

4. Does Gator's software violate the right to privacy of PC owners? Would outlawing Gator-like adware be a setback for the idea of "fair use"? Would it violate the rights of PC owners?

5. Is your view of this case affected by whether you personally find pop-up ads annoying?

CASE 4.5

One Nation Under Wal-Mart

The huge corporations that produce our cars, appliances, computers, and other products—many of them household names like Nike, Coca-Cola, and Johnson & Johnson—are a familiar feature of contemporary capitalism. But Wal-Mart represents something new on the economic landscape. Now the world's largest company, Wal-Mart has achieved its corporate preeminence not in production but in retail. No other retailer, at any time or in any place, has ever come close to being as large and influential as Wal-Mart has become. After years of nonstop growth, there are now more than 4,750 Wal-Mart stores, visited every week by 138 million shoppers. And the company is opening more stores all the time as it moves beyond its stronghold in the rural South and Midwest and into urban America. In fact, 82 percent of American households purchase at least one item from Wal-Mart every year. As a result, the company's marketplace clout is enormous: It controls about 30 percent of the market in household staples; it sells 15 percent of all magazines and 15–20 percent of all CDs, videos, and DVDs; and it is expected to control soon over 35 percent of U.S. food sales. For most companies selling consumer products, sales from Wal-Mart represent a big hunk of their total business: 28 percent for Dial, 24 percent for Del Monte, and 23 for Revlon. Wal-Mart is also responsible for 10 percent of all goods imported to the United States from China.⁸⁴

The good news for consumers is that Wal-Mart has risen to retail supremacy through the bargain prices it offers them. The retail giant can afford its low prices because of the cost efficiencies it has achieved and the pressure it puts on suppliers to lower their prices. And the larger the store gets, the

more market clout it has and the further it can push down prices for its customers.

Everyone, of course, loves low prices, but not everyone, it seems, loves Wal-Mart. Why not? Here are some of the charges that critics level against the retail behemoth:

- Wal-Mart's buying power and cost-saving efficiencies force local rivals out of business, thus costing jobs, disrupting local communities, and injuring established business districts. For example, within five years of a Wal-Mart supercenter opening, two other supermarkets close. Further, Wal-Mart often insists on tax breaks when it moves into a community, so its presence does little or nothing to increase local tax revenues.
- Wal-Mart is staunchly anti-union and pays low wages. Its labor costs are 20 percent lower than those of unionized supermarkets; its average sales clerk earns only \$8.23 an hour, and most of its 1.4 million employees must survive without company health insurance. Small wonder that employee turnover is 44 percent per year. Moreover, government welfare programs subsidize Wal-Mart's poverty-level wages. According to one congressional report, a two-hundred-employee store costs the government \$42,000 a year in housing assistance, \$108,000 in children's health care, and \$125,000 in tax credits and deductions for low-income families. Finally, because of its size, Wal-Mart exerts a downward pressure on retail wages and benefits throughout the country. Critics also charge that Wal-Mart's hard line on costs has forced many factories to move overseas.

- As Wal-Mart grows and grows, and as its competitors fall by the wayside, consumer choices narrow, and the retail giant exerts ever greater power as a cultural censor. Wal-Mart, for example, won't carry music or computer games with mature ratings. As a result, the big music companies now supply the chain with sanitized versions of the explicit CDs that they provide to radio stations and that are sold elsewhere. The retailer has removed racy magazines such as *Maxim* and *FHM* from its racks, and it obscures the covers of *Glamour*, *Redbook*, and *Cosmopolitan* with binders. Although most locations offer inexpensive firearms, Wal-Mart won't sell Preven, a morning-after pill—the only one of the top ten drug chains to decline to do so.

As a result, these days Wal-Mart's expansion is frequently meeting determined local resistance, as concerned residents try to preserve their communities and their local stores and downtown shopping areas from disruption by Wal-Mart through petitions, political pressure, and zoning restrictions. As one economist remarks, for Wal-Mart "the biggest barrier to growth" is not competition from rivals like Target or Winn-Dixie stores but "opposition at the local level."

Professor John E. Hoopes of Babson College encourages people to take a long-term view. "The history of the last 150 years in retailing would say that if you don't like Wal-Mart, be patient. There will be new models eventually that will do Wal-Mart in, and Wal-Mart won't see it coming." In

the meantime, where you stand on Wal-Mart probably depends on where you sit, as Jeffrey Useem writes in *Fortune* magazine: "If you're a consumer, Wal-Mart is good for you. If you're a wage-earner, there's a good chance it's bad for you. If you're a Wal-Mart shareholder, you want the company to grow. If you're a citizen, you probably don't want it growing in your backyard. So, which one are you?"

Discussion Questions

1. Do you like Wal-Mart? Do you shop there? If so, how frequently? If not, why not?
2. Is there a Wal-Mart store in your area? If so, has it had any impact on your community or on the behavior of local consumers? If there's no store in your area, would you be in favor of Wal-Mart opening one? Explain why or why not.
3. Is Wal-Mart's rapid rise to retail dominance a positive or a negative development for our society? What does it tell us about capitalism, globalization, and the plight of workers?
4. Can a retailer ever become too large and too powerful?
5. Is opposition to Wal-Mart's expansion a legitimate part of the political process or is it unfair interference with our market system and a violation of the company's rights? Do opponents of Wal-Mart have any valid concerns?