

SPECIAL REPORT

National Legal and Policy Center

Wal-Mart Embraces Controversial Causes

*Bid to Appease Liberal Interest Groups
Will Likely Fail, Hurt Business*

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Box store giant Wal-Mart is the world's most profitable company, generating \$312 billion in revenue and \$11 billion in profit in 2005.¹ The ubiquitous corporation has over 3,800 stores in the U.S., 1,606 in 15 nations, and employs 1.3 million workers domestically and 300,000 overseas.² Outside of the federal government, Wal-Mart is the largest employer in the U.S.

Predictably, Wal-Mart's incredible success has made it the target of a diverse group of liberal activists and organizations. Most notably, labor unions revile Wal-Mart as an egregious enemy of workers. Led by major unions such as the Service Employees International Union and the United Food and Commercial Workers Union, organized labor has targeted Wal-Mart for an ambitious unionization campaign. Unions argue that, among other things, the company



Former Vice President Al Gore praised Wal-Mart's environmental strategy in a speech at the company's Arkansas headquarters.



pays employees unacceptably low wages and offers paltry health care benefits. Wal-Mart so far has resisted the fierce pressure to unionize.

Despite standing up to union bullying, the company does little to defend the free market principles that have made it so successful.

Cowering to activist pressure, Wal-Mart has over the last three years become a strident advocate of environmentalism, affirmative action, and homosexual rights in an attempt to quell some of the politically-charged criticism. The company now mandates strict quotas for the hiring of minorities and women, and goes so far as to penalize senior executives who fail to meet those quotas. Similarly, it promotes the hiring of homosexuals, lesbians, bisexuals, and those of the transgender persuasion, and prides itself in marketing to the gay community.

The retailer also requires its business partners to employ a sufficiently diverse workforce of minorities and women. Companies that fail to meet the diversity standards risk losing their contracts.

However, it is in the realm of environmental activism that Wal-Mart has most aggressively sought to curry favor with the Left. In October 2005, Wal-Mart CEO Lee Scott launched an ambitious environmental campaign in which the company vows to take

steps to combat the unproven global warming threat, dramatically boost its sales of organically-produced products, help environmentalists buy up large amounts of land for conservation, and promote renewable energy.

Wal-Mart's goal to become a "Green" company is ominous. Through its sheer size and global presence, the corporation will help publicize and legitimize the environmental movement's scientifically spurious and anti-free market agenda. Every week, 127 million people shop at Wal-Mart.³ With a presence in every state, more than 80 percent of U.S. households have made at least one purchase at a Wal-Mart store. While many corporations have endorsed the environmental agenda, Wal-Mart stands out as a uniquely high-profile corporate spokesman for this controversial ideology.

Wal-Mart has formed close alliances with some of the nation's leading environmental advocacy groups that provide advice on political policy and help the company implement its environmental business plan. The most prominent groups include Environmental Defense, Conservation International, and the World Wildlife Fund.

Perhaps most disturbing is that Wal-Mart is pressuring its vast army of 60,000 suppliers to adopt its environmental agenda. Wal-Mart has bluntly made clear that suppliers that fail to meet these standards will lose their lucrative contracts. As is all too often the case with environmental policies, large corporations with deep pockets will be able to make the adjustment. But many smaller businesses can not bear the cost of adhering to onerous environmental mandates.

Wal-Mart's cynical embrace of environmentalism and other liberal causes is not likely to buy it the political

peace it desperately seeks. A number of environmental groups are understandably enthusiastic about co-opting the corporate giant to shill for their agenda. However, many environmentalists have deep reservations about an alliance. Some are cautious about Wal-Mart's sincerity and are waiting to see how thoroughly the company commits to its environmental plan. Others see no way to reconcile genuine environmentalism with the Wal-Mart business strategy of building unsightly stores in sprawling suburbs that destroy wetlands, erode scenic open spaces and cause ever worsening traffic congestion. To these environmentalists, Wal-Mart is beyond redemption.

Despite its strong support for race quotas, many African-American leaders continue to denounce the company. Jesse Jackson, the quintessential practitioner of the corporate shakedown, regularly vilifies Wal-Mart for racial and sexual discrimination. And the labor unions still view Wal-Mart as their number one corporate enemy. They show no sign of abating their campaign to either unionize the Wal-Mart workforce or, failing that, to simply destroy the company.

Rise to Dominance of Retail Market Fuels Lawsuits and Bad Publicity

Wal-Mart was founded in 1962 by Arkansas businessman Sam Walton who viewed discount retailing as the wave of the future. Not coincidentally, 1962 was the same year that Kmart and Target began operations. Initially, Wal-Mart did not make as dramatic an impact as Kmart. While Kmart expanded across the nation in the 1960s, Walton managed to build only 15 stores. But in the 1970s, Wal-Mart started to take off. In 1970, its stock was offered on

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the New York Stock Exchange for the first time and by 1980 had grown to 276 stores in 11 states with sales of \$1 billion. The company became a genuine retail giant in the 1980s. Sales skyrocketed to \$26 billion by 1989 and employment increased tenfold. In 1988, Wal-Mart opened its first Supercenter, the signature Wal-Mart store featuring a complete grocery department along with the 36 departments of general merchandise.⁴

Sam Walton passed away in 1992 but the company he founded continued to soar to the pinnacle of the retail market. By 2002, the Wal-Mart network of nearly 5,000 stores made more than \$8 billion on revenues of \$246 billion. Wal-Mart's 2005 revenues of \$312 billion are greater than the combined sales of its top competitors Target, Sears Roebuck, Costco, Home Depot and The Kroger Company.⁵

However, simultaneously with its stunning financial success, Wal-Mart became embroiled in controversies over its business practices that took a toll on its image and started to undermine its competitive edge. In 2001, six women filed a lawsuit against the retailer alleging that it systematically pays female employees less than their male counterparts for comparable jobs and bypasses them for promotions. In June 2004, a federal judge expanded the suit to include virtually all women who have worked at Wal-Mart since December 1998, making it the largest private civil rights case in U.S. history. This ongoing lawsuit is one of the company's worst legal and public relations problems, especially because women make up 65 percent of its workforce.⁶ Wal-Mart contends that the suit ignores the thousands of women who earn more than men and fails to con-

sider the factors that cause one job to pay more than another. Nevertheless, the company implemented a new job classification and pay structure to "ensure internal equity and external competitive fairness."

At about the same time, the company's environmental image took a hit after it was fined \$3.1 million for violations of the Clean Water Act. In addition, it had to pay out \$11 million to the U.S. Justice Department for allowing subcontractors to use undocumented immigrant labor.⁷

By far, Wal-Mart's most serious challenge is resisting organized labor's attempt to unionize its workforce. In 2004, the AFL-CIO and several unions began planning an unprecedented campaign to force Wal-Mart to improve its wages and benefits. This campaign is unusual in a number of respects. Initially, the unions are not pressing to unionize the workers but rather are waging an expensive public relations battle to convince Americans that Wal-Mart's low wages, which average less than \$10 an hour, are pulling down the wages and benefits at companies across the country. Another unique feature is that several unions are involved in the effort. Most unionization campaigns involve just one union. Because Wal-Mart is so huge, labor leaders believe that many unions should work with the AFL-CIO. The unions include the Service Employees International Union (SEIU), the International Brotherhood of Teamsters, and the United Food and Commercial Workers Union (UFCW). SEIU president Andrew Stern says, "The Wal-Marting of the economy is a threat to every union." The unions are planning to spend \$25 million a year, the most money labor has ever committed to a unionization campaign against one company.⁸

In April 2005, the SEIU and UFCW established Wal-Mart Watch and Wake Up Wal-Mart respectively to spearhead the public relations offensive against the company. These groups play a major role in organizing anti-Wal-Mart agitation drives. For instance, at the suggestion of Wake Up Wal-Mart, members of the nation's largest teachers' unions staged a boycott of Wal-Mart for back-to-school supplies in the fall of 2005. Wal-Mart Watch established an automated telephone system that called 10,000 people in Arkansas seeking potential whistle-blowers to share secrets about the company.⁹

The public relations offensive against Wal-Mart gathered more momentum with the release in November 2005 of the film documentary "Wal-Mart: The High Cost of Low Price." Directed by activist filmmaker Robert Greenwald, the 95 minute documentary shows how Wal-Mart destroys small, family-run businesses. The film was shown for months at activist gatherings, churches, and community centers before it was released nationally at select theaters.¹⁰

Deteriorating Public Image Begins to Hurt Sales

Wal-Mart became increasingly concerned about the growing wave of criticism. One compelling reason was that its rate of growth started to noticeably slow. Wal-Mart's sales gains had declined from nine percent in 1999 to three percent by 2005. This was doubly worrisome because its chief competitor Target posted gains of six percent in 2005 by lowering prices almost as low as Wal-Mart's while honing its appeal to its traditionally upscale shoppers.¹¹ Wal-Mart's stock



