mistrust of Wal-Mart’s ability to reconcile its environmental goals with a corporate strategy based on locating new stores in rural areas, consuming open space, and forcing customers to use more gasoline to reach them. Tanya Tolchin, a staffer in the organization’s Washington, DC office, says, “The big box model of stores like Wal-Mart threaten our
landscape and communities by building on the fringe of town, paving vast areas for stores and parking lots, and often undermining the economic health of existing downtown shopping areas.”

That’s why Pope says Wal-Mart still has much to do because its sustainability plan does “not address some of the environmental problems with their business model.”

The Global Reporting Initiative, a Dutch group that monitors corporate environmental practices, takes a similarly guarded view towards Wal-Mart’s environmental initiatives. “There are a lot of people out there who are going to be skeptical,” says spokeswoman Alyson Slater. Another skeptic is Friends of the Earth, an influential U.S. environmental group. “My sense is that there is a lot of concern that they are taking a piecemeal approach,” says David Waskrow, a campaigner in the organization’s Washington, D.C. office. “People want to see more broad-based evidence of change.”

Then there are those environmental groups that view the corporation as structurally incapable of doing anything good for the environment. Stacy Mitchell, a senior researcher at the Institute for Local Self-Reliance, says the size of Wal-Mart is the critical part of the problem. The more stores Wal-Mart builds, “the more we have to drive.” Thus, Wal-Mart’s promise to promote fuel efficiency “is like the person who buys a car that is 25 percent more fuel-efficient, then drives it twice as much, and expects us to applaud.” Mitchell says if Wal-Mart really wants to help the environment, it should stop building stores. Barbara Dudley, former executive director of Greenpeace, says it is impossible for a company like Wal-Mart to be environmentally responsible. “Can anything built on a model of Wal-Mart be sustainable?” asks Dudley. “My personal answer to that is no.”

Paul Sheldon, the senior consultant for Natural Capitalism, rejects Wal-Mart because he doesn’t believe the company is serious. “Their whole business model is basically parasitic,” says Sheldon. “They bring in goods from outside the area, they pay minimum wages, and they basically destroy local communities everywhere they go.”

Jeffrey Hollender is president of Seventh Generation, a Burlington, Vermont manufacturer of nontoxic household products. Scott met with Hollender and offered to carry some of his line. Hollender declined. “We might sell a lot more products in giant mass-market outlets, but we’re not living up to our own values and helping the world get to a better place if we sell our soul to do it,” says Hollender.

Since then, Hollender has somewhat softened his criticism of Wal-Mart and is currently weighing whether or not to sell to the retailer. Hollender praises some of Wal-Mart’s policies but says it still needs to do much more. But like other environmentalists, Hollender understands how important Wal-Mart could be to helping the movement advance its agenda. “They can change the industry in the same way that we used to expect the government to change industry,” says Hollender.

Wal-Mart can count some prestigious organizations as allies in its environmental campaign. But it is a divided environmental movement. Several influential groups are skeptical and waiting to see results. Others simply reject Wal-Mart’s vision as a lie or unworkable. For many environmentalists, an alliance with Wal-Mart is an alliance with the devil.

This doesn’t bode well for Wal-Mart in its endeavor to co-opt liberals as other factions of the movement remain adamantly hostile to the corporation.

Unions Scoff At Wal-Mart’s Green Strategy

Unions, Wal-Mart’s most implacable foes, reject the sincerity of Wal-Mart’s outreach to environmentalists. “We don’t know whether Wal-Mart’s environmental changes are real or a Machiavellian attempt to green-wash a declining public image,” says Chris Kofinis, communications director for Wake Up Wal-Mart. “But its long record of irresponsible corporate behavior forces one to be skeptical.” In response to Scott’s October 2005 speech, Paul Blank, director of Wake Up Wal-Mart, said he suspects...
that Wal-Mart’s environmentalism is a “public relations smokescreen.” Blank says that if Wal-Mart wants to truly be a better company then it should sit down with unions and “help create a new business model for the betterment of its employees, their families, and all of America.”

Environmental Criticism Escalates

Since Wal-Mart announced the sustainability campaign more than two years ago, the environmental movement has escalated its criticisms of its initiatives as insufficient.

In January 2007, a coalition of 11 environmental and corporate accountability organizations, including Greenpeace USA and Friends of the Earth, sent a letter to Lee Scott demanding that “Wal-Mart end its political contributions to anti-environmental candidates.”

The coalition criticized Wal-Mart for not backing up its stated goals with environmentally-correct political giving. Based on an analysis of its political contributions in the 2005–06 election cycle, the letter detailed how Wal-Mart PAC “gave money to more than 30 Members of Congress who scored zero percent on the League of Conservation Voters (LCV) Scorecard.” And the groups dismissed Scott’s exhortations about the need to address the global warming threat since most PAC contributions still go to Members of Congress “who have actively worked against legislative efforts to curb global warming.”

