

# Transnationale Geschichte

Themen, Tendenzen und Theorien

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## Globalizing Commercial Revolutions

Since the mid-1980s, historical studies on the subject generically known as "consumer culture" have experienced an explosive growth. First stimulated by the turn-of-the 1960s critics of mass consumer society, then fine-tuning their methodologies in the 1980s especially as they probed the recesses of female desire in the body, domesticity, and shopping, finally widening out in the mid-1990s to investigate the mainsprings of successive waves of economic transformation in the shifting traffic, use, and meaning of commodities, their terrain of research has now become global.<sup>1</sup>

So rapid a development, coinciding with the crisis of Western-focused narratives of progress, complicates the challenge posed by the master historians of the mid-twentieth century, namely, that a truly critical contemporary history reflect "the problems of the present" by engaging in a "dialogue between the events of the past and progressively emerging future ends".<sup>2</sup> What these "future ends" are is not easily discerned when they are in thrall to the hyperbolic language of mass marketing. Phrases like "altogether unprecedented", "world-shaking", "the first ever", "revolutionary" exploit the fearsome uncertainties of fast-changing times. And when their subject is a seemingly almighty multinational corporation, they deeply condition the dialogue between future and past and past and present.

This is the case for Wal-Mart Stores, Inc. From a small-town five-and-dime, the company has grown over fifty years to become the world's largest enterprise. Currently, the behemoth from Bentonville, Arkansas employs 1.6 million people world-wide making it the single biggest private employer. Its \$ 245 billion in sales in 2004 – almost eight times as much as the Microsoft Corporation – have dethroned the world's largest manufacturers the General Electric Co. and General Motors. Its command of information technology to mobilize inventory and track consumer tastes marks it as having fulfilled the cyber-revolution's claim to jack up flagging economic productivity. Its slogan "every day low price" champions its exemplary dedication to satisfying the consumer underdog, plummeting retail costs and causing competitors everywhere to revamp their businesses or face

1 For an introduction, see my entry: History of Consumption, in: *International Encyclopedia of the Social and Behavioral Sciences*, Oxford 2001, vol. 4, pp. 2682–2687.

2 Edward H. Carr, *What is History?*, London 1961, p. 164; Geoffrey Barraclough, *An Introduction to Contemporary History*, London 1967.

certain failure. Relentlessly circling the globe in search of lowest costs, Wal-Mart's decision in 1994 to relocate its main global acquisition headquarters to Shenzhen, then in 2004–2005 to redouble its local outlets signals the People's Republic of China's formidable new status not only as the world's biggest pool of low cost labor, but also its biggest market for mass goods.

Inevitably, Wal-Mart's history has to be treated as global history. Yet for now, the trends it portends weigh differently from region to region. For Europeans, for example, its history reposes the problem of resisting American multi-national corporate power, especially as it is linked to neo-liberal policies that open the region to Asian imports; for Americans, Wal-Mart's history is a reminder that corporate America may still stand on the cutting edge of productivity, but this in no way exempts the national territory from industrial decline nor the end of the high standard of living that was a keystone of twentieth-century America's global hegemony; for the Chinese, Wal-Mart poses the question whether multi-national investment represents yet another form of Western imperialism or, if managed, a building block to a new industrial modernity that will restore China as a pivot of global commerce.<sup>3</sup>

From the perspective of U.S. national history, Wal-Mart's certainly stands in sharp contrast to the economic standard setters of mid-century, notably the General Motors Corporation, and much is to be learned treating it as the "new template for 21<sup>st</sup> century capitalism" and from comparing a world-economy driven by service and information technologies from one that was driven by manufacturing-based technology.<sup>4</sup> However, this contrast risks waxing nostalgia for a "Golden Age of Capitalism", whose dynamism is interpreted as having derived from consumer-oriented manufacture "Made in the U.S.A." and from the post-World War II democratic consensus that a decent standard of living for all was necessary to building a peaceful and progressive world.

