

# **A Wal-Mart Supercenter in Pullman? The Costs of a Bargain**

A position paper prepared by the PAWS campaign of  
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## **Executive Summary**

Members of the Pullman Alliance Responsible Development carefully researched and drafted this report on behalf of our membership and the wider Palouse community. PARD is a diverse, non-profit citizen's organization of business people, religious leaders, working folks, teachers, students, retirees and homemakers whose current concerns focus on the proposed siting of a Wal-Mart "Supercenter" on Bishop Boulevard in Pullman.

Since some citizens have made highly inaccurate claims about our organization's reasons for opposing Wal-Mart, we want to make public the careful research and analysis that has led us to conclude that Pullman has better economic alternatives than a Wal-Mart Supercenter.

The first section of this report addresses questions about the health and safety of Pullman citizens stemming from traffic and environmental issues surrounding the proposed placement of the Supercenter in close proximity to the regional hospital, the Bishop Place assisted living facility, and neighborhood schools. We also trace impacts of traffic on public transportation, and patterns of crime associated with huge Supercenter parking lots (1039 spaces projected). This section also briefly addresses concerns over possible decline in property values on Pioneer and Sunnyside hills due to "aesthetic blight" and light pollution and noise from the proposed retail development.

The second, longest section offers a detailed analysis of patterns of impact of Wal-Mart Supercenters on semi-rural transition communities like Pullman. We reassess tax revenues from the proposed center, debunk the myth of "spillover" business from Wal-Marts, and assess niche markets possibilities. Based on clear national patterns, we assess the likely impact of a Supercenter on specific Pullman businesses. We divide these impacts into Very High, High, Moderate and Low, naming particular Pullman businesses likely to fall into each category. A third, follow-up section examines Wal-Mart's past and current business and labor practices in relation to Pullman community values. Here we move beyond the question of specific business impacts to discuss wider questions about how Wal-Mart's ways of doing business relate to moral and political values in the community.

The fourth section deals with procedural questions regarding the local governmental process by which a decision about Wal-Mart or other such huge developments should be made. We trace some of the history of the Wal-Mart proposal in order to highlight the difference between a purely administrative decision made by city staff, and a truly democratic decision made with participation from our elected officials (the City Council) and the wider citizenry of the city.

The fifth section addresses the perception that all the concerns raised in the previous sections are largely irrelevant because the coming of a Wal-Mart Supercenter is simply "inevitable." We suggest why this is not the case, citing a widening trend around the country of successful efforts to rein in Wal-Mart's damaging intrusions into unsuitable locales.

The sixth section places the question of the desirability of a Wal-Mart presence in Pullman in the context of larger questions about the kind of development most likely to enrich and

sustain the local economy in the long run. We argue that a mixed, diversified local economy is most likely to accomplish this sustainability, and suggest alternatives to Wal-Mart that are far more likely to achieve that goal. A concluding section summarizes our findings and offers recommendations based upon the systematic research behind this report.

## **1. Traffic Impact, Health and Safety**

Based on the Traffic Impact Analysis (TIA) prepared by Wal-Mart (CLC Associates, October 15, 2004), we believe that the traffic to and from the Wal-Mart site will drastically increase congestion; interfere with access to the new hospital on Bishop Blvd.; decrease public safety for motorists, pedestrians, and cyclists; increase public expenditures for infrastructure and public safety; and increase air, noise, and light pollution. The TIA estimates that “the expected additional average daily traffic...associated with the project is 11,727 trips, with half entering and half exiting the site” (p. 1). The study analyzes five intersections (Grand Ave./Crestview St., Grand Ave./Bishop Blvd., Bishop Blvd./Harvest Dr., Bishop Blvd./Fairmont Dr., and Bishop Blvd./Professional Mall Blvd.), but excludes several important intersections (see below).

### *Traffic Congestion*

The TIA estimates that in 2006, with the Wal-Mart Supercenter in place, “all of the study intersections except for the Grand/Crestview intersection will drop to unacceptable levels of services” (p. 25). “Unacceptable” refers to level F, “which indicates significant vehicle delay and traffic congestion which may lead to system breakdown due to volumes which may far exceed capacity” (p. 10). Excluding Grand/Crestview and Bishop/Harvest (where Wal-Mart will install a light), the wait time will be 55 to 110 seconds per vehicle. These levels are unacceptable, and it is doubtful that the recommended mitigations (e.g., re-striping, adding a right-turn lane) will solve the traffic problems. Furthermore, the City has not indicated whether or not it will follow the recommended mitigations (p. 25), nor has it stated who would pay for the improvements.

Since Wal-Mart has only agreed to install a signal at Bishop/Harvest, we can only assume that taxpayers will have to pay for additional traffic mitigations. We believe that Bishop Blvd. and Grand Ave. (two-lane roads with a center lane for left-hand turns) will have to be widened to accommodate the additional traffic. However, the City may well have to use eminent domain procedures to widen Bishop Blvd., a practice very difficult to do legally in Washington. This will greatly affect property owners who have no interest in a Wal-Mart Supercenter. They should not have to subsidize Wal-Mart’s profits.

Importantly, the traffic study excludes several busy intersections, including (1) the entrances to/from the hospital as well as businesses along Bishop Blvd. (e.g., Safeway, ShopKo, Rite Aid, professional buildings, office centers, Holiday Inn), (2) the Klemgard/Bishop Blvd. intersection, and (3) the downtown intersections with Grand (north of Crestview). This is a concern for several reasons. First, the heavy traffic flow will make it difficult and dangerous to access the hospital, threatening citizens’ health and safety. Second, the downtown area is already congested during peak hours; with a Wal-Mart Supercenter in place, the level of service will undoubtedly fall to unacceptable levels. Third, cars will have extreme difficulty

turning left onto Bishop from Safeway and the shopping center across the street. Fourth, Klemgard provides primary access to an elementary school located at the end of the street, as well as to the south end of the Pioneer Hill neighborhood. Parents and residents will face increased wait times to turn left or right onto Bishop Blvd. Finally, since the estimated wait time at Bishop/Professional Mall Blvd. will be 70.3 seconds without mitigations, we can expect similar wait times at the Bishop Blvd. intersections not included in the study. The City has not indicated how it will ensure access to the hospital and mitigate congestion downtown and along Bishop Blvd.

Wal-Mart's Traffic Impact Analysis also excludes the Main/Bishop intersection and the WSU campus. However, thousands of students live on campus and in the apartments northeast of campus. Since students and residents already drive through campus to get to Bishop Blvd., we can expect campus traffic congestion to worsen if the Wal-Mart Supercenter is built. In turn, this will increase WSU's expenditures for police and public safety, and endanger pedestrians and cyclists (there are no bike lanes on campus).

#### *Incomplete and Inaccurate Traffic Impact Analysis*

The Review Comments prepared by Christopher Brown & Associates (Nov. 17, 2004) show that Wal-Mart's traffic study includes several critical errors and invalid computations. The most important are listed below.

