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BOOK REVIEW

'The Retail Revolution: How Wal-Mart Created a Brave New World of Business'

The retailing behemoth has created a unique corporate subculture that is rooted in its home of Bentonville, Ark.

By Jon Wiener
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The Retail Revolution: How Wal-Mart Created a Brave New World of Business
Nelson Lichtenstein
Metropolitan Books: 312 pp., \$25

Bentonville, Ark., may be unknown to most Americans, but it is the center of the world for some 750 corporations that manufacture consumer goods -- because Bentonville is the legendary home office of Wal-Mart, and those corporations want to sell their products to the world's largest retailer. It's also the largest private employer in the nation, operator of 4,200 stores.

Bentonville is a key to understanding the success of Wal-Mart, historian Nelson Lichtenstein argues in his terrific book, "The Retail Revolution: How Wal-Mart Created a Brave New World of Business." Legendary founder Sam Walton didn't start in Bentonville, in the Ozarks in northwestern Arkansas. The first store he ran in the late 1940s was in Newport, Ark., in the Black Belt along the Mississippi where chain stores like Woolworth's soon became the target of sit-ins and business boycotts organized by the nascent civil rights movement.

But when Walton lost his lease on his first store in 1950 in the Delta he decided to relocate to the Ozarks, far from the social conflicts of the midcentury South. He was able to develop his business in a remote, isolated area. "The Ozarks were not just rural and poor," Lichtenstein writes. "They have long been uniquely homogeneous, among the most exclusively white regions in the nation."

One of Lichtenstein's most original contributions is his argument that Wal-Mart created its own corporate subculture rooted in this region. Sam Walton said Wal-Mart workers were "a family," and Lichtenstein writes that the company would create "a self-contained corporate culture, an ideology of family, faith, and folk communalism that to this day co-exists in a strange harmony with a Dickensian world of low wages, job insecurity, and pervasive corporate surveillance" -- a culture where the female workforce was, in Lichtenstein's words, "cheap and grateful."

If Wal-Mart's success depended first on this Bentonville subculture, it was also based on the creation of an advanced global system for manufacturing cheap goods and a pioneering bar-code-based computerized shipping network that got the goods to the stores in record time.

Lichtenstein's sympathies lie with the workers Walton called "associates." They are recruited by the hundreds of thousands from the ranks of the retired, those willing to work part-time, and people who want a second job. Their wages are so low that a startling proportion of Wal-Mart associates are also welfare recipients. According to a 2004 UC Berkeley study, "Wal-Mart wages -- about 31 percent below those in large retail establishments as a whole -- made it necessary for tens of thousands of company employees to rely on public 'safety net' programs, such as food stamps, Medicare . . . and subsidized housing, to make ends meet." Managers, Lichtenstein adds, "even pointed struggling associates to the appropriate government agency where they could apply" for assistance.

And because Wal-Mart runs 24 hours a day, lots of people have to work in the middle of the night or suffer through chaotic shift schedules. An associate's work life can often revolve around trying to get a decent schedule, one with steady daytime hours.

The low wages and scheduling problems create massive turnover. But Wal-Mart, Lichtenstein reports, has concluded that hiring and training a steady stream of new associates is cheaper than keeping the ones they have by paying decent wages and opening careers to promotion and advancement. As Lichtenstein writes: "Michael Bergdahl, who worked in the home office as head of the Wal-Mart People Division during the last years of Sam Walton's life, let the cat out of the bag in his 2004 memoir-advice book 'What I Learned From Sam Walton.' 'It's hard to believe, but turnover drops millions of dollars to the bottom line in cost savings for the company. When an experienced associate leaves the company he or she is replaced by an entry-level associate at a lower wage. Turnover of associates, for this reason, actually appears, from an expense standpoint, to be a competitive advantage.' "

Wal-Mart managers, Lichtenstein writes, know their success "depended on keeping trade unions at bay." The home office in Bentonville goes wild when workers anywhere get interested in a union. One of Lichtenstein's most striking stories centers on nine meat cutters in small-town Texas who voted to join a union. The company responded by ceasing all meat-cutting at its supercenters in a number of states and selling only prepackaged meat.

The Wal-Mart work force does have what Lichtenstein calls "a labor aristocracy": the 8,000 truck drivers. Their work was too important to be outsourced -- Wal-Mart requires total control over shipping from its distribution centers to guarantee on-time delivery to stores. So the drivers get high wages and good working conditions. Since the early 1980s, drivers have not been "required to help load and unload their shipments. Their uniforms were now always clean; their equipment was the best in the business."

But the associates, Lichtenstein emphasizes, are not the lowest workers at Wal-Mart. At the bottom are the janitors who clean the stores overnight.

Over the years, many worked for independent subcontractors, and many were undocumented

immigrants exploited ruthlessly because of their illegal status. Wal-Mart locked in the janitors, and other workers, overnight -- the company said to protect them from robbers, though many store managers contend that it was to discourage theft by those very workers -- so that even if they got sick or had a family emergency, they couldn't get out of the store except by an alarmed fire door (and they could face dismissal if there was no fire), until the manager arrived in the morning. That led to bad publicity, and changes.

Across the Pacific are the real proletarians of Wal-Mart: the hundreds of thousands of young single women who work in the factories in southern China that make the toys, sneakers, clothing, electronics that fill the shelves in the U.S. They come from poverty-stricken villages far away; Lichtenstein describes the crowded dorms where they live, their extremely long work weeks, and the policies that send them back home to their villages if they get sick or pregnant.

Lichtenstein is a historian, and he does a beautiful job of putting Wal-Mart in its historical context. The glory days of Wal-Mart were the Reagan-Clinton-Bush years, the years of unions in retreat, global free trade, lax enforcement of labor laws, and, for most Americans, stagnating wages that led them to seek cheap consumer goods.

But that era has finally come to an end, and with Barack Obama in the White House, Lichtenstein argues. Wal-Mart faces "a day of reckoning": The Democrats will raise the minimum wage, encourage unionization, rigorously enforce laws governing wages and hours, and require employers to pay some of the health insurance costs of their workers.

And as Lichtenstein points out, there is an anti-Wal-Mart out there: Costco. It pays veteran workers a lot more than equally experienced workers at Wal-Mart: \$5 an hour more. It provides almost all of its workers with a good health insurance plan. Costco has a different lineage -- in contrast to Sam Walton, Costco "owes its character to Sol Price, the Jewish, New Deal Democrat whose social and cultural values were those of Depression-era New York." And while Wal-Mart has been stagnating for the last several years, Costco has been booming -- it's now the fourth-largest retailer in America.

Thus Lichtenstein has written a definitive account not only of Wal-Mart's past but also of the forces shaping its future.

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