Wal-Mart CEO Lee Scott hopes that advocating environmental agenda will help company counter liberal criticism of business practices.

accordingly began to suffer. During the 1990s, its stock rose 1,205 percent. Since 2000, the stock has fallen by 30 percent.¹²

In early 2004, H. Lee Scott, the CEO of Wal-Mart since 2000, undertook a review of Wal-Mart's legal problems and its deteriorating public image. In addition to lawsuits and the unions, activists were increasingly successful in blocking efforts to open new stores in cities such as Los Angeles, San Francisco, and Chicago. Scott came to the conclusion that the corporation's traditional way of concentrating on business and ignoring criticism just no longer worked. Scott wondered, "If we had known ten years ago what we know now, what would we have done differently that might

have kept us out of some of these issues or would have enhanced our reputation?"¹³

Wal-Mart commissioned the consulting firm McKinsey & Co. to do a study on Wal-Mart's public perception problems. In August 2004, McKinsey reported its findings and its conclusions jolted senior management: Wal-Mart is seen as treating its employees poorly and has a negative impact in the communities where it operates. The report said, "Sincere concerns exist that Wal-Mart is not treating its employees well, is too aggressive and is hurting local companies." The study added, "The challenge is likely only to intensify."¹⁴ Company officials were especially worried by the report's finding that two to eight percent of 1,800 shop-

pers polled had stopped shopping at the retailer because of "negative press they have heard."¹⁵

To address these problems, McKinsey recommended that the company implement a long-term, multifaceted strategy to restore public trust. In the first three to 12 months, the company should work to convince the public that its wages and benefits are better than perceived, show that it cares about its employees, boost local philanthropic giving, and research the impact of stores on communities.¹⁶

And finally, the report recommended that Wal-Mart should "take public leadership on a broader societal issue."

Scott quickly decided that Wal-Mart's cause would be environmentalism.

Walton Family Connections to the Environmental Movement

Wal-Mart had dabbled in environmental causes prior to its aggressive embrace of the issue in 2005. Beginning in 1995, Wal-Mart partnered with Worldwide, a leading brand of environmentally responsible products, to be its primary supplier of such goods. Worldwide specializes in manufacturing a wide variety of items from recycled materials. Its products include lawn & garden products made from recycled plastics, pet beds made with recycled plastic content fiberfill, and wood firelogs fashioned from reclaimed sawdust. In conjunction with Earth Day in April 2002, Wal-Mart boasted that it was helping Worldwide market two new pet products, the PoochPlanet pet bed and Smart-yKat cat toys.¹⁷

However, the motivation to implement a comprehensive environmental business plan came from the most important figures in the Wal-Mart corporate hierarchy—the Walton family. Conservationism apparently has been a longtime personal priority for many Waltons. Robson “Rob” Walton, one of the children of Sam Walton, says he grew up with a love of the outdoors. His brother John, who died in a plane crash in 2005, was a conservationist. Rob Walton’s son Sam, who once worked as a Colorado River guide, sits on the board of Environmental Defense.¹⁸ One of the nation’s most influential environmental organizations, Environmental Defense specializes in co-opting the corporate community into supporting the movement’s agenda. It would play a pivotal role in Wal-Mart’s conversion to environmental advocacy.

In 2002, following a trip to Africa, Rob Walton says he began to think

about how his family could help preserve wilderness areas through its foundation, the Walton Family Foundation, which has assets of about \$1 billion. About that time, a mutual friend introduced Walton to Peter Seligmann, co-founder and CEO of Conservation International, a major environmental foundation dedicated to preserving biologically rich habitats. Conservation International is one of the wealthiest nonprofit foundations in the nation.¹⁹ In 2005, it reported revenue of \$85.2 million, \$112.7 million in expenses, and \$169.3 million in assets. Seligmann would prove instrumental in recruiting the Walton family and Wal-Mart into the environmentalist camp.

Over the next two years, Seligmann, Rob and his two sons took a number of trips that featured hiking in Madagascar, a boat trip in a Brazilian wetland, and scuba diving in the Galapagos Islands. The Walton Family Foundation eventually made a \$21 million grant to Conservation International for ocean-protection programs and Walton joined the organization’s board. The Conservation International board includes major corporate figures who are strong advocates of the environmental agenda. British Petroleum chief executive John Browne, for instance, is an enthusiastic advocate for addressing the alleged global warming threat. Other prominent board members include Starbucks CEO Orin Smith and Intel chairman Gordon Moore.²⁰

Not surprisingly, Seligmann had more ambitious plans for Walton. During a trip to a Costa Rican national park in February 2004, Seligmann directly told Walton: “We need to change the way the industry works. And you can have an influ-

ence.” Walton no longer had an operational role at Wal-Mart but he certainly still had considerable influence. The Walton family has a 40 percent stake in the company worth \$80 billion. An intrigued Walton liked Seligmann’s idea and introduced him to Lee Scott.²¹

The meeting couldn’t have been timed more perfectly as it occurred when Scott was anxiously trying to devise a strategy to reverse Wal-Mart’s sagging public image amid the discrimination lawsuits, environmental fines, and union criticism.

Scott, Walton, Seligmann, Glen Prickett of Conservation International, and Seligmann friend Jib Ellison, who ran a management consulting firm, held an important meeting in June 2004. Discussing ways to boost Wal-Mart’s environmental image, Seligmann and Prickett related how they helped Starbucks develop coffee-buying methods to protect tropical areas and assisted McDonald’s in promoting sustainable agriculture and fishing. Seligmann and Prickett said that by adopting a similarly ambitious environmental plan Wal-Mart could improve its image and even save money while doing so.

Scott hired Conservation International and Ellison’s management firm, BluSkye Sustainability Consultants, to explore what an environmentally sustainable business strategy might mean for Wal-Mart. For nearly one year, BluSkye, Conservation International and Wal-Mart conducted a broad review of the company’s ecological impact. This assessment included not just Wal-Mart’s operations but its vast supply chain as well.²²

Ellison and his partner David Sherman, co-founder of Sustainable



Value Partners, convened a two-day meeting for Scott and 25 senior Wal-Mart executives to explore the many different types of sustainability strategies the corporation could adopt. The executives were informed about the alleged deterioration of the planet, why this should matter to Wal-Mart and how the company could affect the planet. The executives were asked, “Given everything else on your platters, are these issues that you should attend to at this time?” The answer was supposedly a unanimous “yes.” Sherman and Ellison assured them that an environmentally friendly business strategy would yield cost savings and give the company a competitive advantage.²³

Wal-Mart established 15 “Sustainable Value Networks” to study such issues as energy efficiency, truck fleet efficiency, supplier engagement, waste and operations, packaging, and food and fiber. Consulting with outside experts and environmental nonprofits, including staff from the Natural Resources Defense Council and the radical Greenpeace group, these teams identified “quick wins” that would deliver cost savings and environmental efficiency. For instance, by eliminating excessive packaging for Wal-Mart’s private-label line of toys, On Kid Connection, Wal-Mart could supposedly save \$2.4 million a year in shipping costs, 3,800 trees, and one million barrels of oil.²⁴ These stories were filmed and distributed at half-day meetings of an expanding group of executives. By October 2005, when Scott formally unveiled Wal-Mart’s “Green” business plan, more than 100 executives were involved in the sustainability effort. One execu-

Protestors rally against proposed Wal-Mart store in Inglewood, California. Executives are worried that bad public perception is hurting sales.

tive journeyed to Turkey to visit organic and conventional cotton farms where she reported witnessing sharecroppers' children playing in the pesticide covered fields. Lee Scott spent an evening on a mountain with Fred Krupp, president of Environmental Defense, who allegedly enlightened him on the global warming threat.²⁵

Hires Public Relations Firm

By early 2005, as Wal-Mart slowly crafted an environmental plan, the company initiated a search for a public relations firm that would market its new image. Executives were determined to stop playing defense and go on the counterattack. While founder Sam Walton dismissed public relations as a waste of time and money, Scott believed that the sophisticated union campaign, lawsuits, and criticism of its alleged corporate bullying rendered that view obsolete. The company quietly mailed a letter to the nation's largest public relations firms seeking their assistance.²⁶