3 With only one exception (Heiner Köhnen, *Das System Wal-Mart. Strategien, Personalpolitik und Unternehmenskultur eines Einzelhandelsgiganten*, Düsseldorf 2000), studies from the last decade are American, and based on published sources, almost exclusively from the U.S.: Sandra Vance/Roy Vernon Scott, *Wal-Mart. A History of Sam Walton's Retail Phenomenon*, New York 1994; Bob Ortega, *In Sam We Trust. The Untold Story of Sam Walton, and how Wal-Mart is Devouring America*, New York 1998; Robert Slater, *The Wal-Mart Decade. How a New Generation of Leaders Turned Sam Walton's Legacy into the World's #1 Company*, New York 2003. Wal-Mart's own version of its history is constantly being updated at <http://www.walmartfacts.com/doyouknow/>. All internet sources accessed on August 17, 2005.

4 Nelson Lichtenstein, *From General Motors to Wal-Mart. Templates for an Era. Introductory Presentation*, held at the Conference, University of California, Santa Barbara, Wal-Mart. Template for 21<sup>st</sup> Century Capitalism? April 12, 2004, <http://www.ihc.ucsb.edu/walmart/>.

The intention of this essay is to place the evolution of Wal-Mart within an altogether different framework – namely, successive revolutions in global commerce. This perspective has the virtue of highlighting that periods of intense industrial reorganization have always gone hand in hand with upheavals in cross-border commerce with the effect of intensifying global shifts in commercial power. So the 18<sup>th</sup> century commerce driven by European empires that turned tea, china plate, sugar, and calico into popular goods stimulated the self-exploitation of, but also new consumer experiences among, cottage weavers during Europe's proto-industrialization, at the same time as it rested on the shattering of Indian cottage industry and the reinforcing of slavery in the New World.<sup>5</sup> Likewise, the flourishing of the turn-of-the century department store of the imperial West, had buyers sourcing rugs, silks, and orientalizing bric-a-brac in Japan, India, and China, reviving proto-industries under the more burdensome terms of colonial exchange. In the boom years of post-World War II Europe, we witness the spread of so-called "factories for distribution", the supermarket, spurred by cross-Atlantic trade, U.S. agribusiness, and U.S. retailing know-how, but also by the emergence of the European Economic Community, and the new channels of distribution wreaking a heavy toll on small agricultural producers and shopkeepers.

Considering the contemporary world's trans-national retailing revolution, as epitomized by Wal-Mart, in the context of past commercial upheavals also highlights merchant capitalism's role in re-setting the terms of market exchange. The long distance capitalist – who in the figure of Fernand Braudel's merchant-pirate was a stock figure of the European-dominated Mediterranean at its commercial apogee in the 15<sup>th</sup> to 16<sup>th</sup> century – epitomized the action at the peak of a three-tiered system of exchange. By his capacity to monopolize supplies, capital and knowledge, as well as maneuvering between legal systems, the merchant capitalist reaped super-profits. In the process, he disrupted what Braudel characterized as the market economy, meaning local exchanges.<sup>6</sup> Over time the long-distance capitalist also conditioned the third level of exchange, namely the habitual regime of daily life, thereby reshaping in fundamental ways outlooks toward both consumption and production. Breaking the rules as he played on asymmetries from

5 These linkages are illuminated in Sidney Mintz's superb *Sweetness and Power. The Place of Sugar in Modern History*, New York 1985, see also Jan DeVries, *Between Purchasing Power and the World of Goods. Understanding the Household Economy in Early Modern Europe*, in: John Brewer/Roy Porter (eds.), *Consumption and the World of Goods*, London 1993, pp. 85–132.

6 Fernand Braudel, *Afterthoughts on Material Civilization and Capitalism*, Baltimore 1977 (German: *Die Dynamik des Kapitalismus*, Stuttgart 1986); idem, *Civilization and Capitalism, 15<sup>th</sup>–18<sup>th</sup> Centuries*, 3 vols., New York 1981–1984.

one place to another, the long distance capitalist – and with him, his allies – eventually established altogether new frameworks for market exchanges.

