

Wal-Mart Collapses U.S. Cities and Towns

by Richard Freeman

During the last 20 years, Wal-Mart has moved into communities and destroyed them, wiping out stores, slashing the tax base, and turning downtown areas into ghost-towns. This is accomplished through Wal-Mart's policy of paying workers below subsistence wages, and importing goods that have been produced under slave-labor conditions overseas. Often, communities will even give Wal-Mart tax incentives, for the right to be destroyed.

Wal-Mart both reflects, and is, a major driving force for America's deadly implementation of the Imperial Rome model. Unable to produce physical goods to sustain its own existence, the United States, like Rome, sucks in imported goods from around the world, using, in this case, a dollar that is over-valued by 50-60%. America has been transformed from a producer to a consumer society. From the 1940s through the early 1960s, through its technologically-advanced manufacturing-agricultural economy, America produced *new value* that contributed to mankind's advancement. Through a "post-industrial society" policy, the bankers have pushed Wal-Mart to the top of the heap, so that it is now the world's largest corporation, with \$245.5 billion in sales last year. Wal-Mart, which produces *no value-added whatsoever*, dominates the geometry that governs the U.S. consumer society. America consumes goods that others produce, which Wal-Mart markets. Wal-Mart dictates, through its demand for low prices, that its suppliers outsource their production to foreign nations, further ripping down America's battered domestic manufacturing and agricultural capability, in a self-feeding process.

Presidential candidate Lyndon LaRouche has called for an international boycott of Wal-Mart. He told a cadre school of the LaRouche Youth Movement on Nov. 10: "Wal-Mart is probably one of the major foreign enemies of the United States! And, it's based *in* the United States. Where Wal-Mart strides, whole communities collapse! It runs in like a vampire: It flies in by night, and sucks the blood of the citizens, and the cows, and so forth. In the morning, there's not much left! Except unemployment and cheap labor. What Wal-Mart is doing to many communities of the Americas, is comparable to what happens to the poor Chinese, who are victims of the cheap-labor programs, which supply most of the product which Wal-Mart sells, as cheap-labor product."

Wal-Mart pays its American workers sweat-shop wages, and enforces a worldwide system of concentration camp pro-

duction plants, where some workers are literally kept as indentured servants (see *EIR*, Nov. 14). Here, we look at how Wal-Mart has laid waste communities from Iowa to Mississippi, from Ohio to Oklahoma.

Destroying Iowa

Iowa represents the paradigm of Wal-Mart's destruction of a state and its communities. Iowa is a leading agricultural state, with an industrial center in its northeast. In 1983, Wal-Mart opened its first store in the state. Since that time, the number of other retail stores that Wal-Mart has forced to close in Iowa, in communities of 5,000 or fewer people, is immense.

Sam Walton started Wal-Mart in his home town of Bentonville, Arkansas in 1962. At first he concentrated on Arkansas, Oklahoma, and Texas, along with a few other southern states. Beginning in the 1980s, he spread Wal-Mart out as a national chain, shifting from discount stores with 40-70,000 square feet of sales space, to increasingly building Sam's Club and supercenters, which typically have 150-200,000 square feet. The idea was to use its ability to sell a huge volume of goods, its sweat-shop pay to American workers, and its flood of cheap imports, to blow apart any competition. In the October 1996 issue of *Wal-Mart Today*, an internal company newsletter, Tom Coughlin, executive vice president for operations, summed up the approach: "At Wal-Mart, we make dust. Our competitors eat dust."