The contract went to the Edelman company in August 2005. The world's largest, independent public relations firm, Edelman is highly sought after by some of the nation's leading corporations. Its clients include General Electric, Shell, Burger King, Ralph Lauren, and Fannie Mae. One of Edelman's major selling points is its ability to develop pro-environment marketing strategies for corporations. In 2005, for instance, General Electric turned to Edelman to communicate a major new operational strategy emphasizing environmentally friendly initiatives. Wal-Mart would not disclose how much it was paying Edelman. But in 2005, Edelman's worldwide revenue grew more than 14 percent to \$254

million and much of that growth came from Wal-Mart.²⁷

Leslie Dach, who served as the Vice Chairman of Edelman in 2005, is one of the key leaders of the Wal-Mart counteroffensive. Dach is a veteran Democratic political operative who served as a media consultant to President Bill Clinton and advised him during his impeachment battle. Prior to that, Dach was press secretary to former Massachusetts governor and 1988 Democratic presidential candidate Michael Dukakis. Not surprisingly, Dach has close ties to the environmental movement. He has worked for Environmental Defense and currently serves on the National Audubon Society's board of directors.²⁸

Dach immediately set up a rapid-response team consisting of six people each in Bentonville, Arkansas, Wal-Mart's headquarters, and Washington, DC. Edelman would eventually assign 35 people to work on the Wal-Mart campaign. As is often the case with public relations firms, the staff includes political operatives from both the Democratic and Republican parties. For example, the Bentonville team includes Jonathan Akashek, director of national delegate strategy for John Kerry and David White who helped manage the 1998 re-election of Republican Congresswoman Nancy Johnson. Perhaps the most prominent Republican working on Edelman's Wal-Mart campaign is Michael Deaver, former communications advisor to President Ronald Reagan.²⁹

Interestingly, former personnel from the Kerry and Howard Dean presidential campaigns staff Wake Up Wal-Mart and Wal-Mart Watch.

Industry observers generally applauded Wal-Mart's public rela-

tions offensive. John Waterman, chief investment officer at Rittenhouse Asset Management, which owns about 4.7 million Wal-Mart shares, said, "The negative PR has not helped them. I think they realize they have to play offense a little bit."³⁰

One of Edelman's first projects was helping to handle work related to Wal-Mart's response to Hurricane Katrina which hit the Gulf Coast in August 2005. The company rushed 45 truckloads of supplies to stricken areas immediately following the disaster, drawing praise from local officials frustrated by the delayed response of local and federal authorities. CEO Scott personally spearheaded the relief operation, appearing alongside former Presidents Bush and Clinton as they announced their national relief effort.

Public relations observers praised the Wal-Mart effort. "Through this tragedy, they gained a lot," said New York public relations expert Howard Rubenstein. "Their PR followed a superb, substantive series of actions, so there could be absolutely no criticism." Scott, who insisted the Katrina response wasn't done for public relations purposes, said its positive coverage had been "extraordinarily helpful in helping to at least turn the tide a little bit on the press we have had."³¹

In August 2006, Wal-Mart went even further to strengthen its public relations apparatus and hired Dach away from Edelman to serve as a vice president for the corporation, overseeing media and government relations. He will be paid \$3 million over the next two years.

Liberal critics view the hiring of Edelman and Dach as an example of how Wal-Mart is just trying to use PR spin to cover up its corporate record. "It's outrageous and disgusting that Wal-Mart finds millions of dollars to



Organized labor is spending millions of dollars to unionize Wal-Mart workforce. Unions charge that retailer pays low wages and offers poor health care benefits.

pay its executives like Dach but seemingly doesn't have the money to provide affordable healthcare and good wages to its workers," said Chris Kofinis, a spokesman for Wake Up Wal-Mart.³²

Announces Sweeping Environmental Agenda

On October 24, 2005, Scott formally announced Wal-Mart's environmental agenda in a speech at the company's Bentonville headquarters. He declared that the planet was confronted with increasingly stark ecological challenges which "threaten our health and the health of the natural systems we depend on." These challenges include:

- Global warming, created by man-made greenhouse gases, that is causing climate change and "weather-related disasters."
- Increasing air pollution that is leading to more asthma and other respiratory diseases.

- Destruction of critical habitat that is threatening the diversity of life, the natural world and us.
- Water pollution that is threatening fresh water supplies and causing millions of deaths from water-borne diseases.

To combat these threats, Scott committed Wal-Mart to achieving three major long-term goals that would lessen the company's negative impact on the environment:

- Generate zero waste
- Sell only sustainable products
- Use 100 percent renewable energy.³³

However, these goals are simply fantastic or, at least, not economically viable. Even Scott admits that to be the case. Asked by *Grist Magazine* reporter Amanda Griscom Little if the company had a time frame for operating all stores from 100 percent renewable energy, Scott admitted that, "The technology does not exist today to allow Wal-Mart or any

company to achieve such goals in total." He said he just wanted "people to understand that this is the direction this company is going."³⁴

Global Warming

The most ambitious of Wal-Mart's environmental initiatives is its goal to combat the scientifically unproven global warming threat by dramatically reducing the company's greenhouse gas emissions.

Wal-Mart will invest \$500 million annually in technologies to reduce greenhouse gas emissions at its stores and facilities by 20 percent over the next seven years. Part of this objective is to be achieved by cutting energy use 30 percent at its stores through the installation of more efficient lighting, retrofitting refrigerators and the adoption of other energy-saving devices.³⁵ Wal-Mart has also constructed two prototype stores that run strictly on renewable energy.

The company plans to increase the efficiency of its fleet of 7,100 trucks by 25 percent over the next three years, and double its fuel mileage from 6.5 to 13 miles per gallon over the next 10 years.³⁶ To this end, the company has outfitted its trucks with alternative power units that use 90 percent less fuel than its engines do while idling.³⁷ It has also ordered 100 hybrid vehicles to complement the current fleet of 100.³⁸

Suppliers are going to have to reduce their emissions as well if they want to keep doing business with the retailer. Wal-Mart has instituted an 18-month program “that would show preference to suppliers who set their own goals and aggressively reduce their own emissions.”³⁹

Suppliers Forced to Adopt Wal-Mart’s Environmental Mandates

Indeed, a key component in all of Wal-Mart’s environmental initiatives is to pressure suppliers to adhere to its environmental standards. “We have made it clear that all things being equal, we’ll give business to operators who show they’re fully engaged” in fuel efficiency efforts, said Tim Yatsko, Wal-Mart senior vice president of transportation.⁴⁰ Scott says, “Our most direct impact will be on our suppliers. If we request that our suppliers use packaging that has less waste or materials that can be recycled, everybody who buys from that manufacturer will end up using that package.”⁴¹

A lot of companies doing business with Wal-Mart will have little or no leverage to resist its demands. Frank Dixon, a consultant advising Wal-Mart on sustainability issues, approvingly notes that many companies “are largely or completely dependent on the company for their continued

access. As a result, Wal-Mart has unprecedented power to drive change in many industry sectors.”⁴²

Environmentalists are especially excited by the prospect of Wal-Mart pressuring its supply chain. Peter Seligmann says that by working with environmentally friendly companies, Wal-Mart will force other companies to adopt similar policies and products. “Encouraging suppliers to change behavior in the supply chain is extraordinarily powerful,” says Seligmann.⁴³ Amory Lovins of the Rocky Mountain Institute notes that the plan to force trucks to double fuel mileage is sure “to get truck suppliers’ undivided attention” because Wal-Mart is “a big enough buyer.”⁴⁴ Lovins believes that if Wal-Mart introduces “green practices throughout their supply chain, it could have a huge impact.”⁴⁵ Gwen Ruta, director of corporate partnerships at Environmental Defense, says, “I’d like to see them flex their purchasing muscle. If you can make a change in Wal-Mart, even if it’s a small change, it’s really a big change, especially if it affects the supply chain.”⁴⁶

It’s the height of hypocrisy that environmental activists are now praising Wal-Mart for “flexing its muscle” to bully smaller businesses. After all, the most common liberal criticism of Wal-Mart is that it destroys small, family-owned businesses in an amoral pursuit of corporate profits. Greenwald’s 2005 documentary, “Wal-Mart: The High Cost of Low-Price,” focused on the corporate behemoth’s campaign to crush independent businesses and use its monopoly-like influence to underpay workers, deprive them of quality health care, and discriminate against women and minorities. But now that Wal-Mart is using its huge resources to pressure small business into doing

the bidding of a cherished left-wing cause, many environmentalists shower it with praise.