The letter concluded that if Wal-Mart wants to be taken seriously as an environmentally-responsible company by “cleaning up its products and operations, it must clean up its political act as well.”

In September 2007, a coalition of environmental, labor and human rights groups released a report, “Wal-Mart’s Sustainability Initiative: A Civil Society Critique,” denouncing Wal-Mart’s environmental campaign. Coalition members include the Sierra Club, Friends of the Earth, ACORN, and United Methodist Church. The report charged “that even if Wal-Mart achieved all of its stated goals, the company’s business model is inherently unsustainable.”

For instance, the report dismisses Wal-Mart’s pledge to cut 20 million tons of greenhouse gases produced annually by its operations since the company’s supply chain is still creating 220 million tons of gases each year. Wal-Mart gets no credit either for its much-hyped campaign to sell CFL bulbs. “Wal-Mart can change to more efficient light bulbs,” says report contributor Ruben Garcia of Global Exchange, “but that doesn’t change its carbon footprint or the enormous social consequences of its globally unsustainable business model.”

The report also repeats organized labor’s charge that Wal-Mart mistreats its workers. Trina Tocco of the International Labor Right’s Forum says “the company continues to squeeze workers and suppliers in a global ‘race to the bottom’ in wages, benefits and working conditions.”

This should put to rest any illusion Wal-Mart may have that “Going Green” will mute criticism of its labor practices.

In September 2007, the same month as the release of “A Civil Society Critique,” Wal-Mart Watch released its report challenging Wal-Mart’s environmental objectives. Titled “It’s Not Easy Being Green,” the report says “the company’s actions aren’t nearly enough to offset the environmental damage it causes.” It reiterates the longstanding charge that Wal-Mart harms the environment by paving over green space, increasing traffic and air pollution, and consuming huge amounts of energy.

In other words, Wal-Mart harms the environment by simply being Wal-Mart.

While Wal-Mart Watch is chiefly a project of SEIU, its criticisms can be taken as those of the environmental movement. Sierra Club executive director Carl Pope is on the organization’s Steering Committee. In addition, Sprawl-Busters is one of the official 16 “Partner” groups. Sprawl-Busters helps local community coalitions to campaign against “megastores and other undesirable large-scale developments.”

The report dismisses Wal-Mart’s campaign to cut its carbon dioxide emissions and those of its suppliers as totally inadequate. It notes that even if Wal-Mart meets its goal to cut 2.5 million metric tons of carbon dioxide emissions at existing stores by 2013, the stores built in 2007 alone will add one million tons of carbon dioxide to the atmosphere. “At that rate, by 2013 Wal-Mart will be off setting its emissions goal by adding 28 million metric tons of new emissions within the same time period.”

The study takes direct aim at the business model that fuels Wal-Mart’s success—its policy of constructing huge box stores that draw in thousands of daily shoppers. Environmentalists believe it is imperative to reduce the amount of miles Americans drive each year to reduce air pollution. But Big Box retail stores prevent that. According to the study, “Wal-Mart has contributed heavily to the more than 40 percent increase in
the amount of vehicle miles American households travel for shopping purposes since 1990.” This is not because people are shopping more but because they are driving farther to reach the stores. The larger a store the more people it attracts from a larger geographic area. The report concludes, “Pushing suppliers on environmental performance, carrying efficient light bulbs, and selling organic foods will be offset by the continued increase in shopping-related miles and the resulting vehicle emissions and air quality degradation.”

Thus, if Wal-Mart really wants to show it cares about the environment, it should stop building stores. This is a highly unreasonable demand, and would put an end to company growth. Wal-Mart rightly judged that it couldn’t cave in to union demands to boost wages. However, it miscalculated in believing that it could cave in to environmentalists’ demands and remain competitive.

As stated above, Wal-Mart is making a major mistake by aggressively marketing CFL bulbs because their mercury content poses a hazardous waste problem which will surely draw environmental criticism. And that is exactly what the Wal-Mart Watch critique does: “Wal-Mart has promoted CFL bulbs heavily as a cornerstone of its environmental push, yet even as they were being rolled out neither the company nor the federal government had come up with a way to effectively recycle them.” The problem is similar to the corn-based packaging effort. There are some ecological benefits to substituting CFL bulbs for incandescent bulbs. But those benefits are negated by the fact that CFLs, like corn-based plastic packaging, require special recycling facilities that are too few in number to permit convenient disposal by individuals or local governments. Since Wal-Mart will not assume the expense of creating a recycling system for its customers, the CFLs will only become another environmental risk.

Veteran Green Activist Denounced for Allying with Wal-Mart

Wal-Mart points to the alliances it has formed with various environmental groups as evidence that its sustainability campaign is working. However, these alliances are very controversial within the movement, often generating bitter criticism.