Braudel also reminds us that: "The preserve of the few, capitalism is unthinkable without society's active complicity." The break-through of new capitalist relations tells not only of immense disruption, but also of new modes of pacification, again depending on the region, as new alliances are formed between foreign and local capitalists, merchants and customers, and alien and indigenous authorities. However much we insist on the violence of the Wal-Mart system – from the stark aesthetics of its "big box" outlets to its catastrophic laying waste to competitors and super-exploitation of workers – we also have to underscore the alliances that make it viable. Ideally, we want to link analytically the beleaguered consumer in search of variety and low price (who may well be an unemployed or low-waged worker) to the sweat shop laborer at Shenzhen and to his local boss who, by dint of accepting Wal-Mart's product specifications, successfully integrates his firm into the global supply chain, and, in turn, all of them to the Beijing party officials whose deals with foreign investors spur the "Asian Miracle" and the U.S. suppliers at the top of Wal-Mart's value-chain driving the "retail revolution" whose immense wealth shows up the garish mansions mushrooming around Bentonville.

That Wal-Mart's operations look like such a radical rupture reflects not just the corporation's giant size and global extensions, but also that from the early 20<sup>th</sup> century the modern distributive trades came to be regarded as quintessentially national resource – like national manufacturing systems. Capital, supplies, and knowledge still came from abroad in varying measure. Yet retailers positioned themselves as model citizens of the nation-state. For example no matter how much the turn-of-the century department store relied on imports – as was plain from the sumptuous displays of oriental rugs, cashmere shawls, and exotic oddities all size, shape, and price – business strategies called for identifying it as the centerpiece of the bourgeois sense of place, anchoring the downtown neighborhoods of the capital cities, and amalgamating an ever-more socially differentiated middle class into a widening national taste culture. That the department store was a bedrock of the nation was all the more to be emphasized to defuse its association with cosmopolitan Jewish entrepreneurship, the exotic desires its merchandise elicited (especially among female customers), and the suspect financial machinations by which it banked its buyers and paid suppliers.<sup>7</sup>

7 There is no significant research on Woolworth's, probably as a result of missing archives and corporate resistance. On the broad context, see my *Irresistible Empire. America's Advance through Twentieth Century Europe*, Cambridge, Mass. 2005, chap. 3, passim. In general, the company self-presentations are richer sources than the histories, exception made of Karen Plunkett-Powell, *Remembering Woolworth's. A Nostalgic History of the World's Most Famous Five-and-*

This sense of that retailing capital was essentially national was, if anything, more marked for the far more mobile capital invested in chain stores, notably in Wal-Mart's best-known predecessor, Woolworth's. When the company went out of business in 1997, many older Americans mourned the death of the last vestige of "Main Street". Yet Woolworth's had been officially engaged in multi-national operations since 1909 when it opened a British subsidiary, and it was registered on the New York Stock Exchange in 1912, the first retail firm to be so. From the 1880s, its founder, Frank Woolworth, was scouring Great Britain and the Continent for the craft items that enabled his company to satisfy the expanding wants of American consumers. Headquartered in New York City from 1886, where in 1913 it took up occupancy of its own 56 story skyscrapers, by 1920 it was operating a "Red Front" in every single U.S. town with a population of 8,000 or over. At the end of the decade, Woolworth's was far and away the largest variety chain in the world. At the apogee of the company's fortunes, circa 1954, "everybody's store" operated 2,850 outlets in the U.S.A. and ran large foreign operations in Canada, Cuba, England, and Germany.<sup>8</sup>

Like Wal-Mart, Woolworth sought to command the market, and it conceived its capacity to do so on three levels: first by its efficient management, second by its power to source supplies, and third by its capacity, based on the former two, to deliver customer satisfaction to a fast-growing urbanizing public.

Woolworth's efficiencies derived from two relatively simple mechanisms: pricing and buying in bulk. As a "machine for selling" it followed a Fordist model by concentrating managerial expertise, capital, and decision-making capacities in one headquarters which by telegraph, telephone, and the postal service, could coordinate information and supplies among thousands of widely scattered, basically uniform outlets. Huge economies were obtained not only by purchasing supplies in bulk from manufactures, enabling them to reduce their costs of overhead, but also by standardizing store layouts, specializing inventory in a relatively small number of items, and simplifying pricing to basically two units, five and ten cents. In turn, the "well-ordered store" was "thoughtfully planned to give every shopper the most for the minimum expenditure of time, effort and money". This claim was especially important by the 1920s as the capital and labor being poured into the distributive trades raised the costs of manufactured goods to consumers, and labor productivity in the most modernized retailing showed

Dime, New York 2001. Company publications include: *Fifty Years of Woolworth. The Woolworth story, 1879-1929*, New York 1929; together with similar editions for the 75<sup>th</sup> and 100<sup>th</sup> anniversaries (1954, 1979). See also: James Brough, *The Woolworths*, New York 1982; John Peter Nichols, *Skyline Queen and the Merchant Prince*, New York 1973.