Organic Products

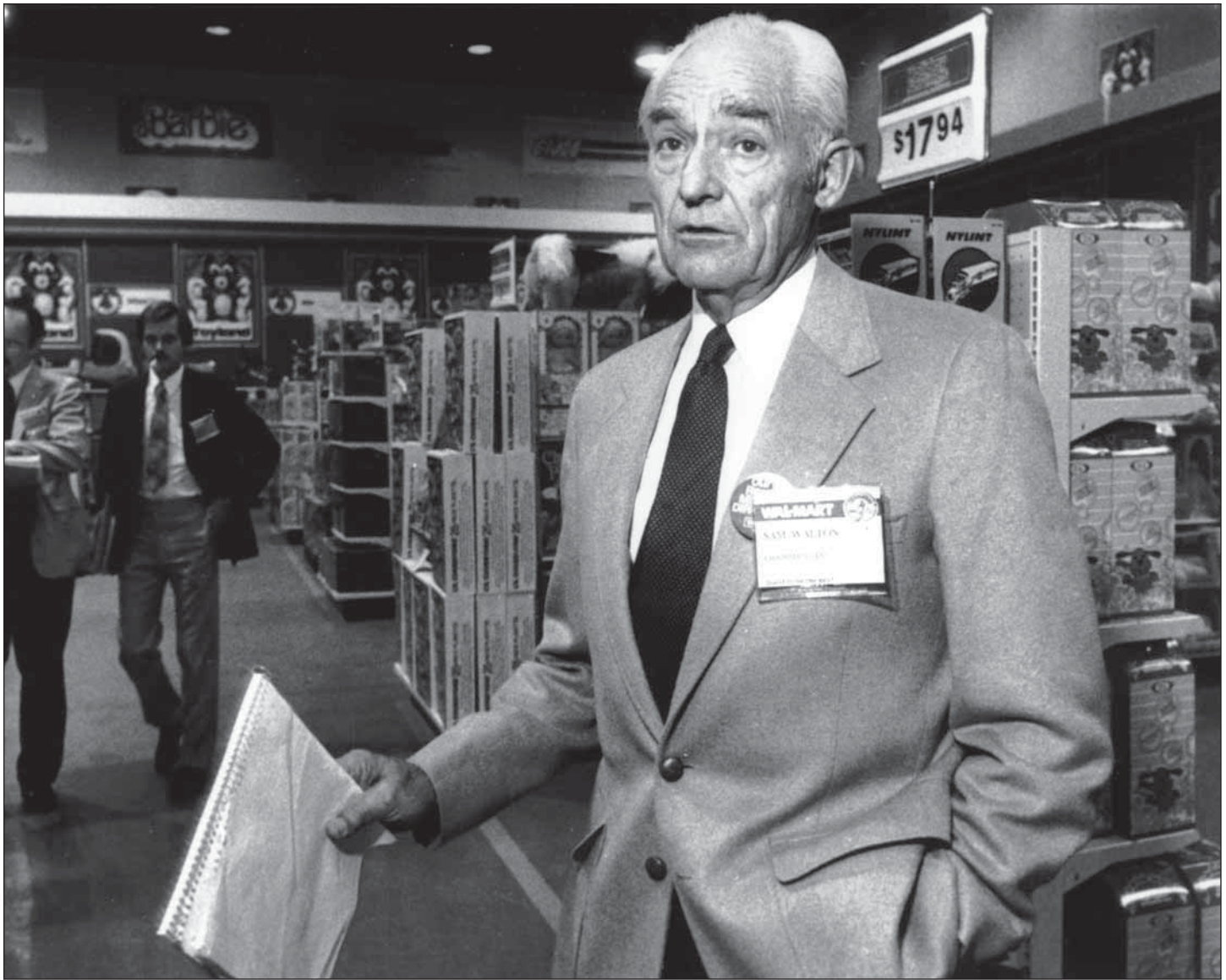
A key Wal-Mart sustainability objective is to market more organic foods or organically-produced goods. Organic shoppers believe organic food is healthier and better for the environment because it must be grown without pesticides, chemical fertilizers, and antibiotics. Wal-Mart hopes that by offering organic products, it will improve its appeal to urban, upscale consumers that tend to buy organic goods. CEO Scott has also said that it is imperative for the company to attract a larger number of affluent consumers, who typically shop at Target, if it is to retain its competitive edge.

But Wal-Mart’s organic marketing strategy is likely to fail on two counts: 1) There is not that much money to be made in the organic food market. 2) Organic activists emphatically reject the retailer as a threat to the organic industry.

At first sight, Wal-Mart’s decision to go organic appears to make good business sense. The organic food industry has been growing 15 percent a year for the last 10 years. Currently valued at \$14 billion, it is projected to increase to \$23 billion over the next three years.⁴⁷

However, organic food still constitutes just 2.4 percent of the food industry. While organic food may increase its market share, there are a number of factors limiting its potential to make truly significant inroads into traditional foods.⁴⁸

Many consumers often say they prefer organic and other environmentally friendly goods, but in practice buy traditional goods. In a speech to the annual Green Chem-



Sam Walton, the late founder of Wal-Mart, likely would not have approved of company's slick public relations campaign to curry favor with critics.

istry and Engineering Conference in 2004, J. Michael Fitzpatrick, an environmental technology expert, noted that most Americans are “talking environmentalists” who often refuse to buy products that are officially listed as environmentally friendly. “In fact,” says Fitzpatrick, “40 percent of U.S. consumers are fearful that green products don’t perform as well as traditional ones.”⁴⁹ According to the NPD research group, less than 20 percent of adults eat organic food at least once a week.⁵⁰ It also doesn’t help matters that organic food is typically 20 to

30 percent more expensive than conventional food.⁵¹

Nevertheless, Wal-Mart is rapidly expanding its organic choices. It doubled its organic grocery offerings and plans to sell the organic line for just 10 percent more than the conventional equivalents to attract consumers. Food industry experts say that Wal-Mart could become the largest seller of organic products, bypassing Whole Foods. Already, Wal-Mart is the largest seller of organic milk.⁵²

As usual, Wal-Mart is forcing companies to offer more organic alternatives.

DeDe Priest, senior vice president for dry groceries at Wal-Mart, said, “Once we let the companies know we were serious about this and that *they needed to take it seriously* (emphasis added), they moved pretty fast.”⁵³

In a testimony to Wal-Mart’s influence on large as well as small business, major food producers such as Kellogg and Kraft are quickly developing organic versions of their best-selling products. This year, Kellogg introduced organic Raisin Bran. General Mills and PepsiCo will soon introduce organic versions of their well-known brands.⁵⁴

In addition, Wal-Mart has introduced clothes and linens made from organically-grown cotton because a large percentage of the five billion pounds of pesticides that are applied worldwide each year are used on cotton. Scott “encouraged” Wal-Mart buyers to visit organic cotton farms and learn about the risks posed by conventional farming that relies more on pesticides.⁵⁵

However, Wal-Mart’s organic strategy is drawing serious criticism from leading organic advocates, illustrating that Wal-Mart’s “Green” strategy is not going to win it the broad-based environmental support it covets. Organic activists believe that for large companies to mass market organic products, they must rely upon factory farms, increased imports and other mass marketing strategies that undermine the organic ethos of small, traditional farming.

Ronnie Cummins is the national director of the Organic Consumers Association, an 800,000 member group that advocates for strict standards and small organic farms. Cummins dismisses Wal-Mart’s organic outreach as an unprincipled ploy that will only drive down prices and hurt organic farmers. “This model of one size fits all and ‘lowest prices possible’ doesn’t work in organic,” said Cummins. “Their business model is going to wreck organic the way it’s wrecking retail stores, driving out competitors.” In a May 2006 *New York Times* article, Cummins predicted that Wal-Mart will end up outsourcing from nations like China with “dubious organic standards” and oppressive labor conditions that are “contrary to what any organic consumer would consider equitable.”⁵⁶

Indeed, it was soon discovered that Wal-Mart is going to China for some of its organic foods, fueling growing

anger by organic groups at the retailer. In September 2006, the Cornucopia Institute, a major organic farming watchdog, released a report denouncing Wal-Mart for “cheapening the value of the organic label by sourcing products from giant factory farms and Third World countries, such as China.” The Cornucopia Institute says Wal-Mart’s organic strategy, reliant on corporate agribusiness, will drive down the price of organic food and destroy the true organic farmers. Mark Kastel of the Farm Policy Research Group says, “Organic family farmers in this country could see their livelihoods disintegrate the same way so many industrial workers saw their family-supporting wages evaporate as Wal-Mart and other big-box retailers put the screws to manufacturers—forcing a production shift to China and other low-wage countries.”⁵⁷

Wal-Mart is finding it hard to even boast about some of its supposed organic achievements such as being the largest seller of organic milk. Wal-Mart partners with the milk processor Dean Foods (Horizon Organic) and Aurora Organic Dairy to market its organic milk. But organic spokesmen charge Wal-Mart is falsely advertising its milk as organic because large amounts of Horizon and Aurora milk come from factory farms in which thousands of cows are milked in confinement conditions. Cummins asks, “Will consumers choose cheap industrial food, be it from factory farms or questionable Third World imports, or will they continue to support ethical processors and family farmers?”⁵⁸

Packaging

A major goal of Wal-Mart’s sustainability strategy is to reduce its solid waste by 25 percent over the

next three years. To achieve this, the company is ordering its suppliers to reduce the size of their packaging and increase the amount of recyclable packaging materials.