1. Wal-Mart's study did not mention how current or future developments near the proposed site (e.g., Sundance Ridge at Wadleigh and Jones, the Meyer and Bishop properties south of Sundance Ridge) will affect the Grand/Crestview intersection (p. 2).
2. Because the study's analysis is based on 15-minute rather than 1-hour intervals, it "show[s] a better LOS [level of service] than found in actual fact" (p. 3). That is, traffic conditions will be much worse than the Wal-Mart study estimates.
3. Wal-Mart's analysis of Professional Mall Blvd./Bishop "has three apparent errors leading to the assumed enhanced operation" (p. 3). That is, Wal-Mart's proposed mitigations will not improve traffic congestion at this intersection. Using a 1-hour interval, Brown & Associates estimate a 110 second delay per vehicle at this intersection (Exhibit D), compared Wal-Mart's estimate of 70.3 seconds, based on a 15-minute interval (CLC Associates, p. 25). Brown & Associates conclude that because the Professional Mall Blvd./Bishop intersection "cannot function with an LOS better than F [the worst level of service], and this will induce traffic accidents, it must be signalized with a 2-phase actuated signal and include a separate southbound right turn only lane" (p. 5).
4. Brown & Associates recommend that the City "investigate potential traffic calming projects," since "there may be unwanted intrusion of commercial-site related traffic into the Harvest Drive/Crestview Street/Spring Street neighborhoods" (p. 5).
5. Brown & Associates recommend studying the Klemgard/Bishop intersection, which was not included in the Wal-Mart study.
6. Wal-Mart's study includes no analysis of traffic accidents and hazards.

We believe that the City must thoroughly investigate each of these errors and recommendations.

### *Public Safety*

The traffic congestion related to the Wal-Mart site will compromise public safety.

1. Traffic accidents: Brown & Associates predict that more traffic accidents *will occur* if Wal-Mart is built (especially at Pro Mall Blvd./Bishop). Accidents will not only injure motorists and pedestrians, but also burden the Fire and Police Departments and the taxpayers who pay for these services. Thousands of cars will also enter Pullman from the Moscow-Pullman Highway (Main Street). There is currently a six- car capacity in the left turn lane at the corner of Main Street where cars will stop at the light and then turn left onto Bishop. Cars will approach around a blind curve blocked by a cliff. The only way to widen the road is to remove the cliff at great expense. If this is not done, there is a high probability for lethal accidents as cars approach around the blind curve to encounter stopped traffic.
2. Public safety on Pioneer Hill: According to the Wal-Mart study, at least 5% of the 11,727 daily trips (586+) will pass through Harvest/Crestview/Spring, a residential neighborhood on Pioneer Hill that includes an elementary and a middle school. This will endanger the many children who walk to and from school, and also increase the risk of abduction or abuse.
3. Senior citizens' safety: Traffic congestion will endanger the senior citizens who live in the retirement communities on Bishop Blvd.
4. Access to the hospital: The location of the Wal-Mart site will severely limit access to the hospital and make it difficult for ambulances to make a left-hand turn onto Bishop Blvd. This delay could mean the difference between life and death.
5. Cyclist's safety: The increased traffic places cyclists at risk. Neither Bishop Blvd. nor Grand Ave. have a wide shoulder or bike lane, yet cyclists regularly use these roads, primarily to commute to/from WSU. These unsafe conditions will force people to drive rather than bike, exacerbating traffic congestion.

### *Public Health*

The increased traffic flow will contribute to air, noise and light pollution. Air pollution from cars will dramatically increase and adversely affect the hospital and retirement area nearby—the population that is most susceptible to air pollution. Both the hospital and retirement areas were built in part because of the low levels of pollution. A Seattle study released last year showed that increased air pollution leads to more hospital admissions. Air pollution also leads to asthma, which disproportionately affects children and the elderly. The traffic will also generate noise pollution, especially for residents on the southeast and southwest hills. Finally, the 1000 space parking lot atop a hill will create significant light pollution. Wal-Mart will be built at the highest point in the immediate area, making the light from the parking lot visible for miles around.

### *Crime*

Wal-Mart routinely allows campers and cars to use their massive Supercenter parking lots overnight. This practice has increased crime and has forced many towns and cities to greatly increase City Police and Fire protection. A typical example of this occurred in the small town of Harrisville, Utah (pop. 2000), where local police had to increase their staff by more than a

third to handle greatly increased crime, and a skyrocketing rate of DUIs they found clearly associated with the more than 100 cars staying overnight in the Wal-Mart lot. According to an Associated Press article, this pattern has been repeated across small town America at great cost to local taxpayers. (AP May, 2004). Given the drinking practices in Pullman, the prospect of a huge new, largely unregulated privately-owned party zone needs to be clearly thought through.

### *Public Transportation*

Traffic congestion will slow down the bus routes, which already run at least 5 to 20 minutes late (or more) during peak times. Unreliable bus service will discourage people from using public transportation, which will exacerbate traffic congestion, and so forth. We urge the City to conduct an analysis of Wal-Mart's impact on public transportation schedules and usage.

In short, traffic congestion will significantly decrease the quality of life in Pullman, severely compromise public health and safety, and increase taxpayers' expenditures for infrastructure and public safety.

## **2. Fiscal Impacts and the Poverty Effect**

Cities rely upon businesses to produce and distribute goods and services, provide employment opportunities, and to generate tax revenues. The economic system in the United States is based upon the assumption that these public benefits will be created indirectly as businesses in a competitive environment strive to maximize profits. When a company develops a monopolistic business model that undermines the competitive environment, however, the public-benefits assumption is violated and the business's pursuit of profit generates more public disadvantages than advantages. An increasing number of studies by business experts, economists, sociologists, and independent economic and development consultants demonstrate that Wal-Mart's monopolistic designs generate net losses in the public benefits of taxes, employment, and inexpensive goods and services.

### *Tax Revenues*

A compelling reason for a city, county, state, or national government to promote retail business expansion is because of the tax revenues generated from an increase in customer transactions. Studies reveal that tax benefits from Wal-Mart's sales tend to be offset by the public services that it exploits.

A staff study conducted at the behest of Congressman George Miller (D-California) found that the typical Wal-Mart store with 200 employees cost the nation's taxpayers \$420,750 a year. The proposed Pullman Wal-Mart would be twice that size, with some 400 employees, and thus twice as costly to taxpayers.

"There's no question that Wal-Mart imposes a huge, often hidden, cost on its workers, our communities and U.S. taxpayers," Miller said. "And Wal-Mart is in the driver's seat in the global race to the bottom, suppressing wage levels, workplace protections and labor laws." ("Everyday Low Wages")

A 2004 study by Dube and Jacobs of Wal-Marts in California, describes how the company passes its costs onto the public when, instead of meeting the needs of its employees by paying a livable wage and offering affordable health care, it forces them (and in some cases advises them) to take advantage of social services. As a result, they estimate Wal-Mart increased the burden on California taxpayers by \$82 million per year for health care, foods stamps, and other services. The study concludes that if other large retailers in California adopted Wal-Mart's strategy, taxpayers would have to pay an additional \$410 million per year in public assistance. They breakdown typical costs to taxpayers as follows:

- \* \$36,000 a year for free and reduced lunches for just 50 qualifying Wal-Mart families.
- \* \$42,000 a year for Section 8 housing assistance, assuming 3 percent of the store employees qualify for such assistance, at \$6,700 per family.
- \* \$125,000 a year for federal tax credits and deductions for low-income families, assuming 50 employees are heads of household with a child and 50 are married with two children.
- \* \$100,000 a year for the additional Title I [educational] expenses, assuming 50 Wal-Mart families qualify with an average of two children.
- \* \$108,000 a year for the additional federal healthcare costs of moving into state children's health insurance programs (S-CHIP), assuming 30 employees with an average of two children qualify.