<sup>8</sup> F.W. Woolworth & Co. (ed.), *Woolworth's First 75 Years*, New York 1954.

little susceptibility to grow compared to technologically-advanced industry.<sup>9</sup>

Indeed, down to the 1930s, Woolworth thrived by employing a non-unionized mainly female labor force. True, Woolworth's entirely male managers occupied decently paid socially prestigious positions as befitting their middle-class status. Around World War I, at the same time that Ford paid his workers the hugely-publicized 5 dollars a day, Frank Woolworth dismissed the notion of paying his counter girls more than \$ 3.50 a week as they were unmarried, often at their first jobs, and assumed to be living at home. Though they frequently struck for better conditions, they didn't win the right to unionize until the late 1930s when business boomed. Thereafter, Woolworth employees' salaries and benefits rose, though never equal to industrial wages.<sup>10</sup>

Woolworth also thrived because it drove down the price of supplies by playing on the "competitive struggle for market control" between manufacturers and retailers. From the late 19<sup>th</sup> century down to the early 1920s, then again from the 1950s to the early 1970s, American retailers had to contend with a sellers' market of large-scale firms which strove to establish monopolies over innovative goods by developing high-profile brands to market directly to consumers bypassing wholesalers and retailers. To thrive, Woolworth's bulk bought from big brands and contracted the whole supply from batch industries building relations with some that would endure three-quarters of a century! As soon as the buyers market shifted to a sellers' market after World War I and during the depression, Woolworth's, along with other leading U.S. mass retailers, pressed their power to impose on American enterprises specialization, variety as well as low unit costs in the name of novelty, style changes, and obsolescence.<sup>11</sup>

Woolworth also sourced abroad in search of variety and quality, especially in Europe. In 1889, his first voyage abroad took him into the pine-covered hills of Thuringia and Saxony, where he used his admittedly limited "Dutch" to haggle with the women doll-makers. Observing that the

<sup>9</sup> This process was most advanced in the U.S., where by 1930, more than a quarter of each consumer dollar was calculated as being spent on distribution and the machinery of merchandising employed 35 percent of the labor force compared to 14 percent in 1870. Theodore N. Beckman, *Criteria of Marketing Efficiency*, in: *Annals of the American Academy of Political and Social Science* 209 (May 1940), special issue, ed. by Howard T. Hovde, *Marketing in Our American Economy*, pp. 133-140, quote pp. 135, 137; James B. Jefferys, assisted by M. Maccoll and G.L. Levitt, *The Distribution of Consumer Goods*, Cambridge 1950, chap. 3, "The Cost of Distribution of Commodities and Commodity Groups in 1938".

<sup>10</sup> Plunkett-Powell, *Remembering Woolworth's*, pp. 4, 86, 220-223.

<sup>11</sup> David R. Craig/Werner K. Gabler, *The Competitive Struggle for Market Control*, in: *Annals of the American Academy of Political and Social Science* 209 (May 1940), special issue, ed. by Howard T. Hovde, *Marketing in Our American Economy*, pp. 84-107.

poor women staggering out of the forests after a ten- to twenty-mile hike, loaded like pack mules with 75 pounds of toys and that he sold the wax dolls at ten cents apiece of which the women received only 1 cent, he contracted with them directly for a higher sum, circumventing the established middlemen.<sup>12</sup> Whether Woolworth also contracted with whole firms is unclear. Anyway, the myriad rivulets of goods were assembled at giant warehouses at Sonneberg and in Bavaria, whence it was transported to Bremen and Antwerp and from there shipped to the U.S., the holds of the freighters on their return loaded with the wheat, lard, and other quasi-colonial staples for which the U.S. economy was still famed.

