

Confidential

Wal-Mart: The Ultimate Lever for Major Corporate Change

By

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Introduction

Wal-Mart is the natural evolution of the corporate “species” in a legal and cultural environment that values the free market so highly. Now the largest corporation and private employer in the world, Wal-Mart is leading, if not forcing, a corporate “race-to-the-bottom” in terms of labor, environment, community health and economic diversity. Wal-Mart’s business model threatens decades of social and environmental progress, but it also presents opportunities to unite a diverse array of progressive forces in our society and achieve important changes in the practices of thousands of its suppliers worldwide. Most important, a Wal-Mart campaign could leverage the company’s visibility, negative impacts and market muscle to create a broader corporate transformation movement that redefines the role of corporations in our society.

This white paper presents the rationale for a broad-based campaign to transform Wal-Mart and argues that this needs to become one of the highest and most immediate priorities of the progressive movement. It describes the power of Wal-Mart over suppliers, competitors and government, as well as the threats related to this power. It discusses the challenges that non-governmental organizations would face in a Wal-Mart campaign due to the company’s tremendous wealth, its customers and its antipathy towards organized labor. It outlines some of the major strategic factors to be considered in a campaign. It explores the opportunities a Wal-Mart campaign would provide to change the practices of thousands of suppliers, build a national community activist network, strengthen shareholder activism, unify the progressive movement and elevate and re-frame the debate around corporations and their role in society. Finally, this paper lays out the next steps to prepare for a Wal-Mart campaign.

The Power and Threat of Wal-Mart

A healthy democracy and capitalist economy rely on systems of checks and balances. In government, this system works through the interplay of the executive, legislative and judicial branches. In the marketplace, it includes a complex interplay of forces including competitive supply and demand, informed consumer behavior and reasonable levels of government intervention when markets fail. Wal-Mart, by virtue of its sheer economic power and its business strategies, threatens to upset this balance, both in government and the marketplace. It produced \$258.7 billion in revenues in 2003.¹ It operated 3,400 stores² in the U.S.; it intends to add, relocate, or expand more than 300 this year³ and 1000 in the next five years.⁴ Outside the U.S., the company operates 1,288 stores⁵ and plans to add, relocate, or expand 120-130 more in the next twelve months.⁶ Wal-Mart operates as the number one retailer in Canada and Mexico.⁷ It is the largest private employer in the U.S. with nearly 1.4 million employees.⁸

Wal-Mart controls seven to eight percent of all consumer spending excluding cars and appliances.⁹ It sells over 30% of all household staples (e.g., toothpaste, detergents, cleaning products) purchased in the U.S. Its share of this market could reach 50% before the end of the decade.¹⁰ Wal-Mart is the largest seller of groceries in the U.S., and “it is a force in many other categories including electronics, health and beauty products, sporting goods and entertainment (CDs, DVDs and videos).... Its prescription drug sales make it the #3 pharmacy operator.”¹¹ It is the largest seller of toys, furniture, jewelry, dog food and scores of other consumer products.¹² Wal-Mart also accounts for about 25% of the apparel market in the U.S. (jeans, sweats and underwear).¹³ Based on its revenues, Wal-Mart ranks among the top thirty “economies” in the world.¹⁴

If Wal-Mart was leading a race to the top in terms of labor, social justice, environment and international trade, social activists’ concerns about its sheer size and power would be lessened, but the evidence suggests just the opposite. The title of a *Business Week* editorial, “The High Cost of Low Prices” captures one of the major themes that winds throughout the criticisms of Wal-Mart.¹⁵ Another *Business Week* article entitled “Is Wal-Mart Too Powerful?” captures the other major theme. When such immense wealth and market share are concentrated in one company, its growing ability to determine the direction of the marketplace and government policy threatens the delicate checks and balances that make these systems work.

Wal-Mart’s Influence over Suppliers and the Resulting Threats

Size and position in the marketplace give Wal-Mart immense potential power over its suppliers. According to Charles Fishman, senior editor for *Fast Company* magazine, “The retailer has a clear policy for suppliers: On basic products that don’t change, the price Wal-Mart will pay and will charge shoppers, must drop year after year. But what almost no one outside the world of Wal-Mart and its 21,000 suppliers knows is the high cost of those low prices. Wal-Mart has the power to squeeze profit-killing concessions from vendors. To survive in the face of its pricing demands, makers of everything from bras to bicycles to blue jeans have had to lay off employees and close U.S. plants in favor of outsourcing products from overseas.”¹⁶

Many major suppliers have become heavily dependent on their Wal-Mart sales. Wal-Mart made up 30% or more of U.S. sales for Clorox, Mattel, Gillette and Proctor and Gamble in fiscal year 2002.¹⁷ The company accounts for 23% of Revlon sales, 24% of Del Monte sales and 28% of Dial’s sales.¹⁸ Some progressive manufacturers currently not selling through Wal-Mart have privately expressed concerns about falling under the control of this giant retailer. They fear a “race to the bottom” where they are forced to reduce costs by moving even more jobs to overseas manufacturers, reducing domestic employees’ compensation and benefits and looking for cheaper supplies often at the expense of the environment, communities’ and workers’ health.¹⁹

As Wal-Mart's share of suppliers' sales continues to increase, so does its influence over them. Nelson Lichtenstein, professor of History at the University of California, Santa Barbara, notes, "The relationship between Wal-Mart and its suppliers is an increasingly intimate one that has transformed Wal-Mart into a de facto manufacturing company...at Wal-Mart the retail sales operation wags the manufacturing tail."²⁰ The dominant feature of this "intimate" relationship is the pressure Wal-Mart puts on suppliers to conform to its business model by reducing prices. While Wal-Mart boasts that this pressure forces suppliers and manufacturers to operate more efficiently, typically businesses gain "efficiency" through industry consolidation, reduction in labor and material costs or avoidance of expensive regulatory compliance.

Wal-Mart's relentless pressure on suppliers to lower costs not only accelerates the industrialization of food and commodity production and migration of manufacturing jobs overseas, but in doing so, tilts the competitive playing field against businesses that use environmentally sustainable methods, pay livable wages and benefits and spend their money in their local communities where the multiplier effect produces other jobs. As Wal-Mart controls an increasing share of the marketplace for food, household staples and toys, its suppliers are increasingly forced to consolidate into fewer and larger companies, reduce labor expenses, find cheaper resources and shift their costs to taxpayers.

Weyerhaeuser exemplifies how Wal-Mart's cost squeezing ripples through the supply chain with negative environmental impacts. The company provides cardboard boxes for Tyson Foods, a major Wal-Mart supplier for beef and chicken products. As Wal-Mart pressures Tyson to lower its prices, Tyson in turn pressures Weyerhaeuser to do the same. Weyerhaeuser then has to aggressively pursue various "efficiencies" in order to meet these demands. The company claims this pressure partially motivated its recent hostile takeover of Willamette Industries.²¹ Many foresters and forest activists saw this acquisition as a threat to the sustainability of Willamette's forest lands. Corporate acquisitions incur debt which often leads to faster harvesting rotations to generate income, mill closings to reduce costs, and tough competition for landowners who manage their forests well. "Weyerhaeuser exemplifies chemically intensive, short-rotation, clearcut-oriented, single-species forestry....The company has also been converting thousands of acres of productive forestland to residential sprawl in Washington and other states..."²²

When companies like Wal-Mart create direct or indirect pressure for cost reductions in extractive industries like forest products, it accelerates a trend destructive to the environment, independent producers, communities and our health. The forest products industry in general often achieves the "efficiencies" demanded by Wal-Mart and others through illegal logging (e.g., in Russia, Indonesia and Malaysia) and industrialized forest practices that include the use of clear-cutting, genetically altered and exotic tree species, pesticides, herbicides and chemical fertilizers, as well as shorter rotations.²³

This destructive trend relates to a host of other products. As the largest retailer of jewelry, when Wal-Mart pressures its suppliers to reduce their costs, they must pressure their producers to reduce costs as well. Unfortunately, mining companies producing gold and diamonds for jewelry often achieve their efficiencies through extraction procedures that destroy the environment. They commonly use cyanide and generate vast quantities of waste. A single gold ring generates 20 tons of mine wastes. In several cases, the gold and diamonds are produced and traded at great cost to people's lives and in violation of human rights.²⁴

Wal-Mart is one of the largest retailers of seafood. By pressuring its suppliers to reduce their costs, the company encourages the commercial fishing industry to continue achieving efficiencies by unsustainably harvesting many fish species and literally "mining" the seas by using bottom trawling gear that drags heavy nets across the sea floor, destroying habitat and killing almost all species in its path.²⁵ For those producers who farm rather than catch fish, the impacts differ, but they are still harmful. The salmon-farming industry, for example, reduces its costs through practices that destroy wild salmon runs, the livelihoods of commercial fisherman and native communities, the eco-systems where these communities are located, as well as the health of those who eat toxic chemical-contaminated and antibiotic-laced farmed salmon products.²⁶

Wal-Mart also ranks as one of the largest retailers of pork, chicken and beef. Pressure for producers to cut costs has led to industrialized factory farming of hogs, chickens and cattle. This in turn destroys the livelihood of independent farmers, increases human health risks, endangers local environments and communities and perpetuates the cruelest of animal husbandry practices. Additionally, these destructive impacts are accompanied by some of the worst business practices, including bribery, fraud and records-destruction.²⁷

Wal-Mart suppliers also achieve efficiencies by utilizing foreign manufacturers in countries like Nicaragua, Swaziland, China and elsewhere to produce cheaper goods. Unfortunately, efficiencies in these countries are often gained through sweatshop operations where laws are not adequate to protect workers from abusive working conditions. When laws are adequate, economic opportunities are often so limited that foreign suppliers will evade them in order to produce goods at the price dictated by Wal-Mart. In 2001, *Multi-National Monitor* put Wal-Mart on its "10 Worst Companies of 2001" list for its "vicious anti-unionism here at home" and "its tolerance of sweatshops." At the time, it cited the findings of KLD Research & Analytics, which maintains the Domini 400 Social Index, which found that Wal-Mart's code of conduct for vendors did not require them to pay a sustainable living wage and Wal-Mart itself refused to issue any public reports. Domini dropped Wal-Mart from its fund saying the company's "sub-par vendor contracting policies and practices and its unresponsiveness to calls for change, amplified by its role as the retail industry's market leader," convinced the socially responsible investment firm that further dialogue with the company offered few prospects for achieving change.²⁸ While

Wal-Mart finally agreed to conduct inspections of vendors and issue public reports, the reports are widely considered to be inadequate and not up to the standards of companies like Nike, Gap, Reebok and others.