Similar results have been tracked in at least 8 other states. The state of Washington reports that by far the largest group of state residents applying for coverage under the Washington Basic Health Care Plan is Wal-Mart employees, far out of proportion to their numbers in the state labor force.

Wal-Mart asserts in its preliminary SEPA checklist that its store would entail only "minimal, incremental increase in demand for public services." ("City of Pullman Environmental Check List -- Re: Wal-Mart Supercenter," 19). Given the evidence cited above, this claim simply is not credible.

In addition to these largely hidden social service costs, there are other indirect tax losses, particularly declining property values near Supercenter sites. Here in Pullman, homes on Pioneer Hill and the new Sunnyside Hill development facing the Wal-Mart site are likely to decline in property value due to aesthetic blight, light pollution and other negative impacts.

As the traffic study (reported above) revealed, the increased traffic flow generated by a Wal-Mart brings with it the need to upgrade and expand local infrastructure. A 1991 study conducted by the DuPage County Development Department of the Illinois Regional Planning Commission revealed that because of the money invested in highway and utility expansion, the increased expenditures in municipal services, including fire and police, and other development expenses, both residential and nonresidential personal property taxes increase as a result of encouraging such new commercial developments. The city of St. Albans, Vermont, conducted an economic impact analysis ahead of a proposed Wal-Mart in 1994. The study found that in order to provide for the infrastructure and municipality upgrades and expansions, in the face of lost revenue from the elimination of other retail stores, the city would pay \$2.5 for every \$1 in tax benefits.

Randall Gross of Development Economics found similar results in his 2004 study of eight cities in central Ohio. Comparing retail stores in general to office and industrial development, he found that retail buildings produced a net annual loss of \$.44 per square foot, while office and industrial development generated net tax benefits. In a 2001 study conducted by RKG Associates on the impact of adding 2.8 million square feet of retail space over 12 years in Concord, New Hampshire, that tax revenue declined by 19%. They blamed this result on the fact that the new retail stores tended to be big-box retail chains, which replaced independent and locally owned business. Furthermore, the increased traffic and noise eroded residential property values. A more detailed analysis of retail stores, conducted by Dan Houston and Matt Cunningham of Civic Economics in 2004, shows that there is variation between locally owned and national and international retailers, like Wal-Mart. They found that every \$100 spent at an independent retail establishment generated \$68 in additional local economic activity, compared to only \$43 from \$100 spent at a retail chain. They blamed this result on the tendency of retail chains to move money from local economies to their corporate headquarters.

Many other economic analyses point out that Wal-Mart has had much of its growth subsidized by taxpayers in the form of deals made with local governments mistakenly convinced that city tax revenues will outweigh the costs in subsidies and lost businesses. (Mattera and Purinton; Dube and Jacobs; Shils; Miller report). But even without such subsidies, decreases in property values, along with increased infrastructure costs, social services costs, and the tying up of a huge piece of land that could be used for multiple developments, means that the tax losses to the City of Pullman over time may well be greater than the tax benefits received from a Wal-Mart (even factoring in a 1% local sales tax benefit). Certainly, revenues will be far less than those calculated without considering these less visible but very real economic costs.

### *Employment Opportunities*

Few elected officials are willing to reject a new retail establishment because of the promise of new jobs. But those elected officials often fail to consider how Wal-Mart's practice of striving to eliminate its competition, along with their determination to undermine unions, tends to result in a net loss of jobs and a downward pressure on wages.

Kenneth Stone of Iowa State has addressed the issue with specific reference to rural and semi-rural towns, and found that Wal-Mart's arrival typically means the loss of three jobs for every two they create. This typically derives from the failure of two local grocery stores, and devastation to local hardware, pharmacies, tire stores and gas stations, retail clothing stores, jewelers, variety stores, and building supply stores, among others. In a relatively short time, often less than three years, this process has led to a declining, not an increasing, tax base for such communities. Using data from Iowa, a state with a demographic and economic profile close to that of eastern Washington, the study found that the Wal-Mart effect has led to the loss of 555 grocery stores, 298 hardware stores, 293 building supply stores, 161 variety stores, 158 women's apparel stores, 153 shoe stores, 116 drugstores, and 111 men's and boys' apparel stores. What is doubly disturbing is that these figures preceded the explosion of the much larger, much more comprehensive and much more competitive Supercenters that are now Wal-Mart's preferred marketing venues.

Some suggest Moscow as a counter example to these trends. But in fact it offers further evidence. Moscow has seen the loss of a few downtown businesses in the Wal-Mart years, and none of those that have survived report more business. Meantime, the Palouse Empire Mall has been less stable than ever. A recent report measured a 2% increase in Latah county poverty since Wal-Mart's arrival. That increase cannot be laid solely at the feet of Wal-Mart, but clearly it has not improved things and unemployment continues to be higher in Latah County than in Whitman County. While we understand some people in Pullman who think it only fair turnabout to gain sales at the expense of Moscow, for a number of reasons that is highly unlikely to happen. Moreover, at a time when the Pullman and Moscow governments are seeking to cooperate on a number of projects, including responsible development of the Route 270 corridor, this is no time for store wars to ruin good will.

Even if Wal-Mart were to create as many jobs as it eliminates, there would be a negative employment effect because of the kinds of jobs produced. A February 9, 2005, news story carried on CNN reported that a Wal-Mart store in Quebec, Canada, decided to close in response to its workers' decision to unionize. These tactics explain why a study found that Wal-Mart has a negative effect on wages even when it does not wholly eliminate competitors. Most supermarkets in Southern California (e.g. Albertsons, Ralph's and Safeway) pay approximately \$18.25 in wages and benefits. When Wal-Mart replaces these supermarkets, they do so with employees who receive half that rate, just \$9.63 per hour. (Randolph, Boarnet and Crane)

*Business Week* noted in an April 12, 2004 article that Wal-Mart's model may be driving wages throughout the retail industry to unsustainably low levels. They argue that this hardcore model has led to "pressure from Wall Street [for other big retailers] to follow the Wal-Mart model, noting that CEOs find it easier to follow Wal-Mart's low wage route, even when a higher wage/high productivity model may do as well for shareholders and be better for the economy in the long run." Many of these business analysts point to one of Wal-Mart's chief rivals, Costco, as the model of a competitor doing quite well with a more socially responsible business plan. (Dube and Jacobs; Holmes and Zellner; Zimmerman).