Mass retailing thus played an inestimably important role in deepening American markets and honing the fit between national manufacture and national demand. From the turn-of-the-century, Frank Woolworth endeavored to find local substitutes; his success at doing so signaled the huge shift that in the early 20<sup>th</sup> century would see the U.S.'s rise as the world's most dynamic region of consumer-oriented manufacture. High U.S. tariffs were an inducement to find local substitutes, as well as rising transportation costs. Woolworth was also able to capitalize on highly-skilled immigrants like the two German founders of the Philadelphia-based firm Meyer & Schoenman who supplied his chain with industrial facsimiles of the hand-blown-glass and quick silver ornaments he formerly imported from Lauscha. As World War I disrupted the trans-Atlantic trade, he developed alternatives to popular European imports like Woolco brand yarn, cotton thread and sewing notions. By the 1920s, currency fluctuations, combined with rising costs and political uncertainty, as well as fired-up patriotism against German goods, consolidated "Made in the U.S.". So did the mania for designing new consumer goods – like small home appliances, celluloid products, and low-cost apparel and house wares – which were easily marketed through variety stores.

The chain store revolution established the American standard of living not just as a national, but also as an international model. Advertising itself as the store of the wise buyer – concentrating the purchase of many indispensable requirements of life in one convenient place and emphasizing both low cost and service, Woolworth saw its consumer-base as a classless, ethnicity-free "everybody". Aside from being cost-efficient, the organization of counter service at clearly marked, small numbers of unit prices demonstrated to customers that they had the skills, knowledge, and purchasing power to exercise their so-called consumer sovereignty. The right price was not the lowest price at all, but rather the cheapest price at which an article could be sold yet still was of good enough quality for the consumer to want

<sup>12</sup> Brough, *The Woolworths*, pp. 92ff.

to purchase it again. Branding was central to spreading the belief in a good's utility, and Woolworth's sales were greatly boosted by selling heavily-advertised brands such as Proctor&Gamble hair and skin care products, Gillette Razor blades, and Palmolive cleansers, all in the process of becoming high-profile globally.

That said, many people experienced the chain store revolution as catastrophic. Rapidly expanding amidst the booms and busts of the interwar period, pushing into the down towns, it signaled the wrenching concentration of retail capital which exploited unfair advantages of scale to destroy local stores, build local monopolies, export profits from the community, and tyrannize badly-paid employees. During the Depression years, the U.S. was rife with efforts to regulate in favor of small units by passing chain-store taxes, anti-price discrimination laws, and anti-loss-leader legislation. It looked like small business and its allies were victorious when the U.S. Congress passed the Robinson-Patman Act in 1936 which barred suppliers operating across state lines from discounting bulk orders with the intent to discriminate against small enterprises. In reality, the law put the burden of complaint on the small competitors who had to prove in court that the public good, defined as the consumer's demand for low-priced and varied commodities, was being damaged by collusion. The old era that said that the small shop was a valuable social institution was over; the new era had Woolworth's empowering "People with full freedom of economic choice".<sup>13</sup>

The formulae that made Woolworth successful on the fiercely competitive U.S. market catapulted it abroad. From the 1880s it branched out into Canada, and from 1924 to 1930 it opened eight stores in Cuba. In 1909, Woolworth established the first British "three-penny-and-six" stores. After the war it fast surpassed local competitors, Marks & Spencer and British Home Stores to manage 400 branches by 1930. Woolworth's plan to establish a German division, delayed by the war and the founder's death in 1919, was finally implemented after the economy was stabilized. In July 30, 1927, the German-speaking manager, Ivan W. Keffer staged the opening of the first 25 and 50 Pfennig store in Bremen. Opening the standardized glass and steel-facaded "Red Fronts" as fast as it could find appropriate locations, Woolworth operated eighty-two stores by 1932, fourteen in Berlin alone.

Woolworth's plans for European expansion reverberated across the continent. In Germany, in particular, department store heads woke up to market segments they had previously ignored, namely the pauperized middle classes and the relatively prospering unionized work force. Well-informed about Woolworth's strategy and perhaps with American capital, Alfred Leonhard Tietz of the Cologne Tietz, sped the opening of the first 11 branches of

<sup>13</sup> Woolworth's *First 75 Years*, p. 40.