In October 2005, Wal-Mart announced it would switch from petroleum-based to corn-based plastic packaging. The first substitution involved 114 million clear-plastic clamshell containers used annually by the retailer for cut fruit, herbs, strawberries and Brussels sprouts.

Wal-Mart justified the change in the name of combating global warming. According to Matt Kistler, vice president for product development and private brands for Sam’s Club, the non-petroleum-based packaging would “save the equivalent of 800,000 gallons of gasoline and reduce more than 11 million pounds of greenhouse gas emissions.”⁵⁹

Kistler, though, did not say if the new corn-based plastic will cost more or less than the materials it replaces. That’s because he didn’t want to draw attention to the inconvenient fact that corn-based plastics are five to 25 percent more expensive than petroleum-based packaging.⁶⁰ Wal-Mart isn’t offering to defray the cost so suppliers will have to bear the cost—and possibly pass it on to the consumer.⁶¹ This year, the Oakland, California city council passed a law prohibiting businesses from using petroleum-based packaging. Restaurant owners complained that the switch would increase the price of a typical fast-food meal by at least 15 cents.⁶²

Another major drawback to corn-based plastic is that it has a much lower melting point than petroleum-based plastic. Joe Selzer, vice president of Wilkinson Industries, which converts resin into packaging, says that corn-based packaging “can’t go above

114 degrees. I've had people call me and say, 'Oh my god, I had my take-out box in my car and it melted into a pancake.'"⁶³ That could very well lead to some negative environmental side effects since some suppliers will have to air condition their warehouses and other storage facilities, thereby causing an increase in energy usage.

There are other environmental problems with corn-based packaging. Wal-Mart boasts that it is biodegradable and thus will lessen the amount of waste shipped to landfills. What the company fails to address is that corn-based products require large facilities specifically equipped to compost the materials. There are 113 such facilities nationwide, but only one-quarter accept residential waste. Since Wal-Mart will not accept used packages for composting, it will be up to the consumer to try to find a compost site. Kistler insists that it's the responsibility of states and municipalities to build the necessary recycling systems.⁶⁴ So typically, Wal-Mart wants to make others bear the cost of its environmental policies that are not only costly but, upon closer inspection, are not all that good for the environment.

Elizabeth Royte, author of *Garbage Land: On the Secret Trail of Trash*, concludes, "Despite PLA's [corn-based packaging] potential as an environmentally friendly material, it seems clear that a great deal of corn packaging, probably the majority of it, will end up in landfills. And there's no evidence it will break down there any faster or more thoroughly than" conventional plastics.⁶⁵

Some environmentalists also object to the merits of corn-based packaging. Lester Brown, president of the Earth Policy Institute, questions the morality of turning foodstuff into

packaging when so many people in the world are hungry. "Already, we're converting 12 percent of the U.S. grain harvest to ethanol," says Brown, "How much corn do we want to convert to nonfood products?" Martin Bourque, executive director of the Berkeley Ecology Center, says that while corn-based packaging is better than petroleum-based, "it's not as good as asking, 'Why are we using so many containers?' My worry is that PLA legitimizes single-serving, over-packaged products."⁶⁶

Despite the serious problems with corn-based packaging, suppliers have no choice but to adjust. Ben Miyares of "Packaging Management Update," wrote that Wal-Mart's packaging decision "will inevitably become marching orders for its suppliers and ripple beyond, to manufacturers around the globe."⁶⁷

But getting suppliers to change the packaging of their products has proved to be especially challenging for Wal-Mart. Companies simply do not like small packages. A larger package is generally more preferable because large packages occupy more shelf space and are good for advertising. Another important consideration is that consumers find large packages financially appealing because they tend to believe they are getting more product for their money.⁶⁸

That's what Unilever executives told Wal-Mart officials when Wal-Mart started pressuring Unilever to downsize its 32-ounce bottle of "All Small & Mighty" laundry detergent. Lee Scott and Unilever executives eventually arrived at a compromise in which Unilever would reduce the size of its detergent in exchange for Wal-Mart making the detergent a VPI. That is the retailer's code for "Volume-Production Item" which

means Wal-Mart will heavily promote the product.⁶⁹ Now, the "All Small & Mighty" detergent, though smaller, gets top space on the end of aisles with lots of signs.⁷⁰

Other companies are making similarly major revisions in their product packaging. Procter & Gamble is replacing its bulky plastic jugs with slimmer versions of its liquid laundry detergents—Cheer, Gain, Tide, Era and Dreft.⁷¹

Clearly, suppliers are having to invest considerable time and resources to meet Wal-Mart's packaging requirements. Scott says, "It does not require a big investment to reduce the amount of packaging," just a "different mind-set."⁷² That may be true for Wal-Mart, but not its suppliers. Aside from the cost of implementing a new image for its product, there could be negative ramifications in broader marketing and advertising strategy. While Wal-Mart may offer companies, like Unilever, favorable display space and promotional advantages at its stores to compensate for the smaller packages, those companies are by no means guaranteed such favors with other distributors.

Of course, Unilever and Procter & Gamble are large corporations that have the resources to revamp their packaging. But, there are certainly many small-to-medium-sized businesses that will find it economically prohibitive to make such changes.

Still, Wal-Mart is moving even more aggressively to force suppliers to change their packaging. In September 2006, Wal-Mart announced a five-year program in which its suppliers will have to reduce overall packaging by five percent. Wal-Mart said it will begin "grading" suppliers on how well they do.⁷³

Sustainable Fishing

In February 2006, Wal-Mart announced that it intended to purchase all of its wild-caught fish from fisheries certified by environmentalists. The London-based Marine Stewardship Council (MSC), a joint venture of the World Wildlife Fund (WWF) and the Unilever company, issues certificates to inform consumers which fisheries avoid overfishing and don't damage the ocean environment.⁷⁴

The WWF has assigned 10 staffers to work with Wal-Mart on fisheries sustainability. Like other environmental groups, the WWF relishes in Wal-Mart's ability to pressure smaller business suppliers to adhere to its environmental directives. "Wal-Mart is a huge player, and they have enormous clout," says Scott Burns of the WWF. "They're sending a very powerful signal that already is having effects on the way people produce products for them."⁷⁵

One month prior to announcing its fishing policy, Wal-Mart called in its 25 to 30 fish wholesalers to tell them it was switching to MSC-certified seafood.⁷⁶ The wholesalers were told they had three to five years to develop plans to get MSC-certified.⁷⁷ Wal-Mart also applied pressure in another way. It developed a plan to force non-certified fisheries used by suppliers to become environmentally acceptable. The fisheries would have 12-to-18 months to implement the needed changes before the suppliers would have to switch to a certified fishery.⁷⁸

Manish Kumar supplies frozen fish to Wal-Mart, which is his biggest customer. He is astounded at how fast Wal-Mart is compelling wholesalers to change their fishing practices. "We didn't even know what the Marine Stewardship Council was. Now, it's all we do."⁷⁹

Land Conservation

In the spring of 2005, Wal-Mart announced it was partnering with the National Fish & Wildlife Federation (NFWF) to conserve hundreds of thousands of acres of land considered sensitive wildlife habitat.

Under the "Acres for America" initiative, Wal-Mart has committed \$35 million over 10 years to permanently conserve at least one acre of wildlife habitat for every acre developed by Wal-Mart.⁸⁰ It is Wal-Mart's way to counter environmental criticisms that its huge network of stores is contributing to sprawl and consuming valuable natural habitat. Although such land is technically private, this conservation strategy serves the environmental movement's overall goal to reduce the amount of land available for private use and the free market. Private conservation organizations often transfer such land to the federal government. Property rights groups have made it a top priority to stop such encroachment given that at least 40 percent of the U.S. is now owned by some local, state or governmental entity. To date, the "Acres for America" program has purchased about 360,000 acres.⁸¹

Environmental Movement Divided Over Wal-Mart

There is no denying that Wal-Mart's sustainability strategy has scored some notable successes in winning support from environmental critics. The most dramatic example is former Vice President Al Gore, the nation's premier environmental politician, who praises Wal-Mart's initiative.

