

Wal-Mart 'Eats' More U.S. Manufacturers

by Richard Freeman

In mid-November, Wal-Mart, the world's largest corporation and leader of the "globalization" drive, forced the closing of a national children's clothing store, Kids 'R' Us, and pushed the famous Hoover vacuum cleaner manufacturer to the brink; by the end of November, it is expected that Hoover may announce the shift of a substantial portion of its production facilities to Mexico, laying off hundreds of American workers.

Forcing the closure of competing retail stores is a Wal-Mart specialty, as is its destruction of many of America's leading textile and apparel manufacturers and food companies.

As *EIR* has shown in a series of articles (Nov. 14, Nov. 21), Wal-Mart is a driving force for America's implementation of the Imperial Rome model: Unable to reproduce its own population's existence, the United States has, for the past two decades, used an over-valued dollar to import goods from abroad. Wal-Mart markets an immense volume of these goods, many of which are produced under slave-labor conditions. It pays below-subsistence wages to its American workers, and drives down the wages of competing retail stores.

On Nov. 1, Democratic Presidential pre-candidate Lyndon LaRouche put a spotlight on the matter, with a call for a national and international boycott of Wal-Mart. On Nov. 18, he told a campaign meeting in St. Louis, Missouri: "The most important subversive enemy against the United States people and economy today, is Wal-Mart!" He denounced Wal-Mart's forcing companies to outsource, causing the exodus of millions of manufacturing jobs. The reason households shopped at Wal-Mart, he said, is that their collapsed incomes make them unable to purchase goods at higher prices.

Gutting Companies

On Nov. 17, the national retail chain Toys 'R' Us, announced that it would close 146 of the stores of its Kids 'R' Us subdivision, which sells clothing, as well as 36 of its Imaginarium stores (which sell "educational" toys and games). The shutdowns will be completed by Jan. 31, 2004, eliminating up to 3,800 jobs. Kids 'R' Us was unable to slash the prices of its children's clothing deeply enough to compete with Wal-Mart.

Moreover, Wal-Mart has launched an aggressive campaign, through cut-throat pricing, to destroy the parent company, Toys 'R' Us, the second-largest toy seller (after Wal-Mart) in America. As an example of how this strategy oper-

ates: The popular Hot Wheels T-Wreck Play Set toy sells for \$42 *wholesale*. However, according to the Nov. 19 *Wall Street Journal*, Wal-Mart is now selling that very toy at \$29.74, a loss of more than \$10 per unit. Wal-Mart sells 21% of all toys sold in America, and if it knocks out its leading competitor, its share could reach 30%.

Hoover has been a leading name in vacuum cleaners for nearly 100 years. During the third quarter of this year, Hoover's vacuum-cleaner sales declined by 20%, which the company blamed on competitors' models priced at \$79—made in Asia to meet Wal-Mart's price demands—outselling Hoover's \$100-plus vacuums produced in the United States. Hoover cannot withstand such drops in sales volumes. Hoover's parent company, Maytag, is demanding cuts in health insurance and other benefits, plus changes in job-security rules for production workers at its Hoover vacuum manufacturing plant in North Canton, Ohio. If the workers don't cave in, Maytag has stated that it will move Hoover vacuum production to cheap-wage sites in Texas, and to *maquiladoras* in Ciudad Juárez, Mexico.

Textile and Apparel, and Food Sectors

No company is safe from Wal-Mart's unswerving assault, but particularly at risk are manufacturing concerns in the textile and apparel sector, and in the food sector.

Wal-Mart has ravaged companies by leveraging its enormous sales power, and its access to products produced by slave-labor, to make suppliers follow its pricing decisions. If the supplier company doesn't sell its goods at the price Wal-Mart sets, Wal-Mart denies them shelf space at its stores, which destroys that company. However, even when a supplier meets Wal-Mart's prices, the prices are so low, and the supplier loses so much money, that the supplier is forced into bankruptcy. Wal-Mart's 2002 sales of \$244.5 billion were larger than the sales of Sears, Target, J.C. Penny, K-Mart, Safeway, and Kroger combined.