Ehape (or Aktiengesellschaft für Einheitspreise) in January 1926 and in 1927, another 20. In 1926, the Berliner Rudolf Karstadt launched his own new line of stores, also with financing from American banks. By 1932, when the Brüning government, shaken by Nazi-led shopkeeper protests, passed legislation to curb further chain store expansion, 15 variety chains were operating across Germany with four hundred local outlets.<sup>14</sup>

Counting Great Britain, the variety chain stores in Europe numbered around 12,000 by the late 1930s. Whereas in the U.S, they accounted for about 23 percent of retail turnover, in Britain, Germany, France, and Italy, they represented respectively only 7, 1.5, 1.3, and 3 percent. Nonetheless, the chain store reshaped local channels of distribution from the point of view of location, pricing, and clientele. Large-scale retailing had moved from the city centers to outlying urban neighbourhoods and to towns with populations under 100,000, giving a sense of the mobility, dynamism, and omnipresence of retailing capitalism. Now consumers themselves seemed to be in command of determining their purchases: they dealt with clearly marked prices, experienced a functional looking store décor which implied low overhead, and moved about more or less freely, unchecked by the unwanted attention of shop personnel who might question their means and taste. In smaller towns, the stores attracted a socially-mixed clientele, closing the gap between the purchasing habits of the bourgeoisie and lower middle and working classes. The variety store also closed the circuit between women workers and women consumers. Marks & Spencer advertised itself as the store that "introduces the girl who makes the stockings to the girls who wears them".<sup>15</sup>

Protests against the five and dime store interwove anti-Semitism with anti-Americanism. In Germany, Woolworth's management tried to deflect attacks by publicizing that 98 percent of its sourcing was local, its managers and 4000 employees were Germans, and it paid its suppliers in cash. Even so, the name sounded Jewish, and though high Nazis allowed that its management was not non-Aryan, Woolworth's was targeted by Nazi boycotts. Later in the decade, after other chain stores were Aryanized and the Nazi regime turned a more favorable eye to the stores in the interest of lower consumer prices, the only complaint the Woolworth chain had of the Third Reich was that exchange controls blocked it from re-exporting its very handsome profits and the war left 70 of its 81 stores destroyed or seriously

14 Uwe Spiekermann, *Rationalisierung, Leistungssteigerung und "Gesundung"*. *Der Handel in Deutschland zwischen den Weltkriegen*, in: Michael Haverkamp/Hans-Juergen Teuteberg (eds.), *Unterm Strich. Von der Winkelkrämerei zum E-Commerce*, Bramsche 2000, pp. 191-210; esp. pp. 200f.; more generally, see de Grazia, *Irresistible Empire*, chap. 3.

15 Cited in De Grazia, *Irresistible Empire*, p. 173.

damaged. With the war's end, as the distribution sector was rebuilt in Western Europe under the star of the American-led internationalization of trade, the company took off under Woolworth's German-trained management. With 44 outlets back in operation by the end of 1946, the company was still making solid profits in 1998 when it was sold to Electra Fleming, a London-based equity group the year after its long-ailing American parent went out of business.

At the turn-of-the-1960s, at the very moment that mass retailing was launched in Western Europe, the American "wheel of commerce" began to jiggle off its axle. After prospering from widespread affluence, largely as the result of industrial labor victories at the turn-of-the-1950s, Woolworth's profits suffered from the impoverishment of the urban northeast. This decline, not incidentally, reflected job flight as factories moved south to exploit non-union labor. Paradoxically, Woolworth's would be undercutting itself as it too began to source more heavily where labor costs were lower – in the American Sunbelt as well as in Japan and South Korea. So it was circa 1962-1963 that when scores of starry-eyed European entrepreneurs traveled to Dayton, Ohio to learn the tricks of modern retailing at National Cash Register's famous week-long courses, if they visited the downtown area, they would have glimpsed the end of the nation-state-based revolution in retailing. The word "rust belt" could have been coined for industrial Ohio, as Main Street was abandoned by "white flight" to the suburbs and the leading retailers, including the local Woolworth's, had closed down or re-located to new malls far distant from the old downtowns.<sup>16</sup>