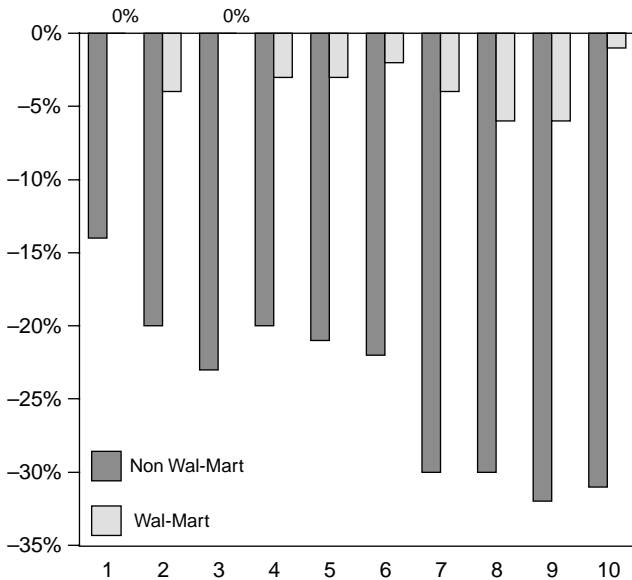
In looking at Iowa, we encounter a myth: that when Wal-Mart opened a store in Town A, it may have hurt *by a small amount* the sales of stores in other towns neighboring Town A—as the people from the other towns went to Wal-Mart to do some of their shopping; but nonetheless, Wal-Mart so increased the volume of sales at its own store and other stores in Town A, that the overall region experienced significant sales growth and job growth. Wal-Mart hired compliant research and marketing firms to "prove" this, but it is a lie.

We look at what happened to Iowa communities of 5,000 or fewer people. Significant research has been done in this area by Prof. Kenneth Stone of Iowa State University, which we draw upon. Since it is difficult to see what effect occurred after only one or two years, we look at the effects after ten years or longer. Using sales tax records, Professor Stone compared the change in sales volume at stores located in towns where Wal-Mart opened one of its stores (a "Wal-Mart Town"), and in the neighboring towns where Wal-Mart did not open a store ("Neighboring Non Wal-Mart Town"). In cases selected from the study, the sales at Wal-Mart stores themselves are not included, since the focus here is to measure the "Wal-Mart effect": Once Wal-Mart opens a store, what happens to *all the other stores* in the neighboring communities, in Iowa communities of 5,000 or fewer people?

Figure 1 presents the change in sales volume for Iowa home furnishings stores (furniture stores, major appliance stores, drapery stores, etc.). One year after Wal-Mart opened a store in a town, in the neighboring Non Wal-Mart Towns,

FIGURE 1

Iowa Wal-Mart Towns vs. Neighboring Non-Wal-Mart Towns* Home Furnishings Sales—After 10 Years



*In Communities of 5,000 or Less People

Source: *Impact of the Wal-Mart Phenomenon on Rural Communities*, by Dr. Kenneth E. Stone, Iowa State University.

at home furnishings stores the sales volume collapsed by 14%. People from the Non Wal-Mart Towns travelled to the towns where a Wal-Mart had opened, to purchase a share of their home furnishings at the Wal-Mart store. However, by the tenth year after the Wal-Mart store had opened, in the neighboring Non Wal-Mart Towns, at home furnishing stores the sales volume had fallen a stunning 31% below the level it had been ten years earlier. A large number of home furnishing stores were forced to close. In the Wal-Mart Towns, by the tenth year after the Wal-Mart store had opened, the sales volume at home furnishing stores had declined by only 1%. Clearly, the home furnishing stores located at neighboring Non Wal-Mart Towns, had suffered the brunt of the damage.

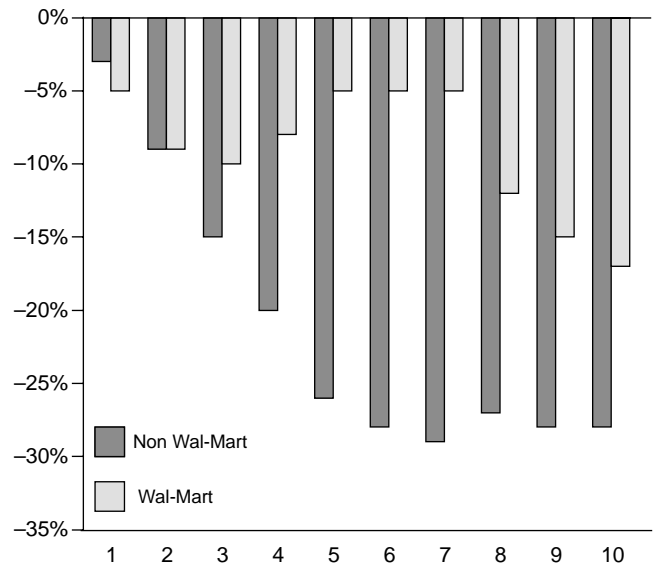
Figure 2 presents the change in sales volume for Iowa specialty stores (sporting goods stores, druggists, jewelry stores, card and gift shops, florists, etc.). In the Wal-Mart Towns, by the tenth year after the Wal-Mart store had opened, the sales volume at specialty stores had plunged by 17%. In the neighboring Non Wal-Mart Towns, by the tenth year after the Wal-Mart store had opened, the sales volume at specialty stores had tumbled by 28%.