Textiles and Apparel:

- Carolina Mills is a 75-year-old company that supplies thread, yarn, and textile finishing to apparel-makers—half of which supply Wal-Mart. But since 2000, Carolina Mills' customers have begun to find imported clothing sold so cheaply at Wal-Mart, that Carolina Mills could not compete even if they paid their workers nothing! Since 2000, Carolina Mills has shrunk from 17 factories to 7, and from 2,600 employees to 1,200. Steve Dobbins, the CEO of Carolina Mills, told the December issue of *Fast-Company* magazine: "People ask, 'How can it be bad for things to come into the U.S. cheaply? How can it be bad to have a bargain at Wal-Mart?' *But you can't buy anything if you're not employed. We are shopping ourselves out of jobs*" (emphasis added).

- Lovable Garments, which was founded in 1926, had, by the 1990s, become the sixth-largest producer of women's lingerie in the United States, employing 700 workers. Wal-Mart became the biggest purchaser of Lovable's goods; in 1995, Wal-Mart demanded that Lovable slash its prices to



The LaRouche Youth Movement joins with a Wal-Mart employee in Long Beach, California, to draw attention to the company's voracious policies of driving down wages, both here and abroad.

compete with cheap imports. When Lovable indicated it could not do that, Wal-Mart illegally reneged on its contract, and outsourced the lingerie production to Ibero-America, Asia, and China. Without the Wal-Mart market, in 1998 Lovable had to close its American manufacturing facilities and fire the workers. Stated Frank Garson, who was then Lovable's president, "Their actions to pulverize people are unnecessary. Wal-Mart chewed us up and spit us out."

Food:

- Vlastic Pickles was roped into a contract with Wal-Mart, in which Wal-Mart sold a 3 gallon jar of whole pickles for \$2.97. Wal-Mart sold 240,000 gallons of pickles per week. But the price of the 3 gallon jar was so low, that it vastly undercut Vlastic's sales of 8 ounce and 16 ounce jars of cut pickles; further, Vlastic only made a few pennies per 3 gallon jar. With its profits tumbling, Vlastic asked Wal-Mart for the right to raise the price per 3 gallon jar to \$3.49, and according to a Vlastic executive, Wal-Mart threatened that if Vlastic tried to back out of this feature of the contract, Wal-Mart would cease carrying any Vlastic product. Eventually, a Wal-Mart executive said, "Well, we've done to pickles what we did to orange juice. We've killed it"—meaning it had wiped out competitor products. Finally, it allowed Vlastic to raise prices; but in January 2001, Vlastic filed for bankruptcy.

Destroying Labor Overseas

Wal-Mart buys a lot of its goods from China, where in some sections of the country, very low wages are paid. One case that has come to light concerns the Ching Hai Electric Works Co. in Shajing, which produces electric fans. The factory makes several million fans per year, and sells them under many of the world's leading brand names, and also under two of the company's own names. The workers' starting salary has

been as low as \$32 per month, 40% below China's minimum wage of \$56 per month. In the late 1990s, Wal-Mart started making demands that the price of the fans be lowered, and they have fallen from approximately \$7, to \$4 per fan. But to lower the price, the manager of the plant had to cut its workforce in half, to 1,500 workers, while maintaining the same level of orders. This has led to many workers working 14 hours per day, for a pittance.

Meanwhile, American factories that produce fans are shutting down.

International Spotlight

The situation has become so outrageous, that it is drawing international attention. On Nov. 19, the *Observer* of London carried an article on the destruction of the City of Buffalo, New York, mentioning the role of Wal-Mart. The article tells the story of Buffalo Color, a manufacturing plant where indigo dye for denim was produced. Once employing 3,000 workers, Buffalo Color lost business to plants established in China, which produce the indigo dye at half the cost that Buffalo Color does. The indigo dye is used to color the denim, most of which is used in clothing, and Wal-Mart has driven down the price it will pay for clothing, and thus all its constituent ingredients must be cheaper. Buffalo Color now employs 12 people, and functions strictly as a resale operation. The article also reports on the Made in the USA group, which consists of many small- and medium-sized manufacturers, whose chairman states that its primary enemy is Wal-Mart.

On Nov. 18-19, the City of London's mouthpiece, the *Financial Times*, ran four articles on Wal-Mart, centered on Wal-Mart's practices of hiring and directing cleaning companies that employed foreign illegal workers who cleaned Wal-Mart stores, seven nights a week, under hideous conditions.