Now it was Wal-Mart's turn. Benefiting from the same shifts in economic gravity whose wider background was the ebbing of the postwar boom, the Oklahoma-born businessman Sam Walton recognized that he catered to an important niche, namely rural customers poorly served by small-town merchants and entrenched national chains. Given his backwater location, he quickly grasped two principles: first, to build up his own supply and distribution system, and second, to build mobility and information into this process. The latter were provided by the airplanes that flew him around the country, as well as by fleets of trucks, cheap fuel, and state-built roads, and eventually, by the most advanced computerized and satellite information systems. Riding the New South's prosperity at the same time as sourcing widely to exploit the softening industrial market, Walton became renowned for his discount prices, building a near monopoly over towns of 5000 to 25,000 by the late 1970s.<sup>17</sup> From the 1980s he tackled the bigger population centers, experimenting with new kinds of retail outlets. His

16 De Grazia, *Irresistible Empire*, pp. 398ff., 415.

17 Vance/Scott, *Wal-Mart*.

signature undertaking was Sam's Club, a wholesale outlet for members. Another experiment was the hyper-market, a full-scale supermarket also offering general merchandise, pioneered by the French firm, Carrefour. The third was the deep discount outlet, associated with the German retailer Aldi, which had entered the U.S. market in the mid-1980s by buying out the genteel old Jewel Tea Company of Illinois.

Merchant capital abhors a vacuum, and the "Europeanization of American retailing" during the 1980s signaled that U.S. retailing had lost its edge, at least temporarily. Leading European retailers moved from their national moorings. Carrefour had established its first big supermarket in 1963 on a U.S. scale only to find its expansion on the French market constrained in the 1970s by stagflation and government regulation. As European operators became used to crossing borders within Western Europe, they became more and more adept at tackling environments elsewhere. Whether they moved upscale like Carrefour to offer "boutique-ization", or downscale like Aldi to deliver no-frills discounts, European retailers had by the turn-of-the-1990s become leading presences in Latin America and Asia as well as investing in the U.S.<sup>18</sup>

To compete with both old U.S. and new European contenders, Wal-Mart sharpened its profile on three scores. First, it presented itself as emphatically anti-union. True, this was to rein in costs. But the measure was also ideological; unions were the uncongenial, communication-inhibiting relics of a market-stultifying past whereas the team spirit combined of the folksy egalitarianism of the rural South, the ferociously competitive incentives and non-wage benefits familiar from middle-management hierarchies, and the chanting, foot-stomping pep rallies borrowed from Asian, especially Korean employers (who by the mid-1970s seemed to know how to spur labor productivity) represented the future in global labor relations. Employees had thereby been transmogrified into "associates". That Wal-Mart paid low wages was justified with the same arguments Woolworth's made before being forced to accept unions as an irreversible fact of modern labor relations, namely that retailing operated with narrow profit margins unlike capital intensive industries, and the pay scale, mainly designed for youth and women, was not intended as a family wage, but rather as a supplement to other family members' income.<sup>19</sup> That capital-intensive, high paying jobs were not around to push wages higher was not Wal-Mart's problem. In

18 Joanne Legomsky, *The Europeanization of American Retailing*, in: *Standard and Poor's Industry Surveys*, April 3, 1986 pp. R61-R65.

19 The best background is Simon Head, *The New Ruthless Economy. Work and Power in the Digital Age*, New York 2003; Liza Featherstone, *Selling Women Short. The Landmark Battle for Workers' Rights at Wal-Mart*, New York 2004; and Barbara Ehrenreich, *Nickled and Dimed. On (Not) Getting by in America*, New York 2001.

compensation, it operated on the demand-side by dropping prices and dampening inflation.