The denunciation of Leslie Dach as a hypocrite by Andrew Stern has already been noted. The case of Adam Werbach is one of the more dramatic. Werbach was one of the environmental movement’s rising young stars. In 1996, he became the youngest president ever of the Sierra Club at the age of 23. In his two-year term, Werbach is credited with rejuvenating the organization and is still considered an inspiring leader by members today.

After leaving the Sierra Club, Werbach founded Act Now Productions, a San Francisco-based environmental consulting firm. In 2005, Andy Ruben, the Wal-Mart vice president for sustainability, approached Werbach about the possibility of taking on the company as a client. Though initially skeptical, Werbach decided to accept the offer. His reasoning was that the tremendous opportunities Wal-Mart afforded to spread the message. “The Sierra Club’s annual budget is $90 million,” said Werbach. “One Wal-Mart store grosses $100 million, and there are 4000 stores! When you add up all the employees and the customers, somewhere between 10 percent and 20 percent of Americans have an intimate connection with Wal-Mart.”

Werbach’s Act Now is developing a Personal Sustainability Project which purports to teach the company’s 1.4 million employees how to practice environmentally responsible behavior in their daily lives. This is an amazing “about face” for someone who once called Wal-Mart “a new breed of toxin.” But it was too much of an “about face” for activists who are now bitterly denouncing Werbach as a traitor. Some of his nonprofit clients immediately fired him. “To this day, they won’t speak to me,” says Werbach. The Sierra Club, Werbach’s former employer, reportedly begged him to reconsider his decision. Former Greenpeace executive director Barbara Dudley and John Sellers of the Ruckus Society wrote an open letter, headlined “The Death of Integrity,” accusing Werbach of abandoning his principles. They write, “Whenever environmentalists help Wal-Mart score easy ‘corporate responsibility’ points in The New York Times, they set back the efforts of working people in their battle with Wal-Mart, and simply reinforce the flaws of the old environmentalism…”

That criticism is mild compared to the vitriolic reaction from other activists. Werbach got emails telling him that he’d put the “final nail in his coffin.” There have even been death threats. While attending an event, someone came up to him and said, “I wouldn’t feel safe if I were you.” Werbach no longer speaks in public without special security.

Werbach’s experience should serve as a wake-up call to Wal-Mart.
Environmentalists are die-hard ideologues committed to an anti-free market agenda. There is no way that any company can reconcile the rational pursuit of efficiency and profit with the environmental movement’s goals.

Wal-Mart Promotes Affirmative Action to Counter Race Bias Charges

Wal-Mart formally established an Office of Diversity in 2003, run by a chief diversity officer, to oversee diversity initiatives that would “place Wal-Mart among corporate leaders in this regard.” This diversity agenda soon took on a new urgency as the company was besieged with lawsuits and bad publicity.

- In June 2004, a federal judge awarded class-action status to a lawsuit on behalf of 1.6 million women who claim the company discriminated against them in wages and job advancement.
- The previous October, federal authorities arrested 245 illegal immigrant workers at 61 Wal-Mart stores.
- The company had to deal with lawsuits filed in 30 states alleging that it forced hourly employees to work overtime with no pay.
- In September 2004, a lawsuit was filed in federal court accusing the retailer of racial discrimination against blacks seeking truck-driving jobs.

That year, Jesse Jackson began his customary corporate campaign against Wal-Mart. In April 2004, Wal-Mart lost a ballot measure to open a store in Inglewood, California. Jackson helped lead the opposition to the initiative. He argued that Wal-Mart would be bad for the city, which is 50 percent black, because the company would provide low-wage jobs and be exempt from municipal regulations. The defeat especially concerned company executives because it was part of a growing trend in which local governments were considering various types of bans on big-box stores. Furthermore, Wal-Mart, which has traditionally focused on the suburbs, was moving to locate more stores in higher density, urban areas with larger minority populations.

The next month, Wal-Mart’s plans to open two stores in Chicago were put on hold when the city council objected on the grounds that the company paid low wages and offered inadequate health care benefits. Jackson and other religious leaders demanded that the retailer offer concessions on wages and benefits. Jackson said, “My issue is not with Wal-Mart frankly, my issue is with the ideology of Wal-Mart. If workers at Wal-Mart had the right to organize without intimidation, if Wal-Mart didn’t have these sex and race suits, if workers at Wal-Mart had the right to organize without intimidation, if Wal-Mart didn’t have these sex and race suits, if they allied with local business people as opposed to putting them out of business, it would [not] be a big deal. But their ideology is the opposite. This is a ‘Confederate Economic Trojan Horse.’”

Wal-Mart’s struggle to open stores in Chicago lasted more than two years, but ended in victory. In September 2006, Mayor Richard Daley vetoed the council’s proposed ordinance to ban big box stores.