Wal-Mart's Influence over Competitors and the Resulting Threat

Wal-Mart may transform suppliers, but it bankrupts competitors. Those that manage to survive face severe financial pressure to lower costs, especially labor costs. K-Mart filed for bankruptcy in 2002 and eliminated 57,000 jobs in part because it couldn't compete with Wal-Mart. FAO-Schwartz Inc., an iconic toy seller, went bankrupt because of competition with Wal-Mart. Several national grocery chains have gone bankrupt due to Wal-Mart's growth in this market²⁹ and 25 regional supermarket chains around the nation closed or filed for bankruptcy for the same reason, eliminating 12,000 jobs.³⁰ In addition to these large retail casualties, thousands of "mom-and-pop" stores across the country have gone out of business after Wal-Mart came to town.³¹ In Iowa alone, within the 12 years after Wal-Mart opened its first stores, 50% of clothing stores closed, 30% of hardware stores closed, 25% of building materials stores closed, 42% of variety stores closed, 29% of shoe stores closed, 17% of jewelry stores closed and 26% of department stores closed, all attributed at least in part to Wal-Mart.³²

Wal-Mart has forced many of the surviving competitors to reduce their compensation packages. Target, for example, a non-union company once known for a good benefits package, now requires employees to work an average of 32 hours per week to qualify for health coverage. Unfortunately for them, the company also increased its hiring of new employees so that it could reduce employees' overall weekly hours, thus reducing the number of them that would qualify for health coverage. Many employees saw this as way to stay competitive with Wal-Mart.³³

Wal-Mart especially threatens unionized industries. Wal-Mart's wage and benefit package offers about \$10 an hour less than those offered by unionized supermarkets, which largely explains why supermarket prices typically run 17% to 39% less than a unionized supermarket.³⁴ To further reduce labor costs, the company employs a large number of part-time staff and when they finally qualify for health benefits, it requires them to pay a significantly larger share of the monthly premiums than the industry average.³⁵ "Wal-Mart wants our customers and your jobs," said Safeway executive Larree Renda. "Total wage and benefit costs represent 15% of sales at Safeway....At Wal-Mart they account for 9 percent. If we don't change....you bet we'll lose jobs — and it will be in the thousands."³⁶

A good number of parties have filed suit against Wal-Mart for gaining labor cost advantages through less than legal means. Currently the company is being sued for: 1) illegally altering thousands of employee time cards to reduce payroll,³⁷ 2) violating child labor laws,³⁸ 3) violating state laws requiring time for breaks and meals,³⁹ 4) engaging in illegal and deceptive

practices to counter union organizing efforts,⁴⁰ 5) locking-in night employees, 6) conspiring with contractors to recruit and hire illegal immigrants to clean its stores and cheat them out of their wages,⁴¹ 7) paying significantly lower average wages to female workers in all job categories, and 8) discriminating against female workers for promotions to management positions.⁴²

Many senior officials in the labor movement publicly acknowledge that Wal-Mart represents their greatest single threat. Wal-Mart practices not only accelerate the movement of traditionally unionized manufacturing industries overseas which reduces union membership rolls, but they force competitors to fight unions domestically in order to stay competitive.⁴³ “They are the third party now that comes to every bargaining situation,” said Mike Leonard, Director of Strategic Programs for the United Food Commercial Workers (UFCW).⁴⁴ *The Washington Post* reported that the Southern California grocer strike involving 70,000 Kroger, Safeway and Albertson employees represented a battle brought on by employers’ claims of the need to compete with Wal-Mart.⁴⁵ When the Southern California strike ended largely on industry terms, one senior labor strategist privately described the outcome as disastrous for organized labor in the grocery industry. In his opinion, the strike erased the assumption that health benefits are a worker’s right.⁴⁶

Wal-Mart’s Influence over Government and the Resulting Threats

Wal-Mart is increasing its efforts to influence governments. In China, for example, Wal-Mart has gained leverage in large part because it has become one of China’s largest trading partners. It has more than 3,000 supplier factories in China and imports 10% of all goods that come into the U.S. from there. Wal-Mart accounts for one percent of China’s Gross Domestic Product.⁴⁷ If considered a country, Wal-Mart would be China’s eighth largest trading partner.⁴⁸ In terms of expansion, Wal-Mart CEO Lee Scott has expressed excitement about the possibilities of major expansions into India and Russia and has said that China represents the best chance to “replicate what we’ve done in the U.S.”⁴⁹

In the U.S., with contributions totaling \$1.26 million in the 2003-2004 election cycle, Wal-Mart became the largest contributor to federal parties and candidates.⁵⁰ According to the Center for Responsive Politics, Wal-Mart’s Political Action Committee operates as the second largest in Washington D.C., with 85% of its contributions going to Republicans.⁵¹

Wal-Mart is building its lobbying presence in our nation’s capital. It poured millions of dollars into the U.S. Chamber of Commerce’s Institute for Legal Reform in an effort to limit class action suits which had become a major strategic tool of its union opposition.⁵² Wal-Mart hired several attorneys with federal connections and expanded its Washington D.C. lobbying presence.⁵³ The legislative targets on Wal-Mart’s radar include: changing the banking laws to allow Wal-Mart to offer its own banking services to customers, removing all tariffs

on manufactured goods brought into the U.S., banning labor organizing activities outside retail stores, setting limits on class-action suits, protecting the company against immigration enforcement inspections which have found undocumented workers, reducing overtime pay, getting a seat on Commerce Department Advisory Committee on World Trade and allowing them to take part in the Cancun talks on the Central American Free Trade Agreement.⁵⁴

Wal-Mart proposed to the U.S. Trade Representative's (USTR) office several initiatives to advance in the 2002 General Agreement on Trade and Services (GATS) negotiations. Wal-Mart requested that USTR push for no limits on store size, concentration, overall number of stores or anything else that affects their usual game plan. It requested trade liberalization of sectors for products they sell and greater "movement of natural persons," the international analogue of "labor flexibility," a tool for providing companies a large pool of cheap labor.⁵⁵ The *Wall Street Journal* reported that Wal-Mart's political contributions seemed to bear fruit in this arena as well as publicity. In November 2002, as requested, the Bush administration proposed the removal of all tariffs on manufactured goods imported to the U.S. by 2015. U.S. Trade Representative Robert Zoellick stood before the news media with two identical baskets of baby goods, prominently marked as having come from Wal-Mart. The one without tariffs cost \$32 less.⁵⁶

Wal-Mart's Threat to State and Local Governments

Wal-Mart has nearly saturated the markets that welcome it (the South, Southwest and parts of the Midwest), which is forcing it to enter new markets that often don't want it (e.g., the Northeast and California).⁵⁷ It is investing tens of millions of dollars to influence or even by-pass municipal governments to gain approval for new store locations. Sprawl-busters.com, one of the leading NGOs helping cities fight Wal-Mart's expansion, has created a database of newspaper articles that document numerous examples in which the company has challenged city rulings in court, used back-channel influence to obtain approvals, brought in full "campaign" teams to influence public opinion and even funded petition gathering for initiatives to by-pass city government to gain approval. Newspaper accounts also describe questionable influence tactics such as allegations of bribery.⁵⁸

Local anti-Wal-Mart activists cite a variety of threats the company poses to their communities including: a net loss of quality jobs,⁵⁹ poverty level wages and benefits,⁶⁰ increases in crime,⁶¹ negative transportation impacts, encouragement of urban sprawl, environmental impacts, loss of small businesses, lost tax revenues⁶² and indirect costs to taxpayers that may amount to as much as \$2 billion per year.⁶³ Studies commissioned by cities such as San Diego tend to support these fears. San Diego found that Wal-Mart stores indeed provide below subsistence level, largely part-time, retail service jobs that mostly replace higher quality jobs in the same service sector. Their existence adversely affects small businesses and competitor

businesses. Contrary to Wal-Mart claims, their stores do not increase overall economic activity in the surrounding locale.⁶⁴

Cities are also finding that opposing Wal-Mart can be costly. In Inglewood, California, Wal-Mart paid for petition gathering to place an initiative on the ballot to by-pass city government. In Oakland, as in many other jurisdictions, it went to court to challenge (unsuccessfully) the city's ruling barring the company. Opposition to Wal-Mart often means expensive initiative or legal battles that run into hundreds of thousands of dollars.⁶⁵

States too find Wal-Mart an expensive resident. Representative George Miller (D) of California commissioned a report on the effects of Wal-Mart that found a certain percentage of its workers must turn to subsidized medical care, free school lunches, housing subsidies and other taxpayer-supported welfare services. The report concluded that a typical Wal-Mart store with 200 employees would cost taxpayers \$420,750 per year.⁶⁶ Georgia found that it was indirectly subsidizing Wal-Mart through its program covering low-income children's health care. Ten thousand children of Wal-Mart employees made the company by far the largest corporate benefactor of the state's public health insurance program in total and on a percentage of employees basis.⁶⁷ A study of Wal-Mart's impact on taxpayers in Washington State found similar results for its public health insurance program.⁶⁸ Researchers at U.C. Berkeley recently released one of the more exhaustive studies on Wal-Mart's impact on state taxpayers. It concluded that Wal-Mart employees cost the taxpayers of California approximately \$86 million per year in public assistance due in large part to the company's poor wages and benefits. The authors of the study concluded that Wal-Mart employees cost \$32 million annually in health-related services and \$54 million a year in other assistance such as subsidized school lunches, food stamps and subsidized housing.⁶⁹

The Challenges Wal-Mart Presents to NGOs

The dominance of Wal-Mart and the realities of its claim of "Everyday Low Prices" pose a number of new challenges for organizations that have utilized marketplace campaigns to change the practices of corporations and governments.

Financial Challenges

As a financial monolith, Wal-Mart has the power to concentrate a great deal of money into counter-operations research on its opponents, to conduct extensive public relations campaigns, to investigate opponents and utilize this knowledge to guide a counter-offensive, as well as to fund ample strategic legal efforts against its opponents. When faced with a challenge to a single proposed Supercenter in Inglewood, California, Wal-Mart paid to gather petition signatures,

conduct community polling, inundate the community with advertising, brochures and direct mail. In this single campaign, the company spent over one million dollars. In Contra Costa County, Wal-Mart spent two million dollars to produce a slim majority voting against an initiative to limit the size of big box operations.⁷⁰ When faced with obstacles or rejection to new stores, Wal-Mart has a reputation as a company that doesn't give up. It spends heavily to site a new store knowing that failure means the loss of \$40 million or more in lost sales.⁷¹

When Wal-Mart experienced repeated news articles exposing its anti-union activities, questionable labor practices, poor compensation and indirect employment of illegal aliens, the company launched a massive public relations advertising campaign to repair and promote its image as a good employer and community citizen.⁷² For a company long regarded as stingy with its advertising dollars, Wal-Mart has dramatically increased its annual investment to improve its image. It not only has seriously invested in public relations advertising, but also in strategic public relations activities with African-American and Latino organizations, or university minority journalism scholarships in states where Wal-Mart has opened a large number of stores or has hopes of doing so.⁷³

NGO Corporate Targeting Challenges

Wal-Mart undercuts the potential for NGOs to achieve change from its suppliers. The company's philosophy to continually drive down prices forces its suppliers to drive down their costs. Wal-Mart's 21,000 supplier companies, many of them de facto "captives" of this one retailer, may fiercely oppose any changes sought by NGOs that would potentially raise costs and risk their relationship with their distributor.