Indeed, Wal-Mart's ability to depress wages and lower benefits is so great that it can have that effect before it even opens a store. In California, Wal-Mart's mere stated intention to build 40 new stores drove potential competitor supermarkets Safeway, Albertson's and Ralph's to cut benefits in anticipation of the arrival of the Supercenters. They do not want to follow in the steps of Wal-Mart's southern rival, grocery chain Winn-Dixie, which recently announced it was close to filing chapter 11 papers. Closer to home, the Washington state based Brown and Cole grocery chain announced this month that it was closing eight of its 31 stores in Washington. As reported by the Associated Press, chain owner Craig Cole blamed these closures on Wal-Mart, adding, "The American worker and local businesses are becoming roadkill in Wal-Mart's march toward worldwide domination of commerce." (*Moscow-Pullman Daily News*, Tuesday, March 1, 2005, 4a)

#### *Eliminating Competition or Positive Spillover for Local Retailers?*

One of the most common misconceptions about the presence of a Wal-Mart in a community, one Wal-Mart itself often trumpets, is that it will create a "spillover effect" onto other smaller businesses (Basker 2004). There are some isolated examples where this has

been the case, but those are far less common than situations where there is what we might call a “drain down effect,” in which revenues once flowing to other businesses start to flow to Wal-Mart. A limited spillover may occur for a smaller Wal-Mart store (not a Supercenter) that is either located near downtown or draws traffic through the town center. But the enormous Supercenters, such as that proposed for Pullman, located in more isolated spaces relative to downtowns, primarily create drain down. The main reason for this is that the “one stop shopping” ideal presented by Wal-Mart is much more effective when groceries are added.

There is a related belief that somehow Wal-Mart leaves “niche” stores untouched. There was some truth to this with regard to very specialized stores near the smaller Wal-Mart’s like the one in Moscow. But Supercenters have largely eliminated niches. Every merchant thinks they have a niche, but precious few do. While Wal-Mart still plays the loss leader card with inferior quality items, Supercenters increasingly carry a wide array of merchandise at the middle and even high-end level to compete with Costco and Target. Even when these products are not priced at lower levels than in smaller local stores, shoppers tend to assume they are cheaper and buy them at Wal-Mart. This sometimes reduces local stores to free consultant status in which folks “borrow” the greater expertise of local merchants, but buy at Wal-Mart.

Given its business model and goals, it is implausible that a Wal-Mart Supercenter will provide a spillover that helps nearby businesses in Pullman. The company has undertaken an effort “to obliterate its competition. At the Bentonville headquarters, Wal-Mart still displays the pictures of the heads of its 24 major food and merchandise chain competitors, each framed like an FBI ‘Wanted’ poster” (Freeman and Tichnor, 2003). In Pullman, the geographic lay out and the enormous size of the proposed Supercenter will facilitate Wal-Mart’s efforts to drive competitors under, making spillover even less likely than usual. The nearest sites, Wheatland Mall and the Radio Shack strip, offer very little not available at a Supercenter. Only one of the three possible routes to the proposed site passes anywhere near downtown. Both the southwest route from Moscow, and the northwest route from Lewiston pass nowhere near downtown. There might be some benefit to car dealerships south of town, but car purchases are hardly the kind of impulse shopping associated with spillover. The third route, route from Colfax, can also bypass most of Pullman by continuing on 195, approaching Bishop along Grand Avenue from the south.

Despite net losses in taxes and employment opportunities, the inexpensive products promised in the Wal-Mart slogan “Always Low Prices, Always”, might still seduce many consumers. Wal-Mart employs the strategy often referred to as “loss leader” or “predatory pricing.” Because of its size and diversity of products, it is willing and able to absorb lost revenue by selling at below market value one or more goods or services that are also provided by a competitor. Once the competing local businesses go out of business, the prices drift upward. The Sherman Anti-Trust Act, intended to prevent monopolies from undermining the competitive market environment, and the Federal Trade Commission Act, made this practice illegal more than 100 years ago. Many states and businesses, as well as the governments of Germany and Denmark, have filed suit or charged Wal-Mart with predatory pricing. Florida and Wisconsin, for example, have recently filed suits against Wal-Mart for illegally selling gasoline below cost to drive out competitors.

### *Impact on Pullman (and Colfax) Businesses*

A smaller, less economically diversified city like Pullman is far more vulnerable than a city like Moscow, and Supercenters have a far greater impact than smaller Wal-Marts. This is particularly true because the downtown area is currently weak in retailers, and would be unlikely to reverse that trend if a Supercenter were present.

It is important to realize that a Supercenter is not a store. It is far more accurately characterized as a mall unto itself – with groceries, restaurants, a Smart Style beauty salon, a Regis nail salon, a toy store, a hardware store, a tire and lube store, a pharmacy, an apparel store, a vision care center, a pet store, a furniture store, a book store (including textbooks now), a florist, an electronics and video store, a film development center, a sports and fitness equipment store, and more. (Supercenters range in size from 109,000sf to 250,000sf, with the 223,000sf proposed Pullman store near the largest.) Such comprehensive Supercenters are not only a threat to existing local stores, but are also highly likely to discourage other new businesses from locating here. (Shils; Stone)

Below we summarize the likely impact level on Pullman businesses based on national patterns and specific local factors. We divide local businesses into four broad categories of impact:

Very High Impact: Disssmore's/IGA and Safeway. Currently, Wal-Mart's "loss leader" predatory pricing is most often directed at grocery competitors, as the examples of Winn Dixie and Brown and Cole suggest. In Pullman this will put Disssmore's and Safeway at very high risk. The loss of one or both of these markets is highly probable given national trends. Disssmore's has a slight advantage in being further from the proposed Wal-Mart site, and has more long-term local support. Safeway, on the other hand, has the advantage of the backing of a larger chain currently involved in a major struggle with Wal-Mart in California and elsewhere. Its planned addition of a gas station, no doubt partly in response to the possible arrival of Wal-Mart, may compensate for some losses, but will of course in turn redound on other local service stations.

High Impact: Rite Aid, Sid's, Les Schwab, Jiffy Lube and Jerry's, service stations, Radio Shack, Pullman appliance, Barnacle Bill's pet shop, jewelry shops, beauty and nail salons, and video stores. Wal-Mart is the national sales leader in all the categories cited above. Rite Aid and Sid's are the most vulnerable, given the huge national concern over the price of drugs. As with groceries, Wal-Mart can afford to run its pharmacies at a loss for a time to weaken or eliminate competition. Tires, auto parts and fast lube services are highly vulnerable given "one stop shopping" that allows for tire purchases, oil changes, and other minor auto repair while customers shop. Gas stations will certainly suffer greatly, with ones having full repair service having a better chance for survival. Wal-Mart is a very successful seller of electronic wares and DVD/videos. The same is true for appliances. In both areas, some adjustment to more specialty, higher end or niche products may allow survival. Wal-Mart is the largest jewelry seller in America. Local jewelers, like apparel stores, can compensate some by moving to a higher level of product, but the market in Pullman may not be upscale enough to sustain such a change.

Moderate Impact: Ken Vogel and other apparel stores, bookstores, optometry suppliers, banks, and “slow food” restaurants. Clothing stores will suffer some losses to Wal-Mart but may be able to adjust, as they have to the much smaller ShopKo (which we would put in a moderate to high impact depending on how it adjusts its stock), through merchandising higher end, higher quality or “trendier” apparel. Brused Books should have only a modest impact, given that it sells primarily used products, and might be able to gain by selling some of the books Wal-Mart routinely censors. While the ever-expanding Wal-Mart Inc. is making a major move into the banking sector, local banks seem secure for now, and the Bank of Whitman may even receive a bit of positive spillover. Depending on the kind of food court installed in the Supercenter (some are quite elaborate, incorporating fast food chains, others are more modest), local fast food stores downtown and along the strips would experience moderate to high impact from Wal-Mart. The new proposed restaurant near the Cineplex may garner some positive spillover, and other quality restaurants may get a modest amount of new traffic, though only modest because many Wal-Mart customers would have perishables in their cars.