Jackson, however, has not relented in his efforts to force Wal-Mart to change its labor policies. In December 2005, Jackson joined Wake Up Wal-Mart’s religious-themed campaign which runs TV ads saying people of faith should not shop at a corporation that oppresses its workers.

On the other hand, Jackson’s vilification of Wal-Mart has all the markings of a corporate shakedown campaign. Jackson is notorious for blasting companies only to cease the hostile rhetoric when the companies donate substantially to his nonprofits and funnel lucrative contracts to his associates. However, that does not seem to be the case for Wal-Mart.

Apparently, Wal-Mart has tried repeatedly to donate to Jackson’s Rainbow/PUSH nonprofit organization, only to be turned down. “Rainbow/PUSH has criticized Wal-Mart openly and publicly and consistently and they’ve tried to virtually throw money at us,” says Jackson. “I think they want to leverage our organization. I think they want to leverage us into silence.” Wal-Mart denied that it uses donations to buy anyone, but it did not deny trying to give money to Rainbow/PUSH.

The likely explanation for Jackson’s uncharacteristic refusal to accept Wal-Mart money is that he doesn’t want to offend his labor union allies.

Long-time Jackson Associate Elected to Corporate Board

The first indication that Wal-Mart wanted to buy peace with Jackson and minority groups occurred in June 2004 when Wal-Mart elected Christopher Williams to its board of directors. Williams is chief executive officer of The Williams Capital Group, a major investment company—and a longtime Jackson associate.
He was a founding member of the Wall Street Project, Jackson’s forum to get corporations to create jobs and investment opportunities for minorities.\textsuperscript{167} It is also a lucrative source of donations for Jackson. While Jackson has continued his aggressive denunciation of Wal-Mart, the presence of Williams on its board is evidence that Jackson’s attacks could be part of a long-term strategy to co-opt the huge retailer in some manner.

\textbf{Praise for Demagogue Al Sharpton}

Wal-Mart is also working with the controversial race demagogue Al Sharpton in an attempt to burnish its civil rights credentials.

In August 2005, Sharpton’s non-profit organization, the National Action Network, announced it would present Wal-Mart a “Dream Keepers” award in recognition of its efforts to hire more minorities and set aside business for minority-run companies. Like Jackson though, Sharpton was sensitive to the perception that he may be getting too close to the company. He emphasized that the award was really for Esther Silver-Parker, Wal-Mart Vice President for Diversity Relations. “She was recognized for contracts she got for minorities [and] directing money to black media,” Sharpton said. He insisted he was still critical of Wal-Mart’s labor policies and would fight its expansion into New York City.\textsuperscript{168}

That not-so convincing disclaimer did not work though. Within weeks, Sharpton withdrew the award. In addition to its anti-union stance, Sharpton cited the multiple civil rights lawsuits against the retailer for refusal to pay overtime, use of illegal workers, and pay inequities for women.\textsuperscript{169}

Despite that glitch, Wal-Mart CEO Lee Scott would go on to develop a fairly close relationship with Sharpton. In July 2006, Scott was a guest on Sharpton’s nationally syndicated radio show where he defended the company’s labor and health care policies. Scott was also one of the speakers at Sharpton’s April 2007 convention on civil rights.

Just a few months later, Scott and Sharpton both spoke at the annual
meeting of the National Council of La Raza. Scott was quite effusive in his praise for Sharpton. He said, “Reverend Sharpton is a dynamic leader. And he’s someone you can sit down with, talk with and build a relationship with. I’m pleased to share the podium with him.”

A podium is not all Scott and Sharpton shared at the meeting. They both called on Congress to pass the “comprehensive” immigration bill that included granting amnesty to 12 to 20 million illegal aliens. The bill failed due to overwhelming public opposition to the amnesty provisions.

Implements Race and Gender Quotas

The election of Williams and outreach to Sharpton was part of a multi-faceted strategy that Wal-Mart implemented to counter criticism that the company was racially discriminatory. What it amounted to was a complete cave-in to the controversial race quota policies championed by the so-called civil rights establishment.

At the June 2004 board meeting, Scott outlined a goal to promote women and minorities to management positions. The plan was a de facto quota system for it stipulated that, among other things, if 50 percent of applicants for management positions are women, then 50 percent of those promoted to management must be women as well.

In addition, Wal-Mart requires that company officers must meet their hiring quotas or suffer financially. Executives who fail to meet their diversity goals will have their bonuses cut by up to 15 percent. Noting that the policy applies to him as well, Scott brags, “That’s putting your money where your mouth is.”

In April 2006, Wal-Mart created an Employment Practices Advisory Panel to promote diversity and equal opportunity at the company. The panel’s members include former Detroit Mayor Dennis Archer, Vilma Martinez, former president of the Mexican American Legal Defense and Educational Fund, and retired U.S. Army Lt. General Claudia Kennedy.