Wal-Mart also undercuts the potential for NGOs to achieve change from its competitors. Marketplace campaigns often target the industry leader on the assumption that if it changes policies, competitors will follow. The Home Depot announcement to end purchases from endangered forests quickly rippled through the rest of the do-it-yourself industry.⁷⁴ An announcement from Office Depot followed within a year of industry leader Staples' promise to dramatically increase average recycled content across all paper products.⁷⁵ We have seen that even the seemingly untouchable industries eventually follow the leader. Bank of America took very little time to follow the lead of Citigroup in adopting environmentally friendly lending practices.⁷⁶ Gap and Reebok fell in line shortly after industry leader Nike made its commitment to improve suppliers' international labor practices.⁷⁷

Wal-Mart undercuts NGO's ability to achieve change from its competitors especially where it dominates the market: pharmaceuticals, food, household and garden supplies, clothing, toys, music, magazines, books, jewelry and auto supplies. For example, Safeway, Kroger's and Albertsons are much less likely to ban farmed salmon, require labeling of genetically altered

ingredients, or require changes in factory farming practices if these actions put them at a disadvantage to an industry leader that refuses to make these same potentially costly demands on its suppliers. Moreover, where Wal-Mart's suppliers dominate their industries, this also reduces the potential for NGOs to persuade their competitors to adopt any changes that will increase their costs and risk their market share.

Customer Challenges

Another major challenge NGOs face involves Wal-Mart's customers. Most Wal-Mart stores are located in smaller, more conservative and often lower-income rural communities. These communities do not tend to respond to many of the tactics used in corporate campaigns. Direct action tactics such as demonstrations and picketing tend to find a less sympathetic media and more aggressive legal environment in these areas. People in these types of communities may also have the tendency to respond in an openly adverse fashion if Wal-Mart has become the only game in town.

Low prices are a Wal-Mart "virtue," and have made Sam Walton a legend for making many products available to people who might not otherwise be able to afford them. For people struggling to make financial ends meet, Wal-Mart becomes a necessity of life. Even in larger cities, Wal-Mart customers are more driven by economic than social values and their economic values largely revolve around price. Union leaders complain that their members charge more at Wal-Mart on their union credit cards than at any other store. In fact, nearly 30% of all purchases on union-affiliated Visa cards are from Wal-Mart.⁷⁸

Its "downscale" customer profile makes Wal-Mart much less brand conscious than its upscale competitors (such as Target) and suppliers (such as Levi Strauss and Co.). The socially responsible investment community has learned that companies highly protective of their brand, like Gap, McDonald's and Nike, respond to shareholder and NGO demands. On the other hand, because it is less brand conscious, Wal-Mart has been a laggard in this regard.⁷⁹

As Wal-Mart begins to target urban markets it is spending large sums of money to build "alliances" with citizens of poorer communities who can serve as allies against resistant city leaders. For example, through charitable contributions, college scholarships for minorities, promotional mailers, cable and network advertising, sponsorship of African-American TV talk shows and even a newly hired troop of African-American "community outreach consultants," Wal-Mart has spent millions to buy goodwill in African-American communities.⁸⁰

Efforts of this sort create a new challenge for white, middle-class activist organizations to build alliances with and help deliver comparable opportunities to impoverished communities. Following the defeat of the Wal-Mart Inglewood initiative, one NGO reported that community members who had voted against Wal-Mart were now asking the inevitable question about what

community leaders and NGOs were doing to attract a better company to the abandoned site Wal-Mart intended to develop. NGOs justifiably fear a backlash if they fail to ally themselves with the working class and people of color and then fail to help deliver better opportunities. This poses one of the greatest challenges to a successful Wal-Mart effort in urban areas because it goes directly to the underlying problem: providing quality jobs in disadvantaged neighborhoods.

There is another dimension to the Wal-Mart customer challenges facing NGOs. Retailers are especially vulnerable to campaigns when they have large corporate customers who can also be targeted. The Home Depot, Staples, Office Depot all had individual *as well as* corporate customers. Wal-Mart is not vulnerable in this way. It sells directly to individuals who drive to the outskirts of town to find a bargain. They are not likely to turn around and shop elsewhere at the request of a socially-conscious picketer.

To rally impoverished and working-class consumers against Wal-Mart, a campaign will need to work through their churches and community organizations. Getting the leaders of the larger religious denominations to closely examine the adverse impacts of Wal-Mart on people, communities and the environment and linking these to clear moral precepts, could produce some public condemnations of the company.⁸¹

Labor Challenges

Wal-Mart owners and management are intensely opposed to organized labor. When one department in one store voted to unionize, Wal-Mart quickly dissolved the department and fired all the employees.⁸² The company employs a host of tactics to fight off unions including instructions to managers that they are “expected to support the company’s position...[which] may mean walking a tightrope between legitimate campaigning and improper conduct.”⁸³ Wal-Mart also employs applicant screening that uses structured interview questions and personality tests to identify potential union sympathizers. When organizing activity at a store becomes of concern, the company flies “labor relations teams” by private jet to stores where organizing activity is gaining ground.⁸⁴

This aggressive stance may be due in part to a natural antipathy between corporations and organized labor, in part to a conservative political ethic, but also in large part due to the way Wal-Mart views its employees and the competitive advantage it accrues from its inexpensive labor force. Wal-Mart views lower level employees as short-term, part-time workers who possess marginal skills and provide supplemental family income. Moderately high turnover within these ranks is not only tolerable, but useful for keeping wages low.⁸⁵ This also keeps the cost of doing business low, which according to Dr. James Hoopes of Babson College School of Business, explains Wal-Mart’s lead over its competitors. While Wal-Mart’s cost of goods is roughly comparable to its competitors, its cost of doing business runs well below them.⁸⁶ Some of this

advantage is due to innovations in distribution systems (e.g., cross docking) and sophisticated sales and shipment tracking software, but a large portion is due to lower labor costs. To maintain this advantage, Wal-Mart is likely to remain intransigent with regard to organized labor.

Alliance Challenges

The progressive movement consists of a dynamic highly diverse, fragmented amalgam of sub-movements including labor, environment, corporate responsibility, equal rights, health, social and environmental justice. A campaign against Wal-Mart could inspire collaboration across these sub-movements, but there will be challenges.

Among the challenges facing a united Wal-Mart campaign is the need to agree on a way to frame the campaign that captures a range of progressive interests. Agreement on a core set of demands or principles is required to set the stage for future negotiations. Agreement on the criteria by which to determine the priority of the various issues will also be necessary. All of this may be influenced by business, legislative, financial and cultural realities shaping the campaign. It will also be subject to negotiations once the company engages and defines its own priorities.

To stay united until the collective's goals are reached will remain a challenge. A Wal-Mart campaign will likely span several years. Wal-Mart will likely agree to those demands that it can meet most easily or which are most strategic for dividing the alliance, defusing the more potent forces, and gaining good public relations. Even within specific arenas such as the environmental movement, the company will likely try to satisfy the demands of those groups that are the most credible, best funded, most active and causing the most problems for the company. It will also likely seek to fund joint projects with larger and more conservative NGOs that provide public relations cover, slower timelines and less "radical" solutions. As Wal-Mart attempts to peel off its opponents from their alliance, the latter will be challenged to keep its commitment to a united front.

Strategic Considerations for Overcoming the Challenges

Wal-Mart's Opposition to Organized Labor

The labor movement may initially need to adopt an indirect approach to changing Wal-Mart, such as municipal laws requiring big box stores to pay livable wages and benefits⁸⁷ or state laws requiring companies employing a certain number of employees to pay a fee to the state government to cover its costs for providing health care to employees. This law also provides a deduction if a company already provides health care.⁸⁸ The labor movement may also need to increase its use of the national media to publicize Wal-Mart's egregious labor practices and force

changes through public opinion, as are allegedly occurring within Wal-Mart as a result of the class action lawsuit for gender discrimination.

Ultimately, Wal-Mart may provide labor with a highly visible vehicle for a strategic initiative to obtain better employee compensation, institute strict standards that ensure fair treatment of Wal-Mart's and its suppliers' off-shore employees and pressure suppliers to cut costs through methods other than reducing salaries and benefits of workers. A Wal-Mart campaign can be a powerful way of showcasing the devolving treatment of American workers while advancing a legislative agenda that evens the playing field for union organizing.

Labor leaders acknowledge that traditional organizing tactics will not work with Wal-Mart. This company requires them to think outside the traditional organizing box. As part of a growing interest on the part of the labor movement as a whole to unionize Wal-Mart, a number of unions and the AFL-CIO are currently collaborating with the United Food and Commercial Workers Union (UFCW), which has attempted to organize Wal-Mart workers for several years. This joint effort reflects Wal-Mart's ability to drive down wage and benefit standards not only in the food and retail industry, but in the service, manufacturing, transportation and other industries.⁸⁹

Labor is also discussing alternative organizing models, such as "open-source organizing." Wal-Mart employees could join a Wal-Mart Workers Association instead of risking their job by engaging in union organizing. This model focuses on the worker rather than the company. A worker could join a union even if his or her co-workers refused to do so and could continue the membership even when moving to another company. The union itself would lack collective-bargaining power, but members could receive advice from the union on how to protect their rights during disputes and help in improving pay and working conditions through collective action. They would also benefit from alliances with community groups and other unions in putting pressure on their employer.⁹⁰

Another tactic involves outreach to other progressive forces. Andy Stern, president of the Service Employees International Union (SEIU), has argued that taking on Wal-Mart will require the help of many different constituents including other unions, environmentalists, feminists, anti-sprawl advocates, churches and small business owners whose operations are threatened by Wal-Mart.⁹¹ His union has committed \$1 million to initiate a broad-based Wal-Mart campaign and is now examining how to spend that money to research, design and fund a coordinated effort involving these constituencies.⁹²

Labor leaders recognize that a Wal-Mart campaign need not start as a labor organizing campaign to achieve its goals. In fact, they believe that in fighting Wal-Mart, there is "more traction on the community than the labor side."⁹³ After battling the Wal-Mart Initiative in Inglewood, California, Madeline Janis-Aparicio, Executive Director of the Los Angeles Alliance for a New Economy (LAANE), supports this analysis. She concluded that "having a viable

broad-based coalition was critical to our success... We had religious leaders, community activists, small business owners, workers, elected officials and educators all unified in their opposition to Wal-Mart's ballot initiative... The breadth of this coalition conveyed the nature of the campaign, namely that a powerful company was trying to force its will upon the community." Inglewood is a poorer community that needs jobs, but it refused to give up community control over a large company "that was using a handful of residents to make it appear as if their initiative enjoyed popular support."⁹⁴

The strategy for any campaign targeting Wal-Mart must embrace a range of progressive forces and broad labor involvement. It needs to be cast in terms that put community control and well-being at the forefront and must include alternative avenues for worker advocacy that complement organized labor's already well-established strategies.