Low or Positive Impact: The only Pullman businesses we see as poised to achieve spillover benefits are the Daily Grind coffee chain, with its two drive-up stands in well-positioned locations on each end of Bishop Blvd, Dairy Queen and the Wheatland fast food chains, and possibly auto dealers. The threat the Grind might face, instead, however would be from an aggressive expansion of Starbucks in response to the increased Bishop Boulevard traffic. And auto purchases are seldom made on a drive by basis. Gains (or losses) for drive through fast food chains will depend on which restaurants Wal-Mart plans to put into its Supercenter.

Existing studies suggest that outlying areas are often hurt even more than the businesses closest to Wal-Mart, in part because their spillover possibilities are zero. We don’t have the resources to extend our analysis beyond Pullman at the moment, but it is clear that in the wider Palouse, the area most likely to be negatively impacted is Main Street in Colfax.

Wal-Mart is not a chain interested in competition; it is one that has worked relentlessly to achieve monopoly instead. It has taken the idea of “one-stop shopping” to new levels, and that phrase is one that should be taken quite literally. As we noted above, Wal-Mart does everything it can to plug leaks that might lead to spillover; spillover will be minimal to nothing for most, with only very specialized “niches” in close proximity like Wild Ivy likely to benefit. And once some of its Pullman and Colfax competitors are gone, there will be no reason for Wal-Mart to continue its lowest prices. Far from having the “added choices” Wal-Mart always promises, local consumers will have fewer choices (and fewer business people) than before.

### *The Poverty Effect*

In the most thorough study to date (all counties and all Wal-Mart stores in the country), Goetz and Swaminathan found that counties with Wal-Mart stores experienced significantly more poverty than counties without a store. The preceding portion of this report documented that the immediate casualties of Wal-Mart are concentrated in the retail sector. The devastation of the retail sector has far-reaching consequences, including contributing to heightened poverty:

by destroying the local class of entrepreneurs, the Wal-Mart chain also destroys local leadership capacity.... The destruction of small, locally-owned businesses may also reduce social capital levels.... Social capital or civic capacity is also an essential ingredient for economic growth to occur, according to Harvard University's Robert Putnam. Thus, the elimination of local leaders from among a key group of entrepreneurs may be the single-most important and far-reaching impact of Wal-Mart Corp. (Goetz and Swaminathan 2004, 11-2).

Examining county-level data on family poverty rates, Goetz and Swaminathan showed that "the presence of Wal-Mart unequivocally raised family poverty rates in US counties during the 1990s relative to places that had no such stores" (Goetz and Swaminathan)

In addition to the direct impact of lower wage jobs replacing higher paying ones, the Penn State study found that the loss of local "retail operations that are driven out of business often represent the leadership class of the local community. □As these retail operations are lost, so is the civic capacity needed to deal with local problems of a communal nature, and for economic growth to occur. □[In addition], philanthropic capacity to deal specifically with local needs is destroyed as local business leaders lose the source of their livelihood." (Goetz and Swaminathan)□

"The higher poverty rate that is attributable to the presence of a Wal-Mart store means that more residents of the community become eligible for public assistance or welfare programs. Because taxpayers in turn fund these programs, the payments represent a direct transfer to the corporation's bottom line. □In effect, taxpayers subsidize the operation of the chain, and these payments can offset any savings consumers may realize by buying goods at a lower cost." (Goetz and Swaminathan)

We have summarized only a small portion of the overwhelming evidence of Wal-Mart's negative economic impact, and the authors are happy to discuss these matters in more detail with any interested party. Anecdotes about how this or that town seems to have fared are less useful than the systematic evidence cited above. It is certainly not impossible to find places where Wal-Mart's impact has not been wholly negative. But the overall pattern is quite clear and quite bleak for semi-rural communities like ours. We have tried to show why the Pullman case would likely follow the most negative example. But the precise impact on particular businesses can only be measured through further research and interviews around such issues as willingness and ability of a given merchant to significantly change product line, capacity to expand or contract store size, distance from the Supercenter and other particulars. That is why PARD has for weeks called upon the city to follow its own guidelines that call for a systematic fiscal analysis of a proposed project's impact, and finds it surprising that the local business community has not insisted on such a study as well

Based on its careful research, PARD has concluded that the evidence that the economic impact of a Wal-Mart in Pullman will be largely negative is overwhelming. But we are well aware that others in town see a rosier picture, and we would welcome evidence to support that optimism. For those who believe Wal-Mart will bring only positive economic good to the community, we want to ask a simple question: What if you are wrong? Aren't the stakes too high for serious doubt? Shouldn't all business people in town insist that an independent economic impact review be done?

### 3. Wal-Mart's Business and Labor Practices

Wal-Mart's enormous economic success, to the tune of \$256 billion in sales in 2003, is the result of three main factors. The first, wholly admirable, factor is a set of innovations in the use of computer technology to more precisely measure and more quickly respond to nuances in consumer demand for particular products.

The second factor in Wal-Mart's business success has been its very stringent control of labor costs and employee benefits. And the third factor has been its ability to largely eliminate wholesalers through direct bargaining with producers -- this process has eliminated many of the regional wholesalers who had traditionally served the small downtown retailer, and the elimination of rival retailers detailed above -- or more and more often through its own direct involvement in production. (Shils) These latter two factors in Wal-Mart's success have been by driven business and labor practices that have brought the corporation a great deal of sustained criticism. While some see this as a problem related to the direct local impact questions raised in the preceding section, for others these are moral and political questions tied to the values of this community beyond local effects.

The list of illegal and unethical business and labor practices Wal-Mart has been fined for or is currently being challenged on in the courts is too long to detail here. But here is a short list of some of the main problems not mentioned elsewhere in this report:

- \* Wal-Mart's own internal audit acknowledged *breaking child labor laws* in the US, leading to fines for hundreds of such violations and warnings from the federal government
- \* Wal-Mart has been charged with routinely forcing its employees to *labor "off the clock"* without pay (the two main law suits on this issue have been filed by workers in the states of Washington and New York)
- \* Wal-Mart has taken an extreme *anti-union* stance, and has been cited more than 30 times in last two years for breaking national labor relations laws
- \* Wal-Mart has never outgrown its "good old boy" corporate culture of origin, and has been charged again and again with discriminating against women and allowing or fostering the harassment women employees; this long record has culminated in the *largest class action suit in history* filed on behalf of 1.6 million past and present female employees
- \* While urging consumers to "buy American," the vast *majority of Wal-Mart's products are made overseas*, often under appalling conditions; Wal-Mart is the single largest exporter of American jobs
- \* Wal-Mart's cutthroat business practices have forced other companies follow suit, *increasing the outflow of jobs and increasing the use of sweatshop labor in countries outside the US*
- \* Wal-Mart often destroys acres of environmentally sensitive land to build new Wal-Marts close to existing ones that they later close; there is a long string of over 356 "ghost box" *Wal-Marts* across the country
- \* Wal-Mart has been raided and *fined \$11 million for exploiting undocumented immigrant janitorial workers* in its stores
- \* As detailed above, because it pays its workers so poorly, and offers unaffordable benefits, a typical Wal-Mart store with 200 employees *costs taxpayers \$420,750 a year in public assistance* (welfare, food stamps, health care, etc.)