Another key component of Wal-Mart’s minority outreach effort is its Supplier Development Program. Established in 1994, the program seeks to expand Wal-Mart’s business relationships with minority and women-owned suppliers. The program has increased spending on minority and women-owned businesses from $2 million to $4.8 billion.

Wal-Mart is one of several hundred corporations that recognize businesses that have a Women’s Business Enterprise (WBE) certification. Administered by the Women’s Business Enterprise National Council, firms certified through the program are not guaranteed contracts but are given an advantage in the competition process. Maybe It’s Time, a Minnesota company that designs school and home office products, credits its certification for being awarded a vending contract. Co-owner May Swenson said the WBE designation was the only way her company could even approach Wal-Mart. “They weren’t taking new vendors,” Swenson said of Wal-Mart. “We used our certification to get in. If you were a woman-owned business, the buyers had to take an appointment with you.”

In May 2006, Wal-Mart announced the creation of a $25 million private equity fund to benefit women and minority-owned businesses.

Wal-Mart goes further and mandates that its non-minority-owned suppliers must meet Wal-Mart’s standard for a sufficiently diverse workforce. For instance, in June 2005 the company’s legal department asked its top 100 outside law firms to provide a detailed report of their employment of minorities and women since 2002. Wal-Mart sternly informed the firms that it “will end or limit our relationships with law firms who fail to demonstrate a meaningful interest in the importance of diversity.” One firm was fired.

Wal-Mart boasts that in 2005, it transferred about $60 million in business to minority and female partnership law firms.

Donates to Liberal Activist Groups

Wal-Mart is complementing its affirmative action agenda with a major increase in donations to the Congressional Black Caucus (CBC), the official coalition of African-American congressmen who are all Democrats.

Wal-Mart traditionally has not been a strong financial supporter of Democrats. In 1996, 98 percent of Wal-Mart’s political donations went to Republicans. By 2006, however, only 70 percent of its $1.2 million in PAC donations were going to Republicans, who then controlled the White House and Congress, and 30 percent to Democrats. “As our company has grown, it becomes more important to broaden our giving,” says Bob McAdam, vice president of corporate affairs.
After the Democrats won control of Congress in the 2006 mid-term elections, Wal-Mart further boosted its donations to Democrats. At the end of the March 2008 reporting period, Wal-Mart had given 57 percent of its $614,700 in PAC money to Republicans and 43 percent to Democrats.180

The CBC has especially benefited from Wal-Mart’s outreach to Democrats. The company has given at least $12,000 to the CBC, including a $5,000 donation to the U.S. Senate campaign of Rep. Harold Ford (D-TN). Rep. Charles Rangel (D-NY) has received $2,000. Wal-Mart also donated $1 million to the Congressional Black Caucus Foundation, the charitable arm of the CBC.181

Wal-Mart is endorsing key elements of the CBC’s legislative agenda. Kay Woodard, a CBC lobbyist said the CBC “formally presented Lee [Scott] with their legislative agenda and asked Wal-Mart to consider endorsing all or part of the agenda.” In response, Scott sent a letter to President Bush urging him to support an extension of expiring provisions of the Voting Rights Act.182

CBC officials are clearly happy with their growing financial and political relationship with Wal-Mart. “We applaud Wal-Mart for supporting the part of the Congressional Black Caucus’s legislative agenda...”
that calls for the reauthorization of the expiring parts of the Voting Rights Act,” said CBC Chairman Mel Watt. “Hopefully, Wal-Mart and others will endorse the entire agenda.”

However, the CBC’s newfound friendship with Wal-Mart is causing some dissension with its union allies. In May 2005, a SEIU official criticized the caucus for its Wal-Mart dealings.183

The CBC is not the only Left-leaning group benefiting from Wal-Mart largesse. These include the National Association for the Advancement of Colored People, the National Council of La Raza, and the League of United Latin American Citizens.184 In 2006, Wal-Mart reported donating $630,000 to the National Council of La Raza and $75,000 to Al Gore’s Climate Project.185

**Andrew Young Debacle**

In February 2006, Working Families for Wal-Mart, a group funded by the company, hired controversial activist Andrew Young to promote the retailer at public events, interviews, and in op/ed pieces. Wal-Mart would not say how much it was paying Young and his company, GoodWorks International; Young said he did not know how much he was getting.186

But Young’s decision to go to work for Wal-Mart angered not just the union activists but many members of the civil rights community. More than 50 religious and civil rights leaders signed a letter denouncing Young for defending a corporation they claim offers low wages and bad health care.187 Rev. Joseph Lowery called Young a “lone wolf” and said he must know something “that other advocates for economic justice don’t.” Akinyele Umoja, a professor of black studies at Georgia State University, complained: “What he’s doing is providing credibility and legitimacy for some of these corporations that have policies that just reinforce inequality.”188

Jesse Jackson reserved his negative comments for the retailer and not his former colleague. “It’s his private choice. That’s not a public policy issue.” Jackson no doubt empathizes with Young’s desire to make money from as many corporate clients as possible.189

This widespread criticism of Wal-Mart is a telling indication that it kowtowing to black activists hasn’t earned it the deep support it thought it was getting. As with environmentalists, the civil rights lobby is strongly resistant to embracing a company whose business model and anti-union stance is at odds with its liberal ideology.