Wal-Mart's Struggle to Enter Urban Markets

Wal-Mart has largely saturated markets in the south and rural Midwest, so the company has placed a high priority on expanding into the urban marketplace. It has put California as one of its highest priorities with forty Supercenters projected to open in the next five years.⁹⁵ However, urban areas pose more obstacles to Wal-Mart for several reasons. They often have established malls and supermarkets in locales where Wal-Mart wishes to locate. They have stricter zoning laws that prohibit or limit the size of development. They have more sophisticated city planners than rural communities have. They have larger concentrations of progressive organizations. They already have competitor companies' retail establishments that are willing to invest time and money to block entry to their established market. Additionally, finding sufficient available acreage to accommodate a Supercenter can pose a challenge.

While a national campaign is being organized, Wal-Mart's advance into larger cities needs to be stopped. Just as Wal-Mart funds a "labor relations team" with rapid response capabilities, it no doubt funds a similar team to support its expansion plan. Activists need to do the same thing to counter expansion efforts. Madeline Janis-Aparicio of LAANE argues that cities and local activists need consulting and financial resources. They need to know what to expect from Wal-Mart and how to respond. They need resources to conduct community focus group research and/or polling to shape their message and strategy. They need testimony from representatives of cities adversely affected by Wal-Mart and they need the visibility of celebrities and respected national leaders to publicize their issues and educate citizens.⁹⁶

Although many campaign strategists are loath to invest heavily in "site fights" with Wal-Mart, an internet clearinghouse site should be created to help community activists fight Wal-Mart. It could include campaign tools (brochure templates, artwork, videotapes, public service announcements, research reports, sample letters to the editors, sample op ed pieces,

article databases), expert resources (e.g., to help community groups with strategic planning, focus groups research, public relations and media work), case studies from previous site fights and contact information for other community activists willing to help. Sprawlbusters.com has attempted to do provide this service with a limited budget, but it needs to be more extensive, resource intensive and constantly updated to fight Wal-Mart expansion.

Site fights should not be dismissed as an interim strategy; they should be viewed as part of a larger strategic campaign and waged in the most strategic venues. They create a network of activists who know Wal-Mart will be back one day, even if defeated today. Successful site fights create a “social norm” against accepting Wal-Mart stores and lend confidence to future city activists that Wal-Mart can be stopped or transformed to meet community standards. Site fights draw media attention and educate the public because the issue has local media hooks and appeal.

Successful site fights can provide the best opportunity to quantify the financial impact of a campaign against Wal-Mart. Financial analysts have already factored Wal-Mart’s successful U.S. expansion targets into the company’s share price. Slowing that expansion will get Wall Street’s attention. Even with Wal-Mart facing increasing opposition, investment analysts believe that its strategy of reducing its store footprint to 99,000 square feet, as it did in Tampa, Florida, will overcome municipal resistance.⁹⁷ If these same analysts become convinced that Wal-Mart’s business model and practices are at the root of the opposition, share prices may fall, potentially opening the door to negotiations with the company.

The urban Supercenter battle will also need to have a strong socioeconomic and people of color component and set of demands. Wal-Mart recognizes that the best door into a city is through its poorer communities or districts. In the recent battle in Chicago for Wal-Mart to build a new store, the company successfully convinced African-American council persons from one of the poorer city districts that it would provide needed jobs and be open to their other concerns *after* their new Supercenter was in operation. Wal-Mart Foundation funds various organizations such as the National Council of La Raza, LULAC Women’s Conference in Texas, La Prensa Foundation, National Association of Hispanic Publications and the Hispanic Association of Colleges and Universities. It claims to employ the largest number of Hispanics in the U.S. and has received awards such as the 2002 Partner of the Year Award from the Hispanic National Bar Association. It funds numerous African-American organizations, like the NAACP, and it features African-American employees in its public relations television ads shown in large urban markets. It claims it employs the largest number of African-Americans in the U.S. and was awarded the NAACP’s Pacesetter Award for its support of NAACP activities in 2000.⁹⁸

A national campaign targeting Wal-Mart will need to have the political and religious leadership of the African-American and Latino communities in the U.S. firmly aligned with its goals. They need to be a major driving force behind the effort. Otherwise, Wal-Mart will

likely use these demographic groups to undercut a progressive effort. As it is the only economic counterforce to Wal-Mart's claim to represent minority employment interests, organized labor will prove critical in this regard. As we saw in the Inglewood initiative fight, religious leaders will also play a crucial campaign role. The fact that Wal-Mart sells the largest number of guns, ammunition and alcohol of any retailer may help garner religious support.⁹⁹

Wal-Mart's Need to Expand Internationally

Wal-Mart broke into the international market 10 years ago by building new stores in Argentina, Brazil, Canada, Mexico, Puerto Rico, China and South Korea. It entered markets in Japan and UK by purchasing existing chains. Its Sam's Clubs now operate in Germany.¹⁰⁰ While China, India and Russia are Wal-Mart's greatest future opportunities, CEO Lee Scott has indicated that the company pursues China as its number one target.

Canada, Mexico and the UK Wal-Mart operations have seen success. The company has experienced rougher sailing everywhere else. In China it struggles with a very primitive supply chain. In Japan it moves slowly as the minority partner of a major chain. In Brazil and Argentina it stumbled against larger competition. In Germany, it has yet to be consistently profitable. In South Korea its Supercenters exist too far outside the city centers. Lee Scott has demanded that international sales contribute a third of earnings and sales growth, but in the past two years the company has missed these targets.¹⁰¹

According to one financial analyst, the next major jump in Wal-Mart's share price will depend on the success of its growth abroad since the current value has already factored in expected U.S. growth.¹⁰² This factor means a campaign will need to include a dimension that works to successfully block Wal-Mart's efforts to expand internationally. Allying with discount retailers who have outplayed Wal-Mart in head to head competition in these countries will help achieve this objective. Carrefour continues to dominate Wal-Mart in South America. Aldi continues to beat Wal-Mart in Germany. If these companies are willing to take some progressive steps (e.g., Carrefour already requires labeling of all products containing GMO ingredients), activists may be willing to engage in activities that steer Wal-Mart customers towards these competitors.

Partnering with international labor, social and environmental activists to stigmatize Wal-Mart can also impact the company's expansion. In Japan, for example, customers have negative impressions of foreign companies that sell cheap, foreign products. Wal-Mart knows this and has carefully remained anonymous in its new venture with the Seiyu supermarket chain. However, having purchased an option to buy 66.7% of Seiyu by the end of 2007, the company could be vulnerable to a campaign to "out" the American giant lurking behind the curtain. Wal-Mart officials have stated that to be known as a true global retailer, the company must be in Japan, the world's second-largest economy.¹⁰³ The fact that Japan's economy still languishes provides

a favorable economic context for an outing Wal-Mart campaign. It would also be a natural complementary strategy to work with Wal-Mart's competitors in Japan.

Another strategy involves complicating Wal-Mart's foreign acquisitions. Market analysts believe that part of Wal-Mart's failure in Argentina and Brazil results from the fact that, unlike its strategy in Mexico, the company did not purchase the largest retailer. In Brazil, Wal-Mart ranks as the sixth largest retailer and has 25 stores. Its rival has 499 stores.¹⁰⁴ Wal-Mart seems to be learning that purchasing a proven winner and letting that company tailor the Wal-Mart model to fit its own is its best international expansion strategy. Wal-Mart fails when it goes it alone in a new country since it usually does not adapt its model sufficiently to fit the culture and its buying preferences.¹⁰⁵

The international strategy might initially involve targeting one of Wal-Mart's existing foreign acquisitions with the goal of stigmatizing the business and tarnishing its brand image. Japan might be a good starting point for this effort. Then activists could pursue other foreign companies that might be candidates for a partnership with or acquisition by Wal-Mart. They could send the clear message that Wal-Mart brings unwanted activist baggage to successful operations and will ultimately endanger shareholder value. A Wal-Mart campaign needs to make the company into such an international retail pariah that the mere threat of being the new focus of its international campaign may be sufficient to scare potential partners.

Wal-Mart's Legal Vulnerabilities

Wal-Mart seems to be a compelling target for legal suits. Governmental agencies have fined Wal-Mart for failing to report injuries,¹⁰⁶ for violations of the Clean Air Act,¹⁰⁷ for illegal dumping of chemical waste,¹⁰⁸ and for violations of the Clean Water Act.¹⁰⁹ Private law firms have sued Wal-Mart on behalf of customers illegally detained by Wal-Mart, survivors of employees whose death benefits were paid to Wal-Mart, customers who were harmed in Wal-Mart parking lots and for a variety of illegal labor activities.

With over 3,500 stores and 1.5 million employees in the U.S. alone, legal actions could create great potential to force the company to change its practices. When Wal-Mart was fined for illegal dumping of photo lab and automotive chemicals, it vowed to correct the problem throughout its chain of stores. It has made similar commitments with regard to violations of environmental and labor regulations. These commitments suggest that an aggressive campaign to heighten legal attacks on Wal-Mart might be another way to generate change in the company. Such a campaign would result in quantifiable costs to the company, generate media coverage that brings attention to the larger campaign and create momentum and incentives for other plaintiffs to pursue legal recourse.

Community organizations and local attorneys could be provided with relevant legal case studies and specific instructions for uncovering violations and assessing potential legal exposure. For example, Wal-Mart was fined heavily for waste water runoff violations in some of its parking lots. Local groups could be provided with step by step instructions for analyzing the situation at their local Superstore and filing legal complaints. They could be provided instructions for detecting illegal dumping of photo lab and automotive chemicals. They could be provided with instructions for detecting labor violations or alerting employees to them with a whistleblower hotline.

Since major supermarkets privately acknowledge that they are in violation of numerous governmental regulations and know that compliance needs to be a top priority, more than likely a campaign could pursue other Wal-Mart violations to government regulations.¹¹⁰ Just as Wal-Mart has hired a former EPA official to its legal and lobbying team, a national Wal-Mart campaign might consider doing the same from the same agency or others. The campaign could have the goal of creating a citizen enforcement effort backed by a cadre of law firms on a pro bono or contingency arrangement. The president of SEIU has proposed that his union help Wal-Mart employees find lawyers as an enticement for them to step forward when violations or injuries occur. He recognizes that legal efforts have become the leading edge in the campaign to transform Wal-Mart's labor practices. They might provide a similar edge for reforming the company's environmental and human rights practices.

