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## **Wal-Mart vs. America's Middle Class**

by **James O. Goldsborough**

One way to look at President Bush's amnesty plan for illegal immigrants is through the lens of Southern California's grocery shutdown. Employers such as Wal-Mart, already under investigation for hiring illegal immigrants and other malpractices, will use amnestied workers to drive wages and benefits down still further.

The grocery business is living on the edge, and not just in California. Traditionally, grocery workers have been able to make a decent living. The wage of full-time unionized clerks averages around \$15 an hour – \$25,000-\$30,000 annually, depending on hours worked. In addition, workers have had health care benefits.

At these levels, grocery clerks survived in this region despite its high real estate prices. Often they had long commutes, especially if their stores were in affluent suburbs, but for decades these workers were as much a part of America's solid middle class as service workers anywhere. They owned houses, raised families, took comfort in belonging to America's company-based health care system.

Along comes Wal-Mart, the world's largest business, whose revenues equal an astounding 2 percent of U.S. GDP and whose power rivals that of the great trusts of a century ago. Specifically, Wal-Mart resembles the Great Atlantic and Pacific Tea Company, which in its heyday owned 80 percent of the supermarket business, until Washington used the trust laws to whittle it down to size.

Wal-Mart plans to open 225 supercenters this year alone. That includes new stores and expansions of existing stores to add grocery departments directly in competition with Safeway (Vons), Ralphs and Albertsons, stores currently involved in the strike-lockout. Forty supercenters are planned for California in coming years.

Wal-Mart has the distinction of having four of its Walton owners ranked among America's 10 richest people, according to Forbes. The Waltons do especially well because their employees do especially poorly, with clerks earning, on average, 40 percent less than unionized workers, and receiving either marginal health care

coverage or none at all.

The chain keeps its prices low and owners rich. Last year the five Walton heirs saw their net worth increase from \$94 billion to \$102 billion.

Wal-Mart's remarkable growth raises this question: How will blanketing the nation in supercenters affect our communities? In 1948, the A&P's abuses were flagrant enough that the government used the Robinson-Patman Act to enjoin the company from using price discrimination to drive smaller grocers out of business.

But antitrust vigor has faded in our globalized world, allowing mastodons to stroll the Earth again. Happy with low prices, Wal-Mart customers don't connect those prices to the demise of neighborhood stores, the influx of illegal immigrants or the use of foreign suppliers to replace U.S. companies.

Antitrust law once saw its goal as "the organization of industry in small units that can effectively compete against each other," as Judge Learned Hand wrote in *U.S. v. Alcoa*, 1945. Today, we have moved away from that view, but to where? Wal-Mart has replaced the A&P as the grocery leviathan changing the face of whole communities. Is this right?

In economic theory, the answer is, yes. In economic theory, pure competition drives down prices and everyone benefits: consumers with lower prices, owners with greater profits, workers with higher wages.

In the real world, competition is never pure, which is why antitrust legislation was written. The risk to society was that Standard Oil, Alcoa or the A&P would lower prices to drive competitors out of business.

And then raise prices.

Antitrust laws were one protection against rapaciousness, and organized labor was another. With unions, tycoons like Andrew Carnegie, George Pullman and Henry Ford no longer could dictate wages via goon squads.

Taken together, antitrust legislation and organized labor helped to modulate business practices and create the American middle class.

Where will Wal-Mart find minimum-wage workers for its new supercenters, to help lower its prices, break the unions at traditional stores and drive those stores out of business?

That's where Bush's illegal immigrant amnesty comes in. Under his plan, illegal immigrants can be legalized if an employer sponsors them. Wal-Mart, already gaining national attention for its labor abuses, will be the first sponsor in line. Here

are three current charges against the company:

A government investigation accuses it of employing illegal immigrants. A group of illegal immigrants is suing it for discrimination. A third case involves the company's so-called "lock-in" policy, under which employees are locked into stores overnight, a policy that has led to several accidents.

Communities are wrong to focus solely on the benefits of Wal-Mart's low prices. Low prices come at a social cost vastly outweighing their benefits.

We won't see this until smaller grocers are gone, more supplier companies are offshore, amnestied workers replace Americans and no one can ever walk to a grocery store again.

Then it will be too late.

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