Wal-Mart’s judgment in hiring Young is even more questionable given that his career is littered with extreme statements that often bordered on the comically absurd. During his tenure as the ambassador to the United Nations under President Carter, Young claimed that there were “thousands of political prisoners in the U.S.” and that one day Iran’s Ayatollah Khomeini would be regarded as a “saint.”190 Nevertheless, in hiring him, Kevin Sheridan of Working Families for Wal-Mart said, “He is obviously a highly credible public face that brings [a] very high degree of respect to any debate that he involves himself with…We take very seriously his advice and his counsel.”191

Wal-Mart would soon come to regret putting its trust in such a controversial figure. In an August 17, 2006 article that appeared in the Los Angeles Sentinel, a black-owned newspaper, Young said it was good that Wal-Mart was forcing the small merchants out of business. “But you see, those are the people who have been overcharging us—selling us stale bread and bad meat and wilted vegetables. And they sold out and retired to Florida. I think they’ve ripped off our communities enough. First it was Jews, then it was Koreans, and now it’s Arabs. Very few black folks own these stores.”192

In the ensuing uproar, Young apologized for his comments and immediately resigned from Working Families for Wal-Mart. But the damage had been done. The Muslim American Society, the Anti-Defamation League, and the Asian American Legal Defense and Education Fund expressed outrage at Young’s characterization.193 And a Californian Korean grocers group filed a suit against Young and Wal-Mart alleging Young’s remarks hurt its sales.194

Young may be gone but Wal-Mart’s efforts to boost its public image have been set back. “Young’s ouster will mar Wal-Mart’s stepped up efforts to counter organized critics and present itself as a good corporate citizen,” said Paul Argenti, professor of corporate communication and reputation management at the Tuck School of Business at Dartmouth University. “It will hurt their credibility across the board.”195

**Lee Scott Joins Union Chiefs to Endorse Universal Health Care**

Wal-Mart’s efforts to reach out to its liberal critics took a decidedly unexpected turn when Lee Scott teamed up with SEIU President Andrew Stern to endorse the labor movement’s longtime goal to create
a government-run system of universal health coverage.

At a February 7, 2007 press conference, Scott and Stern unveiled their “Better Health Care Together” campaign. This campaign seeks to co-opt business leaders to join unions and other groups to press for universal health care by 2012. Other members of the coalition include the Communications Workers of America (CWA), the George Soros-funded Center for American Progress, the League of United Latin American Citizens (LULAC), AT&T, Intel and various other nonprofit groups and corporations.

The speakers listed four “common sense principles” that would guide the coalition in “achieving a new American health care system.” One of these principles states: “We believe every person in America must have quality, affordable health insurance coverage.” Nobody advanced a specific plan or policy prescription to achieve this goal. However, the statements by the union chiefs made quite clear that their strategy is to vastly increase the role of government in health care delivery.

“I think it’s time to admit (the) employer-based health care system is dead,” said Stern. Larry Cohen, President of the CWA, added, “It’s long past time to move health care—a public good—from the corporate balance sheet to the public balance sheet.”

Scott did not take issue with these sweeping endorsements of government-run health care. “Our current system hurts America’s competitiveness and leaves too many uninsured,” said Scott. That is why Wal-Mart has “put aside disagreements” with its union critics so business, labor and government can “work together” to solve the health care crisis.

Stern has made no secret that his goal is to pressure Wal-Mart and other businesses into backing a government-run health insurance system. Wal-Mart’s attempt to appease environmentalists rightly got Stern thinking that he could co-opt the company. “This was a company that was willing to create partnerships...
with people they might not normally agree with,” said Stern. 

Given the refusal of most environmentalists to embrace Wal-Mart’s sustainability campaign, it is simply inexplicable why Scott thinks he can reach out to unions on health care reform. The Wall Street Journal, a publication that has strongly defended Wal-Mart in the past, ran an editorial stating that if Scott and other CEOs “think they’re buying some larger political reprieve by joining Mr. Stern, they’re surely mistaken…We’d have thought Wal-Mart’s Mr. Scott, of all people, would know this.” 