On July 12, 2006, Gore journeyed to the company's corporate headquarters and spoke to 800 Wal-Mart employees, suppliers and outside

experts. After showing his movie, "An Inconvenient Truth," an alarmist view of the alleged global warming threat, Gore told the audience, "The message from Wal-Mart today to the rest of the business community is, there need not be any conflict between the environment and the economy."⁸² He said employees should be "proud" to be a part of a company that would make such a commitment.⁸³

A significant number of influential environmental organizations strongly endorse Wal-Mart's sustainability agenda, most notably Conservation International, Environmental Defense, and the World Wildlife Fund. These groups, which have partnered with the retailer, take the pragmatic approach that the support of such a giant corporation can only advance the fortunes of the environmental movement. Amanda Griscom Little notes that Wal-Mart's size, which makes it vulnerable to attack, is also what "could make it a powerful force for good for the planet."⁸⁴

It's important to understand, though, that groups like Environmental Defense and Conservation International represent the faction of the environmental movement that has traditionally worked most closely with business.⁸⁵ Other environmental groups are more skeptical of Wal-Mart's motives. Membership-based groups, such as the Sierra Club, seek to work in coalition with other elements of the liberal movement, especially organized labor. These groups are wary of getting too close to Wal-Mart, the poster child of corporate villainy, for fear of losing support from coalition allies. Michael Marx, head of Corporate Ethics International, an environmental campaign group, says, "Environmentalists are cautious about applauding Wal-Mart's commitments

because we believe the company is trying to isolate the labor movement.”⁸⁶

Carl Pope, executive director of the Sierra Club and a member of the union-backed Wal-Mart Watch, said that while Wal-Mart’s proposals will be good for the environment, it is too early to determine if it will actually deliver. “Wal-Mart’s new commitments to increase efficiency and reduce pollution and waste are important first steps for a company that has such a profound impact on our environment,” says Pope.⁸⁷ He just wonders, “Are they going to go there strongly enough?”⁸⁸

A significant factor contributing to the Sierra Club’s skeptical attitude is a deep-seated mistrust of Wal-Mart’s ability to reconcile its environmental goals with a corporate strategy based on locating new stores in rural areas, consuming open space, and forcing customers to use more gasoline to reach them. Tanya Tolchin, a staffer in the organization’s Washington, DC office, says, “The big box model of stores like Wal-Mart threaten our landscape and communities by building on the fringe of town, paving vast areas for stores and parking lots, and often undermining the economic health of existing downtown shopping areas.”

That’s why Pope says Wal-Mart still has much to do because its sustainability plan does “not address some of the environmental problems with their business model.”⁸⁹

The Global Reporting Initiative, a Dutch group that monitors corporate environmental practices, takes a similarly guarded view towards Wal-Mart’s environmental initiatives. “There are a lot of people out there who are going to be skeptical,” says spokeswoman Alyson Slater.⁹⁰ Another skeptic is Friends of the Earth, an influential U.S. environ-



Sierra Club Executive Director Carl Pope cautiously supports Wal-Mart’s effort to reach out to environmentalists. Pope still believes its business model of building stores in sprawling suburbs is inconsistent with genuine environmentalism.

mental group. “My sense is that there is a lot of concern that they are taking a piecemeal approach,” says David Waskrow, a campaigner in the organization’s Washington, DC office. “People want to see more broad-based evidence of change.”⁹¹

Then there are those environmental groups that view the corporation as structurally incapable of doing anything good for the environment.

Stacy Mitchell, a senior researcher at the Institute for Local Self-Reliance, says the size of Wal-Mart is the critical part of the problem. The more stores Wal-Mart builds, “the more we have to drive.” Thus, Wal-Mart’s promise to promote fuel efficiency “is like the person who buys a car that is 25 percent more fuel efficient, then drives it twice as much, and expects us to applaud.” Mitchell says if Wal-Mart

really wants to help the environment, it should stop building stores.⁹²

Jeffrey Hollender is president of Seventh Generation, a Burlington, Vermont manufacturer of nontoxic household products. Scott met with Hollender and offered to carry some of his line. Hollender declined. “We might sell a lot more products in giant mass-market outlets, but we’re not living up to our own values and helping the world get to a better place if we sell our soul to do it,” says Hollender.⁹³

Wal-Mart can count some prestigious organizations as allies in its environmental campaign. But it is a divided environmental movement. Several influential groups are skeptical and waiting to see results. Others simply reject Wal-Mart’s vision as a lie or unworkable. For many environmentalists, an alliance with Wal-Mart is an alliance with the devil.

This doesn’t bode well for Wal-Mart in its endeavor to co-opt liberals as other factions of the movement remain adamantly hostile to the corporation.

Unions Scoff At Green Strategy

Unions, Wal-Mart’s most implacable foes, reject the sincerity of Wal-Mart’s outreach to environmentalists. “We don’t know whether Wal-Mart’s environmental changes are real or a Machiavellian attempt to green-wash a declining public image,” says Chris Kofinis, communications director for Wake Up Wal-Mart. “But its long record of irresponsible corporate behavior forces one to be skeptical.”⁹⁴ In response to Scott’s October 2005 speech, Paul Blank, director of Wake Up Wal-Mart, said he suspects that Wal-Mart’s environmentalism is a “public relations smokescreen.” Blank says that if Wal-Mart wants to truly be a better company then it should sit

down with unions and “help create a new business model for the betterment of its employees, their families, and all of America.”⁹⁵

Promotes Affirmative Action to Counter Race Bias Charges

Wal-Mart formally established an Office of Diversity in 2003, run by a chief diversity officer, to oversee diversity initiatives that would “place Wal-Mart among corporate leaders in this regard.”⁹⁶ This diversity agenda soon took on a new urgency as the company was besieged with lawsuits and bad publicity.

- In June 2004, a federal judge awarded class-action status to a lawsuit on behalf of 1.6 million women who claim the company discriminated against them in wages and job advancement.
- The previous October, federal authorities arrested 245 illegal immigrant workers at 61 Wal-Mart stores.⁹⁷
- The company had to deal with lawsuits filed in 30 states alleging that it forced hourly employees to work overtime with no pay.⁹⁸
- In September 2004, a lawsuit was filed in federal court accusing the retailer of racial discrimination against blacks seeking truck-driving jobs.⁹⁹ That year, Jesse Jackson began his customary corporate campaign against Wal-Mart. In April 2004, Wal-Mart lost a ballot measure to open a store in Inglewood, California. Jackson helped lead the opposition to the initiative. He argued that Wal-Mart would be bad for the city, which is 50 percent black, because the company would provide low-wage jobs and be exempt from municipal regulations.¹⁰⁰ The defeat especially concerned company executives because it was part of a growing trend in which local govern-

ments were considering various types of bans on big-box stores. Furthermore, Wal-Mart, which has traditionally focused on the suburbs, was moving to locate more stores in higher density, urban areas with larger minority populations.

The next month, Wal-Mart’s plans to open two stores in Chicago were put on hold when the city council objected on the grounds that the company paid low-wages and offered inadequate health care benefits.¹⁰¹ Jackson and other religious leaders demanded that the retailer offer concessions on wages and benefits. Jackson said, “My issue is not with Wal-Mart frankly, my issue is with the ideology of Wal-Mart. If workers at Wal-Mart had the right to organize without intimidation, if Wal-Mart didn’t have these sex and race suits, if workers at Wal-Mart had a comprehensive healthcare plan, if they didn’t exploit temporary or less-than-full-time workers, if they allied with local business people as opposed to putting them out of business, it would [not] be a big deal. But their ideology is the opposite. This is a ‘Confederate Economic Trojan Horse.’”¹⁰²

Wal-Mart’s struggle to open stores in Chicago lasted more than two years, but ended in victory. In September 2006, Mayor Richard Daley vetoed the council’s proposed ordinance to ban big box stores.¹⁰³

Jackson, however, has not relented in his efforts to force Wal-Mart to change its labor policies. He regularly denounces the company for “locking employees into its warehouses at night [and] shorting them on the hours they worked.”¹⁰⁴ In December 2005, Jackson joined Wake Up Wal-Mart’s religious-themed campaign which runs TV ads saying people of faith

should not shop at a corporation that oppresses its workers.¹⁰⁵

On the other hand, Jackson's vilification of Wal-Mart has all the markings of a corporate shakedown campaign. Jackson is notorious for blasting companies only to cease the hostile rhetoric when the companies donate substantially to his nonprofits and funnel lucrative contracts to his associates. Wal-Mart has not joined the ranks of Ford, Toyota, and PepsiCo that make large donations to Jackson's nonprofits. If Wal-Mart sold out to Jackson and started donating to him (which would be most unwise), he likely would temper his criticism.

Long-time Jackson Associate Elected to Corporate Board

The first indication that Wal-Mart wanted to buy peace with Jackson and minority groups occurred in June 2004 when Wal-Mart elected Christopher Williams to its board of directors.¹⁰⁶ Williams is chief executive officer of The Williams Capital Group, a major investment company—and a longtime Jackson associate.