Wal-Mart clearly sees the damage to its reputation from legal actions surrounding its labor practices. It has dramatically increased its public relations efforts nationwide to combat its image as a bad corporate citizen.¹¹¹ These efforts create opportunities to ride the wave of Wal-Mart media visibility with counter-advertising or earned media efforts that debunk Wal-Mart's claims. Its public relations effort demonstrates that Wal-Mart will respond to negative publicity despite claims that it is not concerned about its brand image. As long as the company needs to persuade new constituencies to approve new stores, Wal-Mart will respond to attacks on its reputation.

Wal-Mart's Competitors' Involvement

When Contra Costa County in the San Francisco Bay Area proposed an initiative to limit the size of big box retailers, Wal-Mart vigorously opposed it, but Safeway helped fund it.¹¹² Wal-Mart poses a competitive threat to several major industries ranging from groceries, to pharmacies, toy stores, hardware and automotive repair chains. While competitors are legally pre-empted from colluding with each other to limit their competition, they can engage in activities independently to achieve that effect. If Wal-Mart attempts to locate in a competitor's market, the latter can fund its own market research, mailings, or advertising or it can contribute to non-profit organizations that oppose Wal-Mart.¹¹³

Some competitors, like Costco, which is known as the progressive version of Wal-Mart's Sam's Club, might see the value in contributing to a national campaign targeting the company. With its progressive leadership, Costco is positively regarded for its labor practices, except on Wall Street, which would like to see the company act more like Wal-Mart.¹¹⁴ While Wal-Mart lobbies and contributes heavily to efforts to maintain the minimum wage, reduce overtime pay and eliminate all barriers to free trade, Costco executives give the lion's share of their political contributions to the Democratic party, which largely opposes these policies. Jim Senegal, Costco's CEO, is the only CEO in the Standard and Poor's 500 Index to contribute to independent political groups dedicated to ousting George Bush.¹¹⁵

Wal-Mart's attempt to enter a market could provide the rationale for its competitors to lend financial support for local and national efforts. It could also provide an opportunity to obtain commitments from competitor corporate headquarters to improve their corporate practices with regard to labor and environment. Safeway, Krogers, Albertson's and Costco, for example, might be asked to end purchases of farmed salmon, adopt supplier standards for humane treatment of animals and require high recycled content packaging for all products. In exchange, picketers, advertising, campaign literature and other consumer educational activities could acknowledge the commitments of Wal-Mart's competitors and contrast them to Wal-Mart's policies.

Competitor commitments could be made contingent on Wal-Mart adopting the same standards. Unions use the "contingent commitment strategy" when organizing companies in a new industry and they trigger it when an agreed upon percentage of the industry makes similar commitments.¹¹⁶ This strategy might free NGOs to accept "corporate money" to fight Wal-Mart while simultaneously advancing their objectives with major competitors by promising a level playing field and public relations benefit. Any announcement by a major grocery chain that commits to end environmentally destructive practices, even if contingent on Wal-Mart doing the same thing, would send a powerful market signal to suppliers and competitors.

If companies knew that a well-organized campaign would likely keep Wal-Mart out of their market niche, they might very well see the advantages in underwriting a local effort. If they saw a clear role to play in the campaign, such as public relations contrasting their labor and environmental practices with those of Wal-Mart or paying for ads that publicized the threat to well-paying jobs, they might be much more willing to participate in an active way to block Wal-Mart's efforts. While Wal-Mart's entry does not always threaten these companies, many instances exist where it does. Competitors can easily quantify the financial risk and justify the substantial investment in an NGO campaign or an independent action that supports that campaign.

Progressive Campaign Unity and Momentum

The 2004 presidential election campaign has united progressives in a way they have never been united in the recent past. Following the election, national groups like Americans Coming Together (ACT) and MoveOn.org will likely continue to publicize and mount support or opposition for particular legislative initiatives. However, an over-arching corporate campaign with a unifying target could result in the progressive forces becoming stronger than ever before.

Marketplace campaigns teach us that attacking high visibility corporate offenders provides NGOs' membership and grassroots with brick and mortar targets that can be picketed, tangible objectives and ongoing victories that inspire and reinforce their activism. More importantly, policy shifts by lynchpin companies can achieve the same objectives as legislation in a lot less time. The Home Depot, McDonald's, Nike, Staples and other major companies have dramatically changed the practices of their suppliers in ways that could not have been accomplished in a politically conservative congress where legislators are beholden to their corporate contributors. In doing so, they have created a climate that is more conducive to successful legislative initiatives because they would be corporate tested and supported.

Aside from the WTO, Wal-Mart is the one institution that has the potential to unite the most progressives in an "offensive" effort. Unlike the WTO, Wal-Mart is our "neighbor," or wants to be. Whether the issue is human rights, labor, health care, environment, gun control, livable communities, campaign finance reform, gender discrimination, job flight overseas or support for the conservative agenda in general (e.g., school vouchers), Wal-Mart embodies the conservative right wing in the marketplace. Wal-Mart provides a tangible forum for highlighting many of the problems of a consumer society. It provides a negative prototype to stimulate organizing activity on many issues not only to change Wal-Mart, but to change its competitors and the legal framework that governs the marketplace.¹¹⁷

Walton Family Control over Wal-Mart

The four Walton children and their mother represent a unique opportunity to focus campaign efforts on a very limited number of individuals who have a great deal of power to change their company. Helen, Sam Walton's wife, is now 84 years old. She, along with Alice, Jim, John and Robson Walton control approximately 38% of the company's shares. These holdings place all five of them on the list of the top ten richest persons in the world with a net worth of \$20.5 billion each.¹¹⁸ They have consistently failed to vote in favor of socially responsible resolutions.¹¹⁹ This potentially embarrassing record creates a unique campaign strategy, one that could personalize its efforts by targeting the individual family members.

This effort might begin with a positive appeal to the family, one quietly advanced out of the public view through trusted third party intermediaries. It could propose an alternative Wal-Mart business model that embodies the policies discussed in this paper. The appeal to family members could be framed in moral terms or in a way that they are asked to complete their husband and father's vision by creating a company that is truly committed to consumers, not just as customers, but as employees, community members and domestic and foreign workers producing the goods they sell. They could be challenged to do something never done before — lead a corporate race to the top.

As a sign of good faith, they could underwrite an extensive, but confidential study to assess how to implement this ideal. Progressive NGOs and their foundation supporters might even match this investment as their sign of good faith and assurance the study is properly conducted and truly independent. As an incentive to embrace an alternative vision, family members could be alerted to the breadth of forces aligned against them in the U.S. and abroad and warned of the personal nature of the campaign that will follow.

Would the family members respond to such an appeal? They would likely make specific counter proposals, but resist changing the business model that has enriched them and their shareholders. To persuade them to make larger changes they would likely need to be convinced that it is possible and the negative impact on shareholder value would be minimal.

If the Walton heirs do not respond, a second more public appeal could be made by opinion leaders in the political, religious, business and NGO communities. Wal-Mart employees, current and future, could be asked to join the appeal. Athletic, film and television celebrities could also be asked to join the appeal. The appeals could be publicized through full-page ads in *The New York Times* or *USA Today* and sequenced over time to maintain pressure and maximize media exposure. They could even represent an escalation starting with appeals from employees, then celebrities and culminating with political and religious luminaries.

If positive appeals are unsuccessful, then the campaign could change its tone. It could contrast the Walton's wealth with their stinginess, their lifestyles with those of their employees and elevate the debate on the disparities between those who own and run the company and those who produce for the company. None of the heirs have earned their wealth, so they could not use this response as a strong counter-argument.

Marketplace campaigns rarely confront companies where such a large percentage of shares are controlled by so few people. This is a huge opportunity if handled strategically.

The Opportunities Wal-Mart Presents to NGOs

Wal-Mart presents a number of formidable challenges for any national campaign, but it also presents several important opportunities. For example, the same leverage that can push

suppliers to find cost savings through efficiencies can catalyze more sustainable operations. The company's aggressive expansion into urban markets can be used to build a network of community organizations to oppose it and other unacceptable corporate citizens. The resistance to shareholder efforts to improve reporting and labor practices, combined with new mutual fund shareholder voting disclosure rules, could be used to raise the socially responsible investment standards of the industry.

The breadth of Wal-Mart's negative impact on environment, labor, community economic health and taxpayers could strongly unite diverse elements of the progressive movement. Even Wal-Mart's strong influence on its competitors could provide opportunities to change their practices. Above all, Wal-Mart's visibility, power and destructive business practices together provide a potent vehicle for elevating, focusing and re-framing the debate on the purpose of corporations. A corporate strategic initiative, built around a national, unified Wal-Mart campaign could provide the momentum to change cultural and legal standards for corporate ownership, governance and behavior.

Changing Suppliers' Practices

The ability to change producer companies' practices by targeting their corporate customers, especially their brand conscious retail distributors has produced powerful results in corporate campaigns. The campaign targeting Mitsubishi Corporation, previously one of the largest traders of forest products in the world, would have been hopeless had the Rainforest Action Network not targeted the other members of the Mitsubishi keiretsu such as Mitsubishi Electric, Mitsubishi Bank and Mitsubishi Motors. International consumer pressure on these brand conscious companies eventually brought their more formidable but less internationally branded cousin to the bargaining table.

The Home Depot campaign leveraged the power of the largest retailer of old growth forest products in the world to force its previously uncompromising Canadian suppliers, Interfor, Doman and West Frazier, into negotiations that to date have protected over five million acres of the Great Bear Rainforest of British Columbia. The same retailer has also played an instrumental role in pressuring its suppliers in New Zealand, Chile and the Canadian boreal forests to negotiate protections for millions more acres of endangered native forests.¹²⁰ Similar results have been achieved in other industries through the actions of leading companies. They include McDonald's and its influence on hog, chicken and beef suppliers, Tiffany & Co. and its influence on gold and diamond suppliers, Staples Inc. and its influence on paper suppliers and commitments to recycle cell phones, computers and printer cartridges and Nike and its influence on contract manufacturers' labor practices. With 21,000 suppliers, many heavily reliant on their Wal-Mart sales, the giant

retailer can profoundly and positively influence a myriad of environmental, labor and health issues in ways that would take years of legislative work to accomplish.