Figure 3 presents the change in sales volume for Iowa apparel stores, showing a 28% decline by the tenth year in both Wal-Mart Towns and Non Wal-Mart Towns. The Wal-Mart Towns had not escaped the Wal-Mart effect.

Thus, Wal-Mart’s assertion that the sales by a range of

FIGURE 2

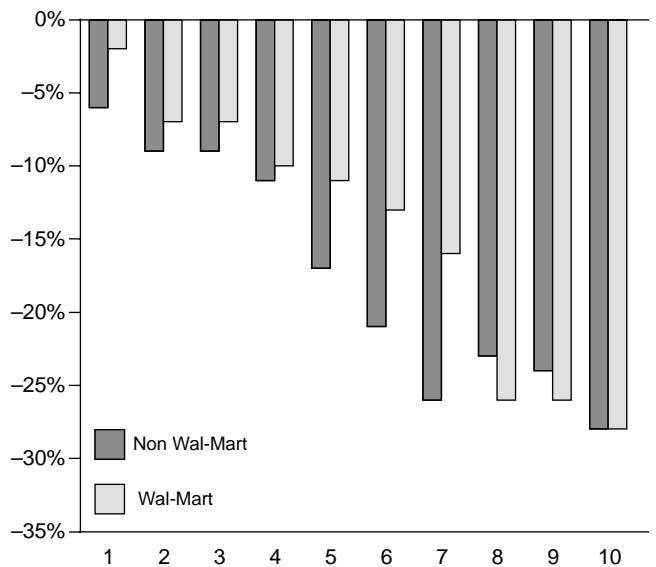
Specialty Stores Sales—After 10 Years



Source: Dr. Kenneth E. Stone, Iowa State University.

FIGURE 3

Apparel Stores Sales—After 10 Years



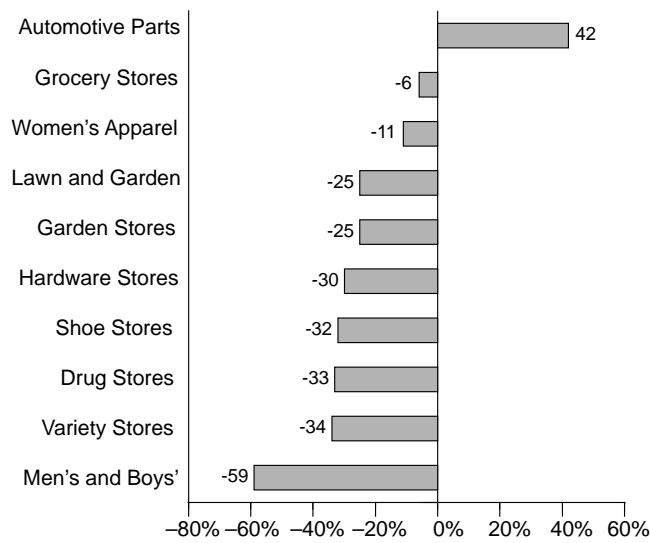
Source: Dr. Kenneth E. Stone, Iowa State University.

stores in neighboring Non Wal-Mart Towns would fall by a *small amount*, and that the sales volume by a range of stores in Wal-Mart Towns *would rise significantly*, is completely false.

Putting aside this myth, **Figure 4** shows the catastrophe caused by the Wal-Mart effect in Iowa, inclusive of towns that did and did not have a Wal-Mart store. The period under

FIGURE 4

% Change in Sales Volume at Iowa Stores, 1983-96*



*In Communities of 5,000 or Less People

Source: Dr. Kenneth E. Stone, Iowa State University.