He was a founding member of the Wall Street Project, Jackson's forum to get corporations to create jobs and investment opportunities for minorities.¹⁰⁷ It is also a lucrative source of donations for Jackson. While Jackson has continued his aggressive denunciation of Wal-Mart, the presence of Williams on its board is evidence that Jackson's attacks could be part of a long-term strategy to co-opt the huge retailer into his orbit of corporate donors.

Implements Race and Gender Quotas

The election of Williams was part of a multi-faceted strategy that Wal-

Mart implemented to counter criticism that the company was racially discriminatory. What it amounted to was a complete cave-in to the controversial race quota policies championed by the so-called civil rights establishment.

At the June 2004 board meeting, Scott outlined a goal to promote women and minorities to management positions. The plan was a de facto quota system for it stipulated that, among other things, if 50 percent of applicants for management positions are women, then 50 percent of those promoted to management must be women as well.

In addition, Wal-Mart requires that company officers must meet their hiring quotas or suffer financially. Executives who fail to meet their diversity goals will have their bonuses cut by up to 15 percent. Noting that the policy applies to him as well, Scott brags, "That's putting your money where your mouth is."¹⁰⁸

In April 2006, Wal-Mart created an Employment Practices Advisory Panel to promote diversity and equal opportunity at the company. The panel's members include former Detroit Mayor Dennis Archer, Vilma Martinez, former president of the Mexican American Legal Defense and Educational Fund, and retired U.S. Army Lt. General Claudia Kennedy.¹⁰⁹

Another key component of Wal-Mart's minority outreach effort is its Supplier Development Program. Established in 1994, the program seeks to expand Wal-Mart's business relationships with minority and women-owned suppliers. The program has increased spending on minority and women-owned businesses from \$2 million to \$4.2 billion.¹¹⁰

In May 2006, Wal-Mart announced the creation of a \$25 million private equity fund to benefit women and minority-owned businesses.¹¹¹

Wal-Mart goes further and mandates that its non-minority-owned suppliers must meet Wal-Mart's standard for a sufficiently diverse workforce. For instance, in June 2005 the company's legal department asked its top 100 outside law firms to provide a detailed report of their employment of minorities and women since 2002. Wal-Mart sternly informed the firms that it "will end or limit our relationships with law firms who fail to demonstrate a meaningful interest in the importance of diversity."

One firm was fired.¹¹²

Wal-Mart boasts that in 2005, it transferred about \$60 million in business to minority and female partnership law firms.¹¹³

Donates to Liberal Activist Groups

Wal-Mart is complementing its affirmative action agenda with a major increase in donations to the Congressional Black Caucus (CBC), the official coalition of African-American congressmen who are all Democrats.

Wal-Mart traditionally has not been a strong financial supporter of Democrats. Ten years ago, 98 percent of Wal-Mart's political donations went to Republicans. Now, 70 percent go to Republicans, who currently control the White House and Congress, and 30 percent to Democrats. "As our company has grown, it becomes more important to broaden our giving," says Bob McAdam, vice president of corporate affairs.¹¹⁴

The CBC has especially benefited from Wal-Mart's outreach to Democrats. The company has given at

least \$12,000 to the CBC, including a \$5,000 donation to the U.S. Senate campaign of Rep. Harold Ford (D-TN). Rep. Charles Rangel (D-NY) has received \$2,000. Wal-Mart also donated \$1 million to the Congressional Black Caucus Foundation, the charitable arm of the CBC.¹¹⁵

Wal-Mart is endorsing key elements of the CBC's legislative agenda. Kay Woodard, a CBC lobbyist said the CBC "formally presented Lee [Scott] with their legislative agenda and asked Wal-Mart to consider endorsing all or part of the agenda." In response, Scott sent a letter to President Bush urging him to support an extension of expiring provisions of the Voting Rights Act.¹¹⁶

CBC officials are clearly happy with their growing financial and political relationship with Wal-Mart. "We applaud Wal-Mart for supporting the part of the Congressional Black Caucus's legislative agenda that calls for the reauthorization of the expiring parts of the Voting Rights Act," said CBC Chairman Mel Watt. "Hopefully, Wal-Mart and others will endorse the entire agenda."

However, the CBC's newfound friendship with Wal-Mart is causing some dissension with its union allies. In May 2005, a SEIU official criticized the caucus for its Wal-Mart dealings.¹¹⁷

The CBC is not the only liberal group benefiting from Wal-Mart largesse. These include the National Association for the Advancement of Colored People, the National Council of La Raza, and the League of United Latin American Citizens.¹¹⁸

Andrew Young Debacle

In February 2006, Working Families for Wal-Mart, a group funded by the



Source: Associated Press

Despite placing his ally on the board, Jesse Jackson continues to criticize Wal-Mart.

company, hired controversial activist Andrew Young to promote the retailer at public events, interviews, and in op/ed pieces. Wal-Mart would not say how much it was paying Young and his company, GoodWorks Inter-

national; Young said he did not know how much he was getting.¹¹⁹

But Young's decision to go to work for Wal-Mart angered not just the union activists but many members of the civil rights community. More than 50 religious and civil rights leaders signed a

letter denouncing Young for defending a corporation they claim offers low wages and bad health care.¹²⁰ Rev. Joseph Lowery called Young a “lone wolf” and said he must know something “that other advocates for economic justice don’t.” Akinyele Umoja, a professor of black studies at Georgia State University, complained: “What he’s doing is providing credibility and legitimacy for some of these corporations that have policies that just reinforce inequality.”¹²¹

Jesse Jackson reserved his negative comments for the retailer and not his former colleague. “It’s his private choice. That’s not a public policy issue.” Jackson no doubt empathizes with Young’s desire to make money from as many corporate clients as possible.¹²²

This widespread criticism of Wal-Mart is a telling indication that its kowtowing to the agenda of black liberal activists hasn’t earned it the deep support it thought it was getting. As with environmentalists, the civil rights lobby is strongly resistant to embracing a company whose business model and anti-union stance is at odds with its liberal ideology.

Wal-Mart’s judgment in hiring Young is even more questionable given that his career is littered with extreme statements that often bordered on the comically absurd. Young has claimed, for example, that there were “thousands of political prisoners in the U.S.” and that one day Iran’s Ayatollah Khomeini would be regarded as a “saint.”¹²³ Nevertheless, in hiring him, Kevin Sheridan of Working Families for Wal-Mart said, “He is obviously a highly credible public face that brings [a] very high degree of respect to any debate that he involves himself with. . . . We take very seriously his advice and his counsel.”¹²⁴

Wal-Mart would soon come to regret putting its trust in such a controversial figure. In an August 17, 2006 article

that appeared in the *Los Angeles Sentinel*, a black-owned newspaper, Young said it was good that Wal-Mart was forcing the small merchants out of business. “But you see, those are the people who have been overcharging us—selling us stale bread and bad meat and wilted vegetables. And they sold out and retired to Florida. I think they’ve ripped off our communities enough. First it was Jews, then it was Koreans, and now it’s Arabs. Very few black folks own these stores.”¹²⁵

In the ensuing uproar, Young apologized for his comments and immediately resigned from Working Families for Wal-Mart. But the damage had been done. The Muslim American Society, the Anti-Defamation League, and the Asian American Legal Defense and Education Fund expressed outrage at Young’s characterization.¹²⁶ And a Californian Korean grocers group filed a suit against Young and Wal-Mart alleging Young’s remarks hurt its sales.¹²⁷

Young may be gone but Wal-Mart’s efforts to boost its public image have been set back. “Young’s ouster will mar Wal-Mart’s stepped up efforts to counter organized critics and present itself as a good corporate citizen,” said Paul Argenti, professor of corporate communication and reputation management at the Tuck School of Business at Dartmouth University. “It will hurt their credibility across the board.”¹²⁸

Advances Pro-Homosexual Agenda

Homosexual activists have won a number of significant victories by pressuring Wal-Mart to promote policies that advance their agenda of legitimizing same-sex behavior.