In the environmental arena, for example, Wal-Mart could completely transform some of the worst industry practices if it adopted supplier standards that required: 1) a high fixed percentage of recycled fibers in all packaging, paper products and publications, 2) elimination of polyvinylchloride in all products, 3) labeling of all products containing genetically modified ingredients, 4) closed containment for all farmed salmon and Marine Stewardship Council certification of all other fish products, 5) elimination of human prescribed antibiotics in factory farmed poultry, beef and pork, 6) increased supply of organic food products and prohibitions against use of certain toxic pesticides in non-organic food production, 7) mandatory underwritten company take-backs of all computer and electronics products, and 8) agreement not to appeal local ordinances designed to insure healthy and sustainable communities.¹²¹ Wal-Mart, as an industry leader, could effectively challenge its competitors to follow suit and in the process re-direct activist efforts towards resistant competitors in order to maintain a level playing field.

Wal-Mart already sets some supplier standards. It sets the standards for packaging for the discount department store industry.¹²² In the countries of Asia and Latin America where governments have poor food health and safety laws and enforcement of them is lax, Wal-Mart imposes its own private standards.¹²³ Wal-Mart sets “Standards for Vender Partners” having to do with their employment, environmental practices and compliance with national laws,¹²⁴ although they lack specificity and are not necessarily enforced.¹²⁵ Wal-Mart places strict inventory control practices and procedures on its suppliers including using radio frequency identification devices on shipments and demanding they meet to-the-minute delivery schedules.¹²⁶ Wal-Mart even sets “decency” standards for CDs, Videos, DVDs, magazines and books that it sells.¹²⁷ The company clearly has the willingness and power to move its suppliers on matters it considers essential to its business interests.

Building a Community Network

When Wal-Mart wants to locate in a city, it has a way of generating opposition from impacted stakeholders ranging from people of color to environmentalists, labor, small businesses, urban sprawl opponents and its future neighbors. But opposition does not always translate into a unified effort without a sophisticated organizing strategy and resources. A Wal-Mart campaign creates the opportunity not only to unite disparate elements within a community, but to create a network of communities helping each other by sharing resources, experiences and advice.

To build a national community network, twenty cities might be selected that are both critical to Wal-Mart’s expansion plans and well-positioned in terms of their progressive grassroots infrastructure (e.g., strong unions, active NGO chapters, progressive city council

members, precinct operations that have demonstrated election success, local lawyers capable of helping with ordinances and litigation). Resources could be directed to help these cities research, plan, organize and promote adoption of city ordinances that set community friendly standards for corporations and challenge corporations' constitutional rights (the latter issue is addressed in a later discussion on redefining corporations). A national clearinghouse could be created to facilitate research, communication, education and sharing of experiences and resources among these and other cities.

The Los Angeles City Council recently passed an ordinance that may emerge as a template strategy for establishing community friendly standards. The law requires retailers like Wal-Mart that want to build stores larger than 100,000 square feet and devote more than 10% of their sales floor to food and other nontaxable items to pay for an economic analysis. The report would forecast whether a proposed store would eliminate jobs, depress wages or harm neighborhood businesses in many parts of the city. Nelson Lichtenstein of the Center for Work, Labor and Democracy and U.C. Santa Barbara described this move as "highly significant" in that it could help transform the way Wal-Mart does business.¹²⁸ If twenty strategically chosen cities adopted similar or even more rigorous ordinances, they would potentially transform the way Wal-Mart does business in this country.

Once a strong national community network was created, it could be mobilized for a host of other purposes including adopting municipal procurement standards that promote better environmental, health and labor practices by corporations outside their jurisdictions. Municipal resolutions banning contracts with certain companies and purchases of certain products have been a powerful, but under-utilized tool in many corporate campaigns (e.g., Great Bear Rainforest, Burma, Mitsubishi, Starbucks). These types of municipal actions send a strong message to companies, potentially reduce sales even if challenged in court, and if overturned often enough, generate political pressure from powerful local constituents to change state and federal laws that limit local authority.

Strengthening Shareholder Activism

In the past decade, through shareholder activism the Interfaith Center on Corporate Responsibility (ICCR) has been attempting to get Wal-Mart to improve its transparency and contract supplier labor practices. They have seen little progress from their work. In response to resolutions to improve its standards, inspections and reporting on foreign operations, the company made a half-hearted attempt that is confidentially described by one prominent socially responsible investment (SRI) insider involved in the effort as "a piece of crap."¹²⁹ Wal-Mart subcontractors abroad do acknowledge that standards exist, but they also know they probably won't be strictly audited for labor or environmental issues and moreover, will likely be given adequate

advance warning so they can temporarily “fix” violations, or in some cases even fabricate false sets of books to satisfy inspectors.

Sweatshop manufacturers also complain about a sort of double-bind where Wal-Mart tells them to improve their labor and environmental practices and simultaneously tells them to lower their prices and speed up their delivery times. These factories claim it is simply not possible to do both.¹³⁰ Resolutions asking the company to investigate sweatshop practices and adopt a comprehensive code of compliance reporting have consistently failed to garner credible minority votes among Wal-Mart shareholders. This is partly due to the fact that nearly 40% of its shares are closely held by the Walton family and its allies, making it harder to achieve the required minimum votes.

A resolution to improve diversity, on the other hand, did achieve a 20% minority vote from shareholders and was given a great deal of attention at the May 2004 Annual Shareholder Meeting.¹³¹ However, the attention and strong vote came largely because of the pending certification of the largest employment discrimination case in U.S. history that threatens to cost Wal-Mart billions of dollars.

Many of the strictest socially responsible funds have divested completely from Wal-Mart in the face of the company’s unyieldingness on labor issues.¹³² However, Wal-Mart still ranks 24th on mutual funds holdings of North American companies that claim to utilize some type of social, environmental, or ethical screens.¹³³ With the changes in federal laws requiring mutual funds to disclose their shareholder votes, it is now possible to evaluate the proxy votes of mutual funds with large Wal-Mart holdings. Campaigning organizations can use this information to target and embarrass socially “irresponsible” SRI funds that have not supported progressive shareholder resolutions, but more importantly to embarrass the large non-socially responsible funds that hold the bulk of Wal-Mart’s shares.¹³⁴

SRI resolutions have seen best results when they coincide with outside pressure, such as an employment discrimination suit, labor or environmental campaigns. There are numerous examples in which outside pressure was generated by NGOs while inside pressure was generated independently by SRIs. While these two forces often must operate independently, there are times when shareholders have provided entry for activists to disrupt or dominate the agenda of annual shareholder meetings. As it did with The Home Depot (endangered forests and wood certification), Dell Computers (company take-backs and use of toxics), Staples, Inc. (endangered forests and recycled fibers) and Safeway (farmed salmon), an embarrassing annual shareholder meeting has often spurred an embarrassed CEO to get involved in resolving the issue.

If labor, environmental and community activists could mount a broad, diverse, but unified national campaign targeting Wal-Mart blocking its entry into new markets domestically and abroad, shareholder activists might be emboldened to seek even stronger resolutions.

Additionally, if the company did not hit its new store projections, or if a divestment effort caught on and negatively affected stock value, securities law firms might have legal basis for suing the company on behalf of injured shareholders because it misled investors about its practices and failed to disclose and take actions to resolve the conflict with activists that it knew could suppress share value.

In short, a Wal-Mart shareholder campaign, combined with a larger activist campaign, would provide a number of opportunities including outing less socially responsible SRIs and embarrassing the larger and often socially irresponsible mutual funds.

Unifying the Progressive Movement

There are individuals, organizations and communities with progressive values, but do we have a progressive movement? There is a collection of “movements” that are progressive in nature, but one can argue that an overall progressive movement is not in place. This reality has become glaringly apparent to left leaning political strategists as they survey the unity and resulting success of the conservative movement and find themselves searching for ways to provide a sufficient counter-force.

Wal-Mart is the “George W. Bush” of the marketplace. Its conservative values and business practices affect all aspects of progressives’ work including labor, environment, social justice, community, health, censorship, international human rights and excessive corporate influence. Wal-Mart challenges its opponents to develop a frame that incorporates their issues, puts Wal-Mart and its allies immediately on the defensive and at the same time elevates and defines a debate on re-shaping our expectations of corporations. Wal-Mart further challenges its opponents to maintain message discipline within their diverse ranks, to communicate and coordinate efforts, to establish and agree on priorities and to find long term ways to reach consensus on what solutions and processes to promote.

Unifying efforts create the potential to confront and manage potential solution trade-offs before they occur. This has been a problem for marketplace campaigners. For example, NGOs seeking to reduce the use of wood fiber to protect forests may unintentionally increase demand for substitute materials (e.g., polyvinylchloride), the production of which pollutes waterways and endangers health. NGOs seeking to reduce consumption of animal products (e.g., beef and pork) for environmental, health, or humane reasons may shift demand to seafood derived from threatened or contaminated fisheries. NGOs trying to close down highly polluting industries (e.g., coal) may dislocate thousands of well-paying union jobs. Conversely, union efforts to protect workers’ jobs may perpetuate environmentally destructive industries or practices.

Like corporations, which exist in a tightly interdependent system we call the marketplace, unifying progressive forces will provide activist organizations an opportunity to employ systems

thinking to maximize campaign success. A Wal-Mart campaign forces environmental groups to vet their demands with one another as well as with labor, people of color, social justice and community groups and create solutions from an interlinked perspective.

A Wal-Mart campaign is a vehicle for helping the progressive movement to operate in a more coordinated fashion with strategies based on a systems approach. This lesson, plus a compelling and value-based framework, consistent messaging and priorities that have broader public appeal will contribute to the development of a strong, unified progressive movement that will gain power in the marketplace and the political arena.

Redefining Corporations

A Wal-Mart campaign will create the opportunity to evaluate a business model that reflects a larger systemic problem — the increasing concentration of power in large corporations. Our forefathers distrusted the power of corporations, having seen European companies evolve into near corporate states with armies and powers of governance in countries like India. The colonies originally chartered corporations temporarily to serve the public good (e.g., build roads, weapons and bridges) and de-chartered them when their services were complete or charter violated. Today, corporations operate far beyond this original intent. They have become so powerful that 51 of the 100 largest economies in the world are corporations.¹³⁵ In the year 2000, Wal-Mart was ranked the 25th largest economy in the world based on revenues.¹³⁶ Since then it has become the largest corporation in the world and undoubtedly ranks higher.

The World Trade Organization (WTO) best illustrates excessive corporate power. It has established a set of rules based on free trade that trump all other rules regarding human rights, labor, or the environment. Municipal, state and even federal legislation can be challenged by member countries and overturned by the WTO if it is deemed a competitive barrier. In regional agreements like the North American Trade Agreement (NAFTA), companies can sue cities, states, or national governments for interfering with their business.