TABLE 1

Number of Stores Closed in Iowa, 1983-93*

Grocery Stores	552
Hardware Stores	298
Building Supply Stores	293
Variety Stores	161
Women's Apparel Stores	158
Shoe Stores	153
Drug Stores	166
Men's and Boys' Apparel	111

*In Iowa Communities of 5,000 or Less People

Source: Professor Kenneth Stone, Iowa State University.

consideration is 1983-96, three years longer than the earlier study, giving three more years of the devastation. By 1996, 13 years after a Wal-Mart had opened in a town, the volume of sales at department stores, which includes Wal-Mart and other large discount chains, rose by 42%. However, since 1983, sales at grocery stores fell by 11%; sales at drug stores fell by 32%; and sales at men's and boys' stores dropped headlong by 59%. Iowa's retail and grocery stores, which form the underpinning of communities, had been ravaged.

Table 1 shows the second phase of the Wal-Mart effect: the closing of stores whose revenues had collapsed. All told, a staggering 7,326 stores closed in Iowa communities of 5,000 or less people (the table covers a ten-year period through 1993; through 1996, the number of store closings would be even greater). The health and vitality of these communities,

including employment at rising wages and benefits, the generation of taxes, etc., will not be restored.

Wal-Mart destroyed other communities and cities:

Toledo, Ohio. Author Al Norman describes the effect of Wal-Mart and Home Depot (another outsourcing chain) on Toledo: "When I went for a walk in downtown Toledo, I passed the old Lamson dry goods store: 9 stories of empty retail space. Each floor is the size of a football field. The building served as the home of a Macy's Department store from 1924 to 1984. For the past fourteen years, the store has been empty. The City now owns it, which means the taxpayers of Toledo are paying the freight for its upkeep."

Nowata, Oklahoma. In 1982, Wal-Mart opened a store on the outskirts of Nowata, a town of 4,000 people. Half of the small businesses in downtown Nowata shut down. Then in 1994, Wal-Mart abruptly closed this store, as well as another in a nearby town, and opened up a supercenter in Bartlesville, which is 30 miles away, leaving Nowata prostrate.

Mississippi. A study found that in small towns in the state, five years after the opening of a Wal-Mart, the dollar volume of grocery store trade had collapsed 17%.

Vermont. In an attempt to stop Wal-Mart, various towns passed restrictions that would halt Wal-Mart construction. Wal-Mart built stores in the neighboring New Hampshire and New York, which sucked business out of Vermont.

Despite all this, many states and communities are using taxpayers' money to finance subsidies to Wal-Mart, to come in and rape them. In 1999, it was reported that in Olivette, Missouri, a developer received a tax incentive of up to \$38.9 million for a Wal-Mart and a Sam's Club—more than a third of the projected total cost of the project. In 1998, it was reported that the city of Chesterfield, Missouri was supplying \$25.5 million in tax incentives toward the construction of a \$100 million-plus mall, anchored by a Wal-Mart. In 2001, Ohio approved \$10 million in tax credits and other assistance for Wal-Mart to build two distribution centers and an eye-glass-manufacturing facility.

These insane subsidies draw down the public finances. At the same time, Wal-Mart decimates the tax-base through other methods:

- Many stores which, unlike Wal-Mart, did not get tax breaks, are closed. This causes the loss to many states of sales taxes, and to all states of corporate profit taxes.
- Workers at established stores closed by the Wal-Mart effect, who were paid higher wages than workers at Wal-Mart, have been fired, reducing state income taxes.
- Wal-Mart's outsourcing caused the loss of 1-1.5 million manufacturing production jobs, and thus cost the taxes that these workers and the manufacturing plants that they worked at, would have paid.
- States and cities often have to finance downtown revitalization programs for the areas devastated by Wal-Mart.

Wal-Mart certainly produces a wealth effect: loss of wealth. Walk through any community downtown with its empty or boarded-up stores, to see the Wal-Mart effect.