These efforts started in 2001 when a gay activist coalition, led by the Equality Project, purchased shares in Wal-Mart and began lobbying the company to amend its equal

employment opportunity policy to bar discrimination based on sexual orientation.¹²⁹ The Equality Project is a consumer, employee and investor advocacy coalition that lobbies employers to adopt pro-homosexual policies as expressed in its “Equality Principles.” In addition to nondiscrimination based on sexual orientation, these principles include full health insurance benefits for domestic partners, recognizing employee groups based on sexual orientation, and promoting charitable contributions to homosexual advocacy groups. The Equality Project’s 21 member groups include the Human Rights Campaign, the Gay and Lesbian Alliance Against Defamation (GLAAD), and the National Gay and Lesbian Task Force.¹³⁰

For two years, the Equality Project lobbied Wal-Mart. In June 2003, those efforts paid off when Wal-Mart announced it would add sexual orientation to its nondiscrimination policy. The decision was widely recognized by pro-gay activists as a major victory because it made Wal-Mart, the world’s largest private employer, the latest corporation to join 318 other Fortune 500 companies in extending equal employment protections to homosexuals.¹³¹

But the decision marked just the beginning of the homosexual movement’s efforts to force Wal-Mart to adopt its anti-family agenda. In January 2005, Wal-Mart took an incremental step in recognizing same-sex partners as a legitimate family when the company filed an employee conflict-of-interest policy with the Securities and Exchange Commission that included homosexual couples in its definition of “immediate family.” The policy stated that an employee is “responsible for advancing Wal-Mart’s



Controversial activist Andrew Young was forced to resign as a Wal-Mart spokesman after making disparaging remarks about Jews, Muslims and Asians.

business interests... You may not take any opportunities or use any confidential information for your benefit, or for the benefit of your immediate family members." Immediate family members include those "by birth, adoption, marriage or Domestic Partnership or Civil Union, if recognized by your state or other local law."¹³²

The Human Rights Campaign, the nation's largest homosexual lobbying group, applauded the decision but insisted that the retailer needed to extend the same healthcare and workplace benefits to homosexual couples that it offered to other families. "We are encouraged by this sign showing America's heartland employer understands same-sex couples share the responsibilities

that come with being a family," said Daryl Herrschaft, deputy director of the Human Rights Campaign workplace project. "It's only appropriate for these families to receive the same benefits as others."¹³³

While Wal-Mart didn't accede to that demand, it did try to win support from gay advocates by implementing policies to encourage the advancement of homosexuals within the corporation. In April 2005, the company established the Gay, Lesbian, Bisexual, and Transgender Associates, a group of gay employees that advise the company on marketing and internal promotion.¹³⁴ The GLBT Associates is one of the seven so-called Business Resource Groups that Wal-Mart uses to promote

diversity. The other groups consist of African-Americans, women, Hispanics, Asians, Native Americans, and the disabled.¹³⁵

Wal-Mart followed up by sponsoring a seminar that December entitled, "Why Market to Gay America?" An internal memo noted that America's homosexual community has \$610 billion in purchasing power and the purpose of the seminar is to "provide insights into the purchasing decisions of gay, lesbian, bisexual and transgender customers." The seminar's guest speaker was Wesley Combs of the Washington, DC-based Witeck-Combs Communications, a public relations and marketing firm specializing in the gay and lesbian market. Combs also serves on a council for the

Human Rights Campaign and on the advisory board of the Gender Public Advocacy Coalition, a group dedicated to ending “discrimination and violence caused by gender stereotypes.”¹³⁶

The seminar drew criticism from the American Family Association (AFA), a 3-million member organization dedicated to advancing traditional family values through boycotts and other types of consumer activism. AFA spokesman Randy Sharp says that by marketing to the homosexual community, Wal-Mart was “giving their stamp of approval on homosexuality, recognizing it as a facet in America that deserves their support and encouragement.” Sharp called on AFA members and other family advocates to contact Wal-Mart and express their concerns.¹³⁷

The AFA was especially disappointed by Wal-Mart’s outreach to the gay lobby because, until then, the company had worked with the AFA to promote a pro-family agenda. Wal-Mart was one of the first retailers to respond to AFA’s request to use the word “Christmas” in its ads and promotions. The AFA also helped Wal-Mart score a public relations coup over rival Target when the retailer allowed Salvation Army bell ringers outside its stores while Target refused.¹³⁸ In 2002, the store pulled a pregnant version of a Barbie collection doll after customer complaints. The next year, the AFA led a campaign that persuaded Wal-Mart and other retailers to stop carrying some pornographic magazines.

But after Wal-Mart started to promote the homosexual agenda, AFA’s relationship with the company rapidly deteriorated. In March 2006, AFA launched a campaign to pressure Wal-Mart to remove “Brokeback Mountain,” a film

about a gay love affair, from its DVD offerings. Wal-Mart refused.¹³⁹

AFA chairman Don Wildmon denounced Wal-Mart for its “spiral away from traditional values.”¹⁴⁰

In 2006, Wal-Mart further enhanced its ties to the homosexual lobby by paying \$25,000 to become a member of the National Gay and Lesbian Chamber of Commerce and \$60,000 to Out and Equal, which promotes gay rights in the workplace.

Disgruntled by Wal-Mart’s actions, the AFA called on its supporters to boycott Wal-Mart stores on the Friday and Saturday following Thanksgiving on Thursday, November 23, 2006. Those are two of the busiest shopping days of the year. In apparent response to the boycott threat, Wal-Mart announced on November 22 that it “will no longer make corporate contributions to support or oppose controversial issues unless they directly relate to their ability to serve their customers.” AFA declared this a victory, asserting that “Wal-Mart will remain neutral in cultural battles.”

But while AFA was clearly putting pressure on Wal-Mart, its claim that the retailer is stopping corporate contributions to gay rights groups is not supported by the company’s statement. Wal-Mart spokeswoman Mona Williams said the company would continue working with groups like the National Gay and Lesbian Chamber of Commerce. As for financial support, Williams said Wal-Mart would avoid giving groups unrestricted donations that might be used for causes Wal-Mart did not endorse. Instead, she said Wal-Mart “would partner with them on specific initiatives... as opposed to just giving blanket support to their general operating budget.”

The bottom line is that Wal-Mart is still going to donate money to

How to Contact Wal-Mart:

By letter (best):

Mr. H. Lee Scott, Jr.
President & CEO
Wal-Mart Stores, Inc.
702 SW 8th Street
Bentonville, AR 72716

By phone:

1-800-WAL-MART (follow prompts to speak to agent) (1-800-925-6278)

By email:

Go to www.walmartstores.com. (Do not go to www.walmart.com.) In upper right corner, click on “Contact Us” or “Feedback.”

Also, call or visit the manager of your local Wal-Mart

homosexual rights groups. “I don’t see it as backpedaling by Wal-Mart,” said Joe Solmonese of the Human Rights Campaign.

However, gay activists continue to criticize Wal-Mart for not going far enough in advancing their agenda. Pride At Work, an AFL-CIO group that promotes mutual support between labor and the homosexual lobby, told gay activists “not to be fooled by Wal-Mart’s new marketing ploy.” The retailer may recognize some domestic partnerships as families, but it fails to offer domestic partner health benefits. Given Wal-Mart’s deplorable record on wages, health care, and unionization, Pride At Work Co-President Josh Cazares says, “We firmly believe the LGBT community will not be enticed by a company whose corporate values are so diametrically opposed to the values which so many LGBT people hold dear: values of fairness, justice, and equality.”¹⁴¹

One can dismiss this criticism as the predictable response from a union-backed group. But Wal-Mart's failure to offer health care benefits to domestic partners is widely criticized by homosexual advocates. In April 2006, the Gay Financial Network released its "Guide to the Fortune 500 Companies," rating their treatment of homosexuals according to the Human Rights Campaign's Corporate Equality Index (CEI). Wal-Mart did poorly. While it noted that the company stood firm in resisting conservative pressure to remove the "Brokeback Mountain" DVD, Wal-Mart still scored a "dismal 57." The main reason is that the retailer continues to resist giving gay couples access to the same health care benefits as heterosexual couples.¹⁴²

Conclusion

Wal-Mart's advocacy of the liberal political agenda is yet another sad commentary on the cowardice of Corporate America.

Wal-Mart justifiably merits praise for its dramatic financial success and free market ingenuity. However, now that its very success has made it the target of activists, the company has chosen the path of least resistance and seeks to placate its enemies. To date, Wal-Mart has partly quieted environmental critics with its aggressive espousal of environmental policies. But, while attractive in the short term, this policy is unlikely to buy Wal-Mart long-term peace. Many environmentalists are wary of embracing the company as an ally because Wal-Mart's business model, predicated on constructing large numbers of stores in open spaces, is anathema to their anti-sprawl agenda.

Because of this deep-seated mistrust, it is unlikely that Wal-Mart will gener-

ate substantial new business by co-opting environmental-minded consumers.

Furthermore, the more Wal-Mart tries to appease the Left, the more the Left demands. Wal-Mart's adoption of race and gender quotas to counter charges of racial discrimination has not silenced the likes of Jesse Jackson who continue to denounce the retailer as an oppressive employer. And the homosexual lobby is not muting its criticism of Wal-Mart even though it has gone so far as to recognize the legitimacy of gay marriage.

In short, Wal-Mart's cave-in to the Left is bad politics and bad business. ■

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