- \* By defining “*full-time*” work as 28 hours per week, Wal-Mart gives itself a way to exaggerate the number of full-time workers in its employ
- \* Wal-Mart median employee income of \$14,000 a year is more than \$2,000 below the federal family poverty level
- \* Wal-Mart get millions of dollars in “*corporate welfare*” tax breaks from local communities, earns billions of dollars in profits, has made four members of the Walton family among the top 10 richest people in the world, yet gives a smaller proportion of its tax deductible profits to charities than many smaller corporations
- \* Wal-Mart currently faces over 9400 lawsuits around these and a host of other issues involving their business and labor practices.

To bring these issues home a bit, on March 15, 2001 the Department of Labor and Industries of Washington State, was forced to take over more than 300 Wal-Mart open worker injury claims because of company mismanagement of such claims. The agency's director Gary Moore, commenting on the DLI ruling, noted, "When workers in Washington suffer injuries, they deserve their benefits." Moore added, "For the past seven years, our audits continue to show Wal-Mart has fallen far short in meeting self-insurance requirements under Washington law." Labor and Industries found Wal-Mart was preventing many workers from receiving benefits they were entitled to when they were injured on the job. Some workers have not received any payments for wages they lost as a result of their injury. Benefits can include medical expenses, partial wage replacement, pension and vocational services. Because this situation has still not improved a measure was recently introduced in Olympia to force Wal-Mart and other deficient retailers to maintain a minimum standard of insurance for their employees.

"We've provided training here and at Wal-Mart operations in Arkansas. We've taken corrective action and issued penalties," Moore said. "We've met with Wal-Mart staff many times. We've told them what they need to do. Despite our efforts, despite their promises, they've missed the mark. That's why we're taking this action today."

Wal-Mart public relations experts put forth individual employees (often covered in the ubiquitous smiley faces) to testify about what a great company it is. While it would be difficult not to find some happy employees among a workforce the size of Wal-Mart's, moving beyond individual anecdotes reveals a less smiley-faced story. One key indicator that most Wal-Mart employees are not happy with their jobs is the fact that their turnover rate is more than twice that of their key competitor Costco. About half of Wal-Mart employees quit each year, compared to 24% of Costco workers. (Zimmerman, "Costco's Dilemma.")

Wal-Mart's one desirable feature, its much-vaunted "always low prices," must be taken seriously because poverty and low income is a major problem in our current economy. But as we point out above, analyses have shown that Wal-Mart's prices are only "low" on selected items. More importantly, as we have detailed, even those prices are only low when one leaves out this larger picture of the true costs of Wal-Mart's ways of doing business, costs especially to wage workers and local businesses.

Wal-Mart's impact at home is bad enough, but in its role as a leading transnational corporation, the picture grows darker still. What might be called the Wal-Mart effect in the

developing world parallels what has happened in the US. In the last few years, some progress had been made in decreasing the amount of sweatshop and child labor through highly publicized anti-sweatshop campaigns against Nike and other guilty parties. But more recently Wal-Mart's practices have reversed this trend, forcing other companies to resort to sweatshop labor in order to compete with Wal-Mart's cutthroat labor policies

"Wal-Mart is one of the key forces that propelled global outsourcing -- off-shoring of U.S. jobs -- precisely because it controls so much of the purchasing power of the U.S. economy," says Gary Gereffi, a Duke University professor who studies global supply chains. While Wal-Mart sometimes represents itself as being forced to go overseas, in fact it led the way to outsourcing. Wal-Mart has sent more US jobs overseas than any other retail corporation.

"Wal-Mart," Gereffi continues, "has life-or-death decision over [almost] all the consumer goods industries that exist in the United States, because it is the number one supplier-retailer of most of our consumer goods -- not just clothes, shoes, toys, but home appliances, electronic products, sporting goods, bicycles, groceries, food." (Hendrick Smith, "Who Calls the Shots in the Global Economy?") With such power should come responsibilities, but Wal-Mart clearly has not lived up to the responsibilities side of the bargain.

Years of extensive interviews with Asian and American manufacturers, as well as study of trade flows, have persuaded Gary Hamilton of the University of Washington, that the big box retailers, epitomized by Wal-Mart, have been "driving a massive restructuring of production worldwide; moving jobs from the U.S. and Europe to Asia. They do it by setting price points and forcing suppliers to meet their targets. Only lowest-cost labor can meet their targets, and that means producing in Asia." This phenomenon is often called a "global rush to the bottom," a process of increasing impoverishment impacting both some in the US and most in the developing world. (Quoted in H. Smith)

Given these patterns of business and labor practices over many years, it is difficult not to conclude that Wal-Mart systematically engages in not only unethical but illegal actions in the name of pursuing its bottom line, knowing that any fines levied will be outweighed by increased profits.

Doug Loescher, of the National Trust for Historic Preservation in Washington, DC argues that small downtown businesses provide greater economic benefits to a community than big discounters. Local firms attract foot traffic, reducing the need for new roads; they use local suppliers, sponsor Little League Teams and community events, and keep their money in local banks. (Muller and Humstone)

By contrast, Wal-Mart receives millions of dollars in "corporate welfare" tax breaks to locate in communities all over the U.S., has over \$250 billion dollars a year in sales, yet it donates a smaller percentage to non-profit charitable and community organizations than many other larger corporations. Its sheer size makes its charity donations, about \$170 million last year, sound impressive, but when seen as a percentage of profit and with the tax breaks from donations factored in, the amount is comparatively low. While doing somewhat better in recent years in response to public pressure to give more locally, Wal-Mart's rate of community giving still lags far behind that of other large corporations. Microsoft, for example, which has 1/8 the sales of Wal-Mart, has a giving rate 10 times higher. Readers are

also advised to investigate the particular kind of corporate giving Wal-Mart engages in, since much of it is far to the right of the America mainstream.

#### **4. The Governmental Process**

Given the concerns detailed in the sections above, it is remarkable that no serious public process has been in place to consider the impacts of the Wal-Mart plan. PARD believes that the site review process surrounding the Wal-Mart proposal has revealed some deeply serious flaws in the city's comprehensive plan, zoning laws, and city ordinances. PARD has been dismayed, to say the least, by public statements and actions by city supervisor John Sherman, and public works director Mark Workman regarding the Wal-Mart siting proposal. While it is obviously true that evaluators must follow all city codes and legal procedures, there is a great deal of room for discretionary action that has not been acknowledged by our city officials.

To begin with, city supervisor John Sherman asserted in the *Moscow-Pullman Daily News* (Dec. 3, 2004) that there is no place for the city council in the process of deciding upon the Wal-Mart issue. While this may be technically true in the narrow sense that this is largely a "ministerial" decision, if the single most potentially high impact proposal ever before the city does not need to involve the city council then it is difficult to understand the sense in which Pullman has a city government, as opposed to city management, at all.