A campaign targeting Wal-Mart could serve an important role in a larger strategic initiative to redefine WTO and bring corporations back in service to the public good and under the control of the citizenry. As the poster child for excessive corporate power, Wal-Mart's political agenda is public record: weaken organized labor, weaken legal redress against corporations, weaken community control over corporations, further weaken barriers against free trade and use corporate giving to advance a conservative social agenda (e.g., weaken the public school system through vouchers, support conservative political candidates).

Publicizing the true costs of Wal-Mart on all sectors of our society and our environment will shine the spotlight on destructive corporate practices and the need for greater legal accountability to all stakeholders. Publicizing the financial and lifestyle disparities between

its owners, senior executives and its average workers will expose the injustices of excessive corporate wealth. Publicizing Wal-Mart's political influence on conservative legislation will illustrate the need for restrictions on corporate campaign financing.

Properly framed, a Wal-Mart campaign creates the opportunity to redefine the "ethical corporation." Many scholars have addressed the issue on how to structurally redefine corporations. They have proposed: de-chartering of offending companies,¹³⁷ re-chartering companies at the state level as ethical corporations,¹³⁸ federal re-chartering of companies,¹³⁹ state constitutional amendments to hold companies accountable for damage to environment, communities and workers,¹⁴⁰ constitutional amendments to deny corporate personhood,¹⁴¹ and enforcement of state stakeholder accountability laws.¹⁴²

A broad array of advocates has made proposals to limit corporations' power and maximize their public service. These ideas include: 1) an independent board of directors with full stakeholder representation, 2) stricter financial reporting requirements, 3) mandatory environmental, social and labor reporting, 4) more restrictive executive compensation, 5) restricted ability to oppose organized labor, 6) full liability, 7) prohibitions against campaign contributions, 8) mandatory standards of environmental sustainability in procurement, production and product recovery, 9) investment rule changes that discourage short-term holdings, 10) company ownership by employees, and 11) "capital punishment" for companies that demonstrate a pattern of serious crimes against nature and humanity.

Unfortunately, these proposals have met with limited success, primarily because they accept the current framework of rights and powers that governments have conferred upon corporations. Precisely because of corporate control of the culture, Americans have adopted the conservative framework that corporations will serve us best if they are left unfettered by regulation. To change this we need a well designed and orchestrated national strategic initiative to redefine the purpose, nature and legal power of corporations. This initiative would ask the fundamental question "by what authority" do corporations routinely override the goals and visions of majorities of people. By challenging that authority, the initiative would seek to control corporations, not by directly redefining their purpose, governance, and nature, but by subjugating their legal rights to those of the people.

The genesis of one possible citizen initiative to limit corporate authority is beginning to emerge. Not content with the role of merely regulating corporate harms, disparate communities across the United States have begun to create the foundation for a movement aimed at eliminating interference by corporations and their managers with the authority of people to build sustainable and democratic communities. Those communities are beginning to break from conventional "regulatory" organizing, which focused merely on limiting corporate harms, to adopting their own local laws on issues ranging from factory farms, the land application

of sewage sludge, to sprawl and “big box” stores. When those local laws draw the inevitable response from corporations — wielding the constitutional “rights” of persons to overturn those laws in the courts — communities have responded by challenging the legitimacy of those “rights.” This has led to the adoption by some communities of local laws that refuse to recognize the existence of corporate constitutional “rights” within their jurisdictions.¹⁴³

Far from an abstract or academic concept, these localities have begun tangling with the federal governments’ conferral of constitutional “rights” upon corporations, because it is those rights that are routinely used to trump local law-making. In Pennsylvania, corporate constitutional “rights” have been used over the past three years to challenge local laws adopted to ban the land application of sludge and to ban agribusiness corporate involvement in farming. Over the past three decades, corporate constitutional “rights” have been wielded to overturn statewide laws banning out-of-state trash, a state law banning meatpacking corporations from owning livestock, state laws banning corporate expenditures on referenda and local laws controlling cellular phone towers, Wal-Mart stores, quarry corporations and toxic waste incinerators.

These and other complementary efforts could benefit greatly from a broad based, properly framed, designed and coordinated strategic initiative on corporations. A Wal-Mart campaign could help launch this initiative and accelerate the change in the social, political and legal definitions of corporations. As part of that campaign, large municipalities battling Wal-Mart could be encouraged to adopt legislation refusing to recognize corporate constitutional “rights” within their jurisdiction. This type of effort, coupled with the adoption of local ordinances either banning or controlling the authority of the Wal-Mart Corporation to override local land-use planning decisions, would temporarily block Wal-Mart’s ability to appeal unfavorable city council or zoning decisions. Such action would finally produce the correct confrontation between the people of the community and the corporation — forcing the courts into the unenviable position of either enforcing illegitimately conferred corporate constitutional “rights,” or enforcing the rights of the community. Such a lawsuit, even if lost, will provide the foundation for the building of a movement to continually challenge the granting of corporate “rights” to a corporate minority, which allow corporate managers to routinely override the decisions of a community majority.

Even if the Supreme Court eventually overturns these laws in the future, legislative variations and community organizing in other arenas would further challenge the incompatibility of corporate constitutional “rights” with democracy and local control. If enough jurisdictions pass these laws and create community organizers committed to expanding a movement focused on the rights of communities, political pressure could build for wide-scale legislative, judicial and constitutional changes.

The success of this work would be heavily contingent on the ability to work with community organizations and municipal officials to “reframe” work currently being done on thousands of “single” issues, into organizing focused on recognizing the impact of corporate “rights” on local control and democracy. That task is a daunting one and would require organizers prepared to explain how “single” issue battles can only be won in the long run by tackling the broader issue of the incompatibility of the conferral of “rights” upon corporations, with democratic control. Those groups’ issues, having been reframed, will then provide the foundation to drive much larger legislative, judicial and constitutional confrontations.

Other legislative tactics might also emerge within the context of a larger strategic initiative. One such tactic would be a constitutional amendment requiring all corporations doing business in the United States to have ownership, governance and operations that respect community self-determination and foster community health, economic diversity, social well-being and environmental quality. This type of legislation would provide a broad basis for challenging the definition of corporations.

Casting a Wal-Mart campaign in a “healthy community” framework could serve as another avenue for raising the corporation redefinition debate and laying the groundwork for broader structural change. Evaluated against the standards of a healthy community, Wal-Mart is the negative prototype of a good corporate citizen. As previously cited studies demonstrate, the company’s negative impacts in this regard are clearly quantifiable. This legislative strategy would complement efforts to eliminate corporate interference with healthy and sustainable communities that citizens strive to create. Together, these approaches would minimize corporations’ ability to skew the democratic and legal process in their favor and provide a legal framework for restructuring corporations to serve the public good.

Next Steps Toward a Wal-Mart Campaign

Given the size and resources of Wal-Mart, any campaign targeting it must be very well researched, planned and coordinated. Here are some steps (not in any particular order) to prepare for this effort:

- 1. Develop an organizational structure for the campaign* to maximize communication and coordination. Potentially create a hub with a matrix structure that has liaisons representing the major progressive sectors (e.g., labor, environment, communities, women, people of color) involved in the campaign as well as the most critical functions (e.g., legal, public relations, research). Each liaison would represent a spoke consisting of the lead organizations in that sector. They would each be connected to their allies and grassroots organizations, members and donors. The hub would not be responsible for directing the

campaign as much as ensuring it is properly coordinated. It would have the responsibility to generate needed research, anticipate campaign conflicts and promote the campaign among high donors and foundations that could support the engaged NGOs. It would serve as the communication center with hub liaisons responsible for acting in a facilitative role with their spokes, communicating to and from their spokes and representing their spokes in strategic discussion sessions.

2. *Conduct a business analysis* of Wal-Mart examining its board of directors, senior management, business strategy, strengths and vulnerabilities. Use this research to establish strategic priorities for the campaign. This work could be performed by the lead labor organizations. They have capacity and years of experience doing this type of research. Undoubtedly, they would seek consultation if needed from retail industry experts.
3. *Conduct market research*, both quantitative and qualitative, to assess ways of framing the campaign. This important early step involves utilizing databases that can link consumer values with perceptions of Wal-Mart to develop a profile of the campaign's natural constituency. There are a few market research companies that collect detailed information on values and opinions of consumers in North America. Companies use this research to help build their brand identity with their core market segment, as well as identify how they must morph their brand identity to appeal to a desired market segment based on its unique values. A Wal-Mart campaign, especially if it is to become a vehicle for a larger corporate initiative, needs to be carefully framed and branded to activate its core constituency and appeal to the values of other essential constituencies.
4. *Conduct research to aggregate existing studies* that document Wal-Mart's negative impact on communities and the environment. Conduct a more comprehensive study to quantify the full range of negative impacts. Studies are emerging that document the extent of subsidies Wal-Mart received from various jurisdictions and Wal-Mart's cost to taxpayers in specific states. The research needs to include documentation quantifying how many jobs went overseas, how much wages have been reduced, how much taxpayers have paid nationwide, how many small businesses closed their doors and how many jobs were lost due to Wal-Mart. These statistics will demonstrate to consumers the high costs of everyday low prices.
5. *Survey and develop a power analysis* of the various progressive sectors and the leading groups in each to determine their willingness and capacity to engage in a Wal-Mart campaign. Identifying core, secondary and tertiary campaign organizations will be an important step for assessing the strengths and weaknesses of the campaign and the most effective strategies. This

important step will also help determine who will best serve as a hub representative and which organizations will most actively participate in the hub and spoke framework.

6. *Develop an internet site clearinghouse* on Wal-Mart that can be used by community activists to oppose Wal-Mart's attempts to locate in their cities. The clearinghouse should provide articles, case studies, organizer's manual, lists of resource persons and ways to seek funding. It might also include a password protected calendar of events that helps groups coordinate with one another. The website should also include password protected databases of organizations and their lead campaign contacts so that new groups or individuals can become integrated into the campaign quickly.
7. *Develop a "Wal-Mart Action Team"* that can provide rapid response to Wal-Mart applications for zoning approvals and help local activists come up to speed on their alternatives, develop a strategy and obtain financial support within the community for their efforts. Provide the team with a small budget to conduct basic market research and prime the fund raising pump in strategic communities. The Wal-Mart Action Team would have access to all hub research, graphics, brochure templates and other tools that can reduce costs for local campaigns. They would also have access to materials produced in bulk explicitly for mass distribution in key cities.
8. *Develop model municipal ordinances based on the L.A. and Pennsylvania laws.* A team of leading community activists, business economists, researchers and lawyers may want to carefully study both the Los Angeles ordinance requiring a community impact study and the Pennsylvania ordinances denying corporations constitutional rights within their jurisdiction. With the Los Angeles ordinance, the team would explore whether it is necessary to refine it to ensure valid research findings. Unless the methodological requirements are specified, studies can be designed to produce the desired results. Standardizing the procedure helps to ensure that the findings truly reflect the likely impact of the large box stores. In the latter ordinance, the team may want to examine the rulings where these ordinances are being challenged to see whether they need to be modified based on those rulings.
9. *Quietly explore competitors' willingness to fund campaign efforts.* This step would require an action team, resource center and municipal ordinances. It would identify competitors' top priority cities and willingness to make labor, environmental and human rights commitments. A delegation of credible business representatives of the hub could visit the headquarters of the leading Wal-Mart competitors to present a proposal for funding 501c3 (non-profit charitable) and 501c4 (non-profit political) activities. They could be asked to fund local activities on a contingency basis with commitments for greater funding later based on results.