Indeed, the response from Wal-Mart’s union critics to the health care peace offering was swift and predictable—an emphatic “no.” Paul Blank, a spokesman for Wakeup Wal-Mart, which is funded by the United Food and Commercial Workers Union (UFCW), said, “What is surprising is how anyone, in good conscience, would give Wal-Mart a stage to make empty statements that will not give health care to one more uninsured Wal-Mart worker.” Blank also called Scott a “hypocrite” for refusing to pledge not to give donations to political candidates opposed to universal health care. UFCW President Joseph Hansen said taking a stage with Wal-Mart was not appropriate. Gerald Shea, head of AFL-CIO health policy, dismissed Wal-Mart’s health care outreach as a public posturing campaign. 

Significantly, Stern and the SEIU-funded Wal-Mart Watch continue to criticize the company’s labor practices. 

**Advances Pro-Homosexual Agenda**

Homosexual activists have won a number of significant victories by pressuring Wal-Mart to promote policies that advance their agenda of legitimizing same-sex behavior. 

These efforts started in 2001 when a gay activist coalition, led by the Equality Project, purchased shares in Wal-Mart and began lobbying the company to amend its equal employment opportunity policy to bar discrimination based on sexual orientation. The Equality Project is a consumer, employee and investor advocacy coalition that lobbies employers to adopt pro-homosexual policies as expressed in its “Equality Principles.” In addition to nondiscrimination based on sexual orientation, these principles include full health insurance benefits for domestic partners, recognizing employee groups based on sexual orientation, and promoting charitable contributions to homosexual advocacy groups. The Equality Project’s 21 member groups include the Human Rights Campaign, the Gay and Lesbian Alliance Against Defamation (GLAAD), and the National Gay and Lesbian Task Force.

For two years, the Equality Project lobbied Wal-Mart and, in June 2003, those efforts paid off. Wal-Mart announced it would add sexual orientation to its nondiscrimination policy. The decision was widely recognized by pro-gay activists as a major victory because it made Wal-Mart, the world’s largest private employer, the latest corporation to join 318 other Fortune 500 companies in extending equal employment protections to homosexuals.

But the decision marked just the beginning of the homosexual movement’s targeting of Wal-Mart. In January 2005, Wal-Mart took an incremental step in recognizing same-sex partners as a legitimate family when the company filed an employee conflict-of-interest policy with the Securities and Exchange Commission that included homosexual couples in its definition of “immediate family.” The policy stated that an employee is “responsible for advancing Wal-Mart’s business interests…You may not take any opportunities or use any confidential information for your benefit, or for the benefit of your immediate family members.” Immediate family members include those “by birth, adoption, marriage or Domestic Partnership or Civil Union, if recognized by your state or other local law.”

The Human Rights Campaign, the nation’s largest homosexual lobbying group, applauded the decision but insisted that the retailer needed to extend the same healthcare and workplace benefits to homosexual couples that it offered to other families. “We are encouraged by this sign showing America’s heartland employer understands same-sex couples share the responsibilities that come with being a family,” said Daryl Herrschaft, deputy director of the Human Rights Campaign workplace project. “It’s only appropriate for these families to receive the same benefits as others.”

While Wal-Mart didn’t accede to that demand, it did try to win support from gay advocates by implementing policies to encourage the advancement of homosexuals within the corporation. In April 2005, the company established the Gay, Lesbian, Bisexual, and Transgender Associates, a group of gay employees that advise the company on marketing and internal promotion. The GLBT Associates is one of the seven so-called Business Resource Groups that Wal-Mart uses to promote...
diversity. The other groups consist of African-Americans, women, Hispanics, Asians, Native Americans, and the disabled.210

Wal-Mart followed up by sponsoring a seminar that December entitled, “Why Market to Gay America?” An internal memo noted that America’s homosexual community has $610 billion in purchasing power and the purpose of the seminar is to “provide insights into the purchasing decisions of gay, lesbian, bisexual and transgender customers.” The seminar’s guest speaker was Wesley Combs of the Washington, D.C.-based Witeck-Combs Communications, a public relations and marketing firm specializing in the gay and lesbian market. Combs also serves on a council for the Human Rights Campaign and on the advisory board of the Gender Public Advocacy Coalition, a group dedicated to promoting a pro-family agenda.

The seminar drew criticism from the American Family Association (AFA), a 3-million member organization dedicated to advancing traditional family values through boycotts and other types of consumer activism. AFA spokesman Randy Sharp says that by marketing to the homosexual community, Wal-Mart was “giving their stamp of approval on homosexuality, recognizing it as a facet in America that deserves their support and encouragement.” Sharp called on AFA members and other family advocates to contact Wal-Mart and express their concerns.212

The AFA was especially disappointed by Wal-Mart’s outreach to the gay lobby because, until then, the company had worked with the AFA to promote a pro-family agenda. Wal-Mart was one of the first retailers to respond to AFA’s request to use the word “Christmas” in its ads and promotions. The AFA also helped Wal-Mart score a public relations coup when the retailer allowed Salvation Army bell ringers outside its stores, while rival Target refused.213 In 2002, the store pulled a pregnant version of a Barbie collection doll after customer complaints. The next year, the AFA led a campaign that persuaded Wal-Mart and other retailers to stop carrying some pornographic magazines.