The city attorney in a ruling requested by Mr. Sherman suggested that any public meeting the city council or any other member of the government might call on the Wal-Mart matter could be considered a "hearing," and thus in violation of the one hearing rule applicable to this case. That assertion simply makes no sense. As PARD elaborated in a letter to the city, it would be simple enough for the city council to call a meeting, and state clearly for the record that the meeting is "in no way intended to be understood as a hearing." With no hearing examiner appointed for such a meeting, this is more than enough of a legal clarification. But as our letter also outlined, there is additional, unmistakable support for a distinction between a "hearing" and a "public meeting" in state law. Why the city in face of these facts continues to deny its citizens democratic participation is baffling.

In addition, in their public statements regarding public meetings, neither Mr. Sherman nor Mr. Workman have mentioned the fact that the Director of Public Works can make a simple recommendation that the matter be referred to the Board of Adjustment (17.135.050) for a public hearing. This one step would allow at least a modicum of public discussion of the project. If ever there was a project of sufficient complexity to justify such a referral, this project is it. An even better alternative, which PARD has argued for in a legal memo on February 25, 2005, is a referral of the matter to the elected City Council.

Mr. Sherman has suggested that the State Environmental Protection Act (SEPA) process constitutes a sufficient place for public input; this is difficult to take seriously. As Mr. Sherman well knows, the SEPA process, as narrowly interpreted by city managers, allows only a narrow spectrum of relevant response to a select set of environmental issues. But even given this narrow interpretation, case studies like the one in Bakersfield cited below suggest that the fiscal impact can be considered a relevant *environmental impact* given the strong possibility of empty stores and decimated downtowns in the wake of Wal-Mart. Blight can have adverse environmental as well as social impacts.

We believe this wider interpretation of the SEPA mandate is quite plausible in this case, but in addition another local provision, Section 17.135.070 Review Criteria #11, requires consideration of the "fiscal impact of the proposed development on the city." Public Works Director Mark Workman's public statements seem to indicate he is determined to take the narrowest possible reading of this clause as well. Instead we urge the city council to take the perfectly reasonable step of insisting that the clause be interpreted to call for an analysis of the full-scale, long-range probable impact of a proposal of the scale of Wal-Mart's. Given the evidence we have marshaled above, such a fiscal impact study seems prudent and might well save the city from economic disaster and future lawsuits.

The city must of course follow all legal guidelines in these procedures, but every citizen knows that all guidelines are subject to a degree of discretionary interpretation by city officials. City staff actions currently give the appearance of favoring the "rights" of the world's largest corporation over the rights and interests of the citizens of Pullman. If they wish to challenge that image they and the city council must take some bolder action to open up this process.

## **5. Resistance is Futile?**

Even some people aware of the problems detailed above shrug their shoulders and say, "Well how can a small community fight the world's largest corporation?" Well, the answer is, "Sometimes quite well." All across America communities have recognized that Wal-Mart Supercenters are a bad deal and have found a variety of ways to stop them or rein them in. In March 2004, voters in Scottsdale rejected a proposed sales tax break for a Wal-Mart supercenter, which would have cost \$183 million over 40 years. In Flagstaff, a citizen's organization called Friends of Flagstaff's Future got the city council to limit big box stores to 125,000 square feet—half the size of a Wal-Mart Supercenter—to protect existing retailers and city jobs. In August 2004 the Los Angeles city council passed an ordinance requiring big box companies to pay for independent studies of their economic impact on existing local retailers and retail employees because study after study has suggested that impact is primarily negative. Recently the working class, predominantly Black and Latino community of Inglewood soundly rejected a referendum sponsored by Wal-Mart to allow it to circumvent that city's codes. The New York borough of Queens rejected a Wal-Mart proposal in February 2005. Contrary to the claims of Wal-Mart PR people that they are usually welcomed into communities, the increasing trend is clearly toward them being viewed as an unwelcome threat to the community business.

In December 2004, a California appeals court overturned the city of Bakersfield's zoning approval for two shopping center developments, each of which includes a partially constructed Wal-Mart Supercenter. The court cited the failure of environmental impact statements to consider ecological stress if the big box developments caused Bakersfield's core urban areas to lose stores and become dilapidated. In Austin, Texas, where Wal-Mart had plans to build eleven Supercenters, a report sponsored by the Austin Business Alliance recommended that independent economic impact analyses be conducted for all proposed big-box stores, especially analyses of increased costs from new infrastructure and social service demands from workers with inadequate wages and benefits.

Closer to home, north Spokane stopped a Wal-Mart and Gig Harbor forced Wal-Mart to withdraw its Supercenter plans in the wake of a massively successful petition campaign. Port Townsend and Lacey, Washington also successfully kept out a Wal-Mart. Lakewood, Washington has used litigation to prevent construction of a Supercenter first proposed there in 1999. Hayden Lake, Idaho and Hood River, Oregon have also recently rejected a Wal-Mart siting proposal, and Tumwater's city council recently voted unanimously to reject a Wal-Mart.

In total, some 250 towns and cities have prevented the siting of "big box" stores, and another couple of hundred more are currently fighting them. This is a nationwide trend because communities are waking up to the downside of Wal-Mart's smiley image. The perception of some Pullman residents and City officials that Wal-Mart's arrival is inevitable is thus wholly unjustified.

Successful community opposition to Wal-Mart projects has generally taken some combination of three factors: legal challenges around zoning issues and environmental issues; a proactive City Council, or Chamber of Commerce; and sustained public protest, usually in the form of petition campaigns and demonstrations. PARD has been mounting a challenge on all these fronts, and we believe we will be successful in defeating this proposed Supercenter.

## **6. Pro Business, Anti Wal-Mart: A Diversified Local Economy**

Some die-hard proponents of a Pullman Wal-Mart have sought to pin the tired, old "anti-business" label on PARD, but it will not stick. As the preceding analysis suggests, if there is any character in this story that can be accurately labeled anti-business, it is Wal-Mart itself. Wal-Mart has single-handedly destroyed thousands of businesses across America. PARD's position is quite different. We believe being against Wal-Mart is one of the ways to be pro-business, especially pro-local business. We support a number of the development projects currently underway in Pullman. What we cannot support, for all the reasons cited above, is this particular company and this particular proposal.

We understand the concern of some in the local business community that Pullman overcome a historical perception of being anti-business, dating back to the 1970s debate regarding the siting of the Palouse Empire Mall. But that story is quite far behind us now. There is significant growth in all sectors of the Pullman economy, from housing to the Schweitzer proposal to Duane Brelsford's multiple projects to new businesses and university involvement downtown and beyond. Given this situation, we need not take panicked action because one large retailer has shown interest. Other, more appropriate retailers undoubtedly will seek Pullman out, given current demographic and economic trends in the city.

Because of its "one-stop" business goal and cutthroat style, a Wal-Mart will also decrease the likelihood of attracting new stores. The concerns we have expressed about Wal-Mart's monopolistic, anti-competitive methods are concerns their competitors share. Hence, Wal-Marts seldom serve as useful "anchor" stores, except in the sense that they become an anchor that sinks other stores. Increasingly, Wal-Mart's big box rivals refuse to locate near

them. If, however, Pullman were to reject a Supercenter while inviting other stores in, it is highly likely that other, better stores, even ones who have expressed disinterest previously, will rush in to fill the void (and to one-up Wal-Mart in the process).