10. *Bring together a small cadre of leading thinkers* from labor, environment, community, socially responsible investors, people of color and the retail sector to engage in an ongoing exercise to develop a multi-tiered (local, national, international), multi-track (legal, media, direct action, investment, voter initiatives) Wal-Mart campaign. These individuals might also constitute members of the hub. They would design the broad stroke strategy of the campaign so that hub representatives could solicit feedback from their spoke organizations. This exercise would provide NGOs with a sense of the multiple levels and tracks on which they could choose to operate. This, in turn, would allow the hub representatives to identify poorly covered areas in the campaign matrix and ones that need greater capacity. It would also provide NGOs a sense of which organizations they may need to work with more closely.
11. *Develop a set of demands* for Wal-Mart that specify how the company needs to change in terms of its board of directors (e.g., representation of stakeholders), organizational structure (e.g., adding and funding corporate responsibility and environment departments), compensation of executives and employees, labor practices, store size, supplier worker and environmental standards and charitable contributions to local communities. The demands would likely be arranged hierarchically with the easier good faith gestures and most urgent matters at the top. Changes in Wal-Mart's organizational structure would also be proposed since new departments and directors would need to be in place in order to engage NGOs on the broader set of issues.
12. *Develop a campaign framework that supports a larger corporate strategic initiative.* Ideally a number of important big picture corporate initiative questions would be answered before the Wal-Mart campaign begins. What is the ultimate endgame of a strategic corporate initiative? What is the purpose of corporations and how do we define it? How do we want to hold corporations accountable? What are the new market rules we want to implement and how should they be institutionalized? How should a strategic initiative on corporations be framed? Once these questions are answered, even in the broadest of terms, a Wal-Mart campaign can be designed so it lays the foundation, frames and elevates the debate on the bigger issues to follow.

Conclusion

Economic globalization and the emergence of free trade as the dominant paradigm governing international business practices have produced a tectonic shift in the marketplace. Capitalizing on and simultaneously facilitating this shift, big box and now mega box retailers like Wal-Mart are poised to dramatically change how, where and by whom consumer goods are produced. An ever increasing dominance in the marketplace has positioned this corporate giant

to lead a race to the bottom in terms of environment, health, labor, communities, government and ultimately the values of an open and progressive society. As a result, there is an urgent need for a unified marketplace campaign to transform this company into a leader in the race to the top or to dramatically limit its growth and influence. Either we change Wal-Mart or Wal-Mart will change us...and not for the better. Taking on the largest corporation in the world entails navigating challenging seas, but it offers tremendous opportunities. Success will mean bringing together the forces that seek to re-shape this organization and committing to work as a unified front to the end.

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109. See www.epa.gov/compliance. "[Wal-Mart] and 10 of the store's contractors were the target of the first national enforcement action for multi-state violations of the storm water regulations. The violations occurred at 17 Wal-Mart store construction sites in Texas, New Mexico, Oklahoma and Massachusetts."
110. Confidential communication, a senior environmental consultant after his meeting with senior managers at one of the largest U.S. grocery chains, June 30, 2004.
111. Constance L. Hays, "Wal-Mart Opens Wallet in Effort to Fix its Image" (*The New York Times*, August 14, 2003), p. B5.
112. Madeline Janis-Aparicio, "The Wal-Mart Challenge," p. 2-3.
113. Personal communication, Kirk Hulett, Esq., Hulett-Harper Law Firm, San Diego, June 2004. Hewlett is an expert in securities and corporate law and commented on the legality of competitors funding an NGO targeting Wal-Mart.
114. John Helyar, "The Only Company that Wal-Mart Fears," (*Fortune Magazine*, November 24, 2003, Volume 48, Issue 11), p. 158.
115. Michael Forsythe, Rachel Katz, "Rivalry Between Wal-Mart, Costco Also Extends to National Politics" (*Bloomberg News*, July 25, 2004).
116. Personal communication, Steve Lerner, SEIU, March 30, 2004.
117. George Lakoff, Ph.D., of Rockridge Institute, refers to companies that embody certain negative characteristics as "negative prototypes." This idea was part of his oral presentation on the concept of framing made at the Market Synergies Conference, June, 2003.
118. "Billionaire's Fortunes Dwindle, but Oprah Joins the List" (*www.USAToday.com*, Money Section, February 27, 2003).
119. Confidential communication with a senior level shareholder activist who has worked on Wal-Mart shareholder resolutions, July 11, 2004.
120. Jim Carlton, "New Leaf: Once Targeted by Protesters, Home Depot Plays Green Role," (*The Wall Street Journal*, www.online.wsj.com, August 6, 2004).
121. These are just a few of the policy changes proposed by representatives of 20 non-governmental organizations (NGOs) engaged in marketplace campaigns when asked what demands they would make of Wal-Mart. They were attending The Markets Synergies Conference, held in Bolinas, CA in June 2003.
122. Personal communication with the environmental manager of Target Corporation, September 1998.
123. Thomas Reardon, C. Peter Timmer, and Julio A. Berdegue, "The Rise of Supermarkets and Private Standards in Developing Countries: Illustrations from the Produce Sector and Hypothesized Implications for Trade," Paper presented at the International Conference on Agricultural Policy Reform and the WTO, "Where are we Headed?" Italy, June 23-26, 2003, p. 20-22.
124. Wal-Mart Stores, Inc., "Standards for Vendor Partners," (U.S. Department of Labor, www.dol.org).
125. Pankaj Ghemawat, Ken A. Mark, and Stephen P. Bradley, "Wal-Mart Stores in 2003" (Harvard Business School, January 30, 2004), p. 7.
126. "The Wal-Mart You Don't Know" (*Fast Company*, Issue 77, December 2003), p. 69. Carol Sliwa, "Wal-Mart Suppliers Shoulder Burden of Daunting RFID Effort," (*Computerworld*, Volume 37, Issue 45, November 10, 2003).

127. Constance L. Hayes, "Wal-Mart Plans to Shield Covers of Four Magazines Aimed at Women," (*The New York Times*, Business Section, June 7, 2003), p. 1.
128. "L.A. Council Votes to Restrict Superstores: The Law Would Require Studies of Possible Harm Before Large Centers Such as Wal-Mart's are Built (*Los Angeles Times*, www.latimes.com/news/local, August 11, 2004).
129. Confidential communication with a prominent activist involved in shareholder resolution campaigns including the Wal-Mart effort, June 2004.
130. Personal communication, Dara O'Rourke, Professor, U.C. Berkeley, Dept. of Environmental Policies, based on his interviews with Wal-Mart manufacturers in Honduras in Spring 2004, May 23, 2004.
131. Confidential communication with a prominent activist involved in shareholder resolution campaigns including the Wal-Mart effort, June 2004.
132. Confidential communication with a prominent activist involved in shareholder resolution campaigns including the Wal-Mart effort, June 2004.
133. Paul, Hawken, "Socially Responsible Investing," A report prepared by the Natural Capital Institute, August 2004. The following SRI mutual funds are identified in the report as Wal-Mart shareholders:
 AB Equity Index Fund, AB Growth Equity Fund, AB International Equity Fund, AB Medium-Duration Bond Fund, ABF Green Planet, Alger Socially Responsible Growth Institutional Portfolio, Aquinas Growth Fund, BBVA Solidaridad, FIM, BIAM Australia Ethical International Fund, Capstone Social Ethics and Religious Values Bond Fund, Capstone Social Ethics and Religious Values International Fund, Capstone Social Ethics and Religious Values Large Cap Equity Fund, Catholic Equity Fund, Christian Stewardship Large Cap Equity Index Fund, CUIT Balanced Fund, CUIT Core Equity Index Fund, CUIT Growth Fund, Enterprise Global Socially Responsive Fund, Ethical Global Equity Fund, Ethical Growth Fund, Ethical International Equity Fund, Ethical North American Equity Fund, Etikfond Global Mega, Fondo Solidario pro UNICEF, MMA Praxis International Fund, MTB Social Balanced Fund, New Covenant Funds Growth Fund, Noah Large Cap Growth Portfolio, Robur Gävofonden, SEB:s och Svenska Läkaresällskapetets Forskningsfond, Summit Apex Total Social Impact Fund, Svenska Kyrkans Aktiefond Mega, Svenska Kyrkans Mixfond Mega, Svenska Kyrkans Värdepappersfond, T. Rowe Price Global Clean Future Equity Fund.
134. Confidential communication with a prominent activist involved in shareholder resolution campaigns including the Wal-Mart effort, June 2004.
135. Sarah Anderson and John Cavanaugh, "Top 200: The Rise of Corporate Global Power," (The Institute for Policy Studies report, December 2000).
136. Ibid.
137. Marjorie Kelly, *The Divine Right of Capital: Dethroning the Corporate Aristocracy* (San Francisco: Berrett-Koehler Publishers, Inc., 2001), p. 174.
138. Fred Block, "A Strategy for Corporate Reform" (Rockridge Institute paper, October 27, 2003).
139. This is a proposal advanced by Ralph Nader as an alternative to state chartering. He argues that only by establishing a uniform federal standard can we avoid the tendency of states to lower the standards for corporate behavior in order to encourage companies to become chartered in their state.
140. Robert Hinkley, "28 Words to Redefine Corporate Duties: The Proposal for a Code of Corporate Citizenship," (*Multinational Monitor*, July/August 2002, Volume 23, # 7 & 8).
141. *The Divine Right of Capital: Dethroning the Corporate Aristocracy*, p. 167, citing a proposal by Ralph Estes of the activist Stakeholder Alliance in Washington, D.C. to draft a constitutional amendment saying simply "A corporation is not a natural person under the U.S. Constitution."
142. *The Divine Right of Capital: Dethroning the Corporate Aristocracy*, p.138-143.
143. Porter and Licking Townships in Clarion County, Pennsylvania became the first two municipal governments in the United States to adopt binding local laws eliminating corporate constitutional "rights." Passage of those laws occurred in late 2002 and early 2003. Other communities have adopted non-binding Resolutions, urging other levels of government to work to question the existence of those "rights." Those communities include the cities of Point Arena and Berkeley in California. The city of Arcata, California is currently considering the adoption of a binding local law eliminating corporate "rights."