But after Wal-Mart started to cave in to the homosexual activists, AFA’s relationship with the company rapidly deteriorated. In March 2006, AFA launched a campaign to pressure Wal-Mart to remove “Brokeback Mountain,” a film about a gay love affair, from its DVD offerings. Wal-Mart refused.214 AFA chairman Don Wildmon denounced Wal-Mart for its “spiral away from traditional values.”215

In 2006, Wal-Mart further enhanced its ties to the homosexual lobby by paying $25,000 to become a member of the National Gay and Lesbian Chamber of Commerce and $60,000 to Out and Equal, which promotes gay rights in the workplace.

Disgruntled by Wal-Mart’s actions, the AFA called on its supporters to boycott Wal-Mart stores on the Friday and Saturday following Thanksgiving on Thursday, November 23, 2006. Those are two of the busiest shopping days of the year. In apparent response to the boycott threat, Wal-Mart announced on November 22 that it “will no longer make corporate contributions to support or oppose controversial issues unless they directly relate to their ability to serve their customers.” AFA declared this a victory, asserting that “Wal-Mart will remain neutral in cultural battles.”

But while AFA was clearly putting pressure on Wal-Mart, its claim that the retailer is stopping corporate contributions to gay rights groups is not supported by the company’s statement. Wal-Mart spokeswoman Mona Williams said the company would continue working with groups like the National Gay and Lesbian Chamber of Commerce. As for financial support, Williams said Wal-Mart would avoid giving groups unrestricted donations that might be used for causes Wal-Mart did not endorse. Instead, she said Wal-Mart “would partner with them on specific initiatives...as opposed to just giving blanket support to their general operating budget.”

The bottom line is that Wal-Mart is still going to donate money to homosexual rights groups. “I don’t see it as backpedaling by Wal-Mart,” said Joe Solmonese of the Human Rights Campaign.

However, gay activists continue to criticize Wal-Mart for not going far enough in advancing their agenda. Pride At Work, an AFL-CIO group that promotes mutual support between labor and the homosexual lobby, told gay activists “not to be fooled by Wal-Mart’s new marketing ploy.” The retailer may recognize some domestic partnerships as families, but it fails to offer domestic partner health benefits. Given Wal-Mart’s deplorable record on wages, health care, and unionization, Pride At Work Co-President Josh Cazares says, “We firmly believe the LGBT community will not be enticed by a company whose corporate values are so diametrically opposed to the values which so many
LGBT people hold dear: values of fairness, justice, and equality.”

One can dismiss this criticism as the predictable response from a union-backed group. But Wal-Mart’s failure to offer health care benefits to domestic partners is widely criticized by homosexual advocates. In April 2006, the Gay Financial Network released its “Guide to the Fortune 500 Companies,” rating their treatment of homosexuals according to the Human Rights Campaign’s Corporate Equality Index (CEI). Wal-Mart did poorly. While it noted that the company stood firm in resisting conservative pressure to remove the “Brokeback Mountain” DVD, Wal-Mart still scored a “dismal 57.” The main reason is that the retailer continues to resist giving gay couples access to the same health care benefits as heterosexual couples.

Conclusion

Wal-Mart’s advocacy of the liberal political agenda is yet another sad commentary on the cowardice of Corporate America.

Wal-Mart justifiably merits praise for its dramatic financial success and free market ingenuity. However, now that its very success has made it the target of activists, the company has chosen the path of least resistance and seeks to placate its enemies. To date, Wal-Mart has partly quieted environmental critics with its aggressive espousal of environmental policies. But, while attractive in the short term, this policy is unlikely to buy Wal-Mart long-term peace. Many environmentalists are wary of embracing the company as an ally because Wal-Mart’s business model, predicated on constructing large numbers of stores in open spaces, is anathema to their anti-sprawl agenda.

Because of this deep-seated mistrust, it is unlikely that Wal-Mart will generate substantial new business by co-opting environmental-minded consumers.

Furthermore, the more Wal-Mart tries to appease the Left, the more the Left demands. Wal-Mart’s adoption of race and gender quotas to counter charges of racial discrimination has not silenced the likes of Jesse Jackson who continue to denounce the retailer as an oppressive employer. And the homosexual lobby is not muting its criticism of Wal-Mart even though it has gone so far as to recognize the legitimacy of gay marriage.

In short, Wal-Mart’s cave-in to the Left is bad politics and bad business.

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