Opposition to a Wal-Mart Supercenter need not mean opposition to all “big box” stores. All such stores are not the same. The clearest example of this can be seen through a comparison with Wal-Mart’s chief competitor, Costco. (This may be particularly relevant since Costco apparently showed interest in the site now proposed by Wal-Mart; indeed some have suggested that it was Costco’s interest that prompted the CLC purchase on Bishop.) Costco could not be more different than Wal-Mart in terms of its labor practices:

Employees covered by company health insurance:

Costco 82%; Wal-Mart 48%

Portion of health care premium paid by company:

Costco 92%; Wal-Mart 66%

Insurance waiting period for part-time employees

Costco 6 months; Wal-Mart 2 years

Annual worker turnover rate:

Costco 24%; Wal-Mart 50%

Cashier Wage Level Ranges:

\$10.50-\$17.50 ph Costco; \$7.65-\$11.45 Wal-Mart

(Zimmerman, “Costco’s Dilemma”)

One might expect these statistics to put Costco at a distinct earning disadvantage. But in fact the average Costco store rings up \$115 million a year, almost double that of the average Sam’s Club. Part of this stems from the lower costs of retraining employees when they are happy to stay. Costco, and other stores with more middle end, but not comprehensive, product lines are far more likely to attract the kind of customers likely to “spillover” to existing Pullman businesses. Add to this the fact that the Issaquah, Washington, store keeps much of its profit in our state, and the fact that its concern for its workers also extends to its building ethic, it is not hard to see that Costco would be a far preferable “big box” store for Pullman.

We do not advocate for Costco or any particular alternative at this time – there are many others that might also be appropriate – but we wish to make it clear that there are other less problematic possibilities than Wal-Mart if the city decides it would like another “big box” (besides ShopKo) in town.

Taking another example, a Super Target (with a grocery component), despite that company’s far better business practices, would have many of the problems associated with Wal-Mart as a monopoly. A smaller Target, on the other hand, would seem to be a more reasonable fit demographically, and has often been a good anchor. Pullman is far more likely to thrive economically and socially if it builds upon its historic downtown, enhances the cultural

advantages of its college town status, and avoids becoming a sprawling clone of so many other western towns.

With any large retail development proposal we would urge, as we are urging regarding this Wal-Mart project, a full fiscal impact analysis. In fact PARD has proposed an ordinance to the City Council to make this a regular part of all large-scale site plan evaluations. Many, many other towns and cities have used such a law to great effect in finding the right economic mix

We also want to make it clear that in calling Wal-Mart to account, we make a clear distinction between small retailers and big box stores in terms of their ability to pay top wages. As soon as any small merchant in town matches Wal-Mart's \$256 billion in annual sales, we will expect them to pay as well as Costco or Safeway.

Costco, Target and other Wal-Mart competitors have been under increasing pressure from Wall Street and from some shareholders to adopt the more cutthroat approach of Wal-Mart. But thus far most have chosen not to do so. We might view the alternative visions of these retailers as presenting a crossroads for the American economy. Pullman could play its own small role in this larger process by refusing to adopt the darker of the two economic models. We believe such a move would be far more in keeping with the community values of Pullman.

## **Conclusion**

The response to PARD's boycott Wal-Mart petition campaign, at 5000 signatures as of March 1, 2005 and growing at about 1,000 per week, suggests that most residents of Pullman do not want this project. The petition is a very stringent one, not merely expressing general opposition to Wal-Mart but pledging neither to buy from nor work for the store were it to locate here. Though a more open-ended opposition would have generated even more signatures, we chose this method of petitioning because it appeals to the one thing Wal-Mart seems to understand – the economic bottom line. What this extraordinary number of signatures reveals is that increasing numbers of people in town understand that the real story of Wal-Mart's "low prices" is that they cost too much: traffic dangers, environmental concerns, destruction of smaller local businesses, property value losses, crime, lower wages in the community, discrimination, support of overseas sweatshop labor, lost U.S. jobs, "corporate welfare" tax breaks, and lower community living standards overall.

Many Pullman business owners oppose the plan because across small town America they know of the clear pattern detailed above of Supercenters devastating local businesses. Given its size, Pullman is more vulnerable to this process than most towns. And in Pullman this would likely mean undermining much of the recent revitalization of Main Street and the downtown, as well as a number of stores in the strip malls around the site targeted by Wal-Mart.

Most working people oppose Wal-Mart when they discover that this impact on local business means an overall loss, not a gain, of jobs when a Supercenter comes to town. In addition, Wal-Mart's practice of paying federal poverty-level wages and offering benefit

packages most of their employees can't afford, leads to a depression of wages in the nearby region.

Because of its poor wages and failure to offer affordable benefits, Wal-Mart has in the past routinely handed out memos telling its workers how to apply for welfare, food stamps and other public programs (perhaps that is why they chose to locate so close to the Community Food Bank and Action Center). About forty percent of Wal-Mart workers, according to several surveys, are forced to avail themselves of public assistance – just one of many ways Wal-Mart passes their business costs onto workers and other taxpayers.

Pullman residents with small children, aging parents, or chronic illnesses oppose the Supercenter plan because they find the traffic problems associated with this huge development not merely inconvenient, but potentially life-threatening.

People looking beyond Wal-Mart's impact on US workers oppose the corporation because of its long history of using sweatshop labor, including child labor, in the developing world. Contrary to its "red, white and blue" self-promotion, these practices further hurt US workers while lowering wages for already poor people outside the country. Wal-Mart is the single largest exporter of US jobs.

In the last few years, some progress had been made in decreasing the amount of sweatshop and child labor in the world through highly publicized anti-sweatshop campaigns, like the ones against Nike and other guilty parties. More recently, however, Wal-Mart's practices have reversed this trend, forcing other companies to resort to sweatshop labor in order to compete with Wal-Mart's cutthroat labor policies. That is why the human rights organization Multinational Watch named Wal-Mart one of the "ten worst corporations in the world."

People who care about gender and racial equity also oppose Wal-Mart because of its long history of discrimination. Wal-Mart women workers have documented all manner of gender discrimination, leading to the largest class action suit ever filed. Similar cases have been filed on the basis of racial discrimination and discrimination against disabled workers. Wal-Mart was also recently fined for knowingly employing undocumented immigrants, at exploitative wages.

Indeed, Wal-Mart has the distinction of being the single most sued private entity in the world, with more than 9,000 lawsuits against them (USA Today). Some of these are the kind of personal injury suits that all large retailers face. But many are the result of the systematic problems with Wal-Mart's business and labor practices. Many lawsuits have been successful, despite the overwhelming legal resources the corporation has on its side. Is Wal-Mart the only corporation to engage in unethical and illegal practices? Of course not, but it does far more of it than any other retailer and is dragging much of the retail sector down to its level. That is why sending a clear message to Wal-Mart that they violate our community standards is vital if we wish to improve conditions for all hard-working people and support a sustainable, fair business model for this community.

For all these reasons, PARD has concluded that a Wal-Mart Supercenter would be a bad bargain for Pullman, and we urge all citizens of the Palouse to work with us to find more

viable alternatives to enrich our economy while maintaining community welfare and community values.

**PULLMAN ALLIANCE FOR RESPONSIBLE DEVELOPMENT**  
**<http://pullman-ard.org>**

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