Wal-Mart's strong suit was its sourcing. By the outset of the 1990s, the path to Asia was well trodden: from the 1970s, Japanese and Korean manufacturers had supplied the U.S. market for electronic equipment. And by the late 1980s Sears, K-Mart, Target, and other leading retailers had established procurement networks in China while Wal-Mart was still blustering that its company policy was to "Buy American"; outsourcing was only a stick to beat American suppliers into cutting their costs. However, as it secured a more and more powerful position on the American market by show-casing one super-low priced item in each category, the company changed its policy to source wherever manufacturing was cheapest and its huge leverage could be used to best effect. In the post-Tiananmen era, after having hid behind its exclusive buying agent, the Pacific Resources Export Limited, it set up its global sourcing headquarters at Shenzhen, the tax-free boom town near Hong Kong. By 2005, not only had the separately organized subsidiary Wal-Mart China Co. Ltd become China's largest single exporter, it was redoubling its investment in its own local stores, going into second-tier towns in competition with Carrefour, still the foreign leader, and China's own very big retailers. And to demonstrate that its interests were truly global, in 2004, the company held its annual board meeting at Shenzhen, the first foreign company to do so. This remarkable gesture to globalism has in no way precluded playing to Chinese patriotism. Wal-Mart recently-mounted China Website touts that 95 percent of the merchandise sold in its forty or so local stores is Chinese-made, noting, "In the future, the company is expected to substantially increase the volume of buying local."<sup>20</sup>

Wal-Mart's greatest achievement, it would contend, rests on its towering technological superiority. That is hard to demonstrate as catch-up in retailing best practice now occurs practically instantaneously. It is fair to say that, like Woolworth's, it performed on the cutting edge. Its huge scale and scope combined to launch its own satellite communications system in 1987. And its capacity not simply to track inventory but also practically instantaneously to feed back consumer choices into the distribution system is currently unparalleled.<sup>21</sup> It would take another decade and a half for other global competitors to launch an equivalent system. That was in 2003-2004

20 Bronwyn Lance Chester, *Wal-Mart in China Exemplifies Unabashed Capitalism*, in: *Tallahassee Democrat*, January 19, 2004; Carl Goldstein, *Wal-Mart in China*, in: *The Nation*, December 8, 2003; idem, *Multinational Retail Giants Scrambling for Secondary Cities in China*, *China Economic Net*, January 28, 2005.

21 Misha Petrovic/Gary G. Hamilton, *Making Global Markets. Wal-Mart and Its Suppliers*, held at the Conference, University of California, Santa Barbara, *Wal-Mart. Template for 21<sup>st</sup> Century Capitalism?* April 12, 2004.

at the initiative of Carrefour, the world's second biggest retailer (though only one-quarter Wal-Mart's size) which, working with Oracle, world's largest business software producer, launched GlobalNetXchange in collaboration with Sears Roebuck and Co, Germany's Metro, and the British conglomerate J. Sainsbury. Its ambition was to build the largest web-based business-to-business marketplace for the retail industry, eventually to enable full automation of the purchasing process.<sup>22</sup>

All three characteristics – labor efficiencies, sourcing, and technology – have been cited to convince the American public that Wal-Mart offers “every day low price”. As well as a real monopoly in many areas, it has established a monopoly over its media image, giving an air of inevitability to the notion that there is no viable alternative to the trends its successes represent. Whereas Woolworth's spoke for the collective citizen-consumer, and its relatively limited range of offers set a standard for the appropriate necessities, Wal-Mart feeds a kind of consumer survivalism in the face of declining standards of national welfare. Its every dictum is phrased to have the reasonability of an economic law: “We source from the global market to offer our customers who live paycheck to paycheck the greatest value for their money on many essential products.”<sup>23</sup> Unlike Woolworth's which treated the consumer as the citizen-worker of a manufacturing nation, Wal-Mart treats the consumer as paradigmatic figure of rentier economy: one that consumes, but produces very little. In sum, whereas Woolworth contributed to establish the mid-century American standard of living, with its emphasis on national manufacture and standard sets of branded products, Wal-Mart reflects its erosion. On the rare occasion management speaks of exporting American-made products, it means farm staples as in (the) “Washington State apples (that) go to our Wal-Mart Mexico stores, Illinois peanuts to our stores in Japan and Korea; and fruit juices from California and New York to Wal-Mart Argentina.”<sup>24</sup>

Ultimately, Wal-Mart's global expansion is at least as much an Asian story as an American one. As the leading procurer of foreign exports from China, Wal-Mart has many cards to play, but it is also an outsider, and its technologies are in many respects outlandish in the face of really-existing local distribution systems, most depending on paper receipts and trust. On the one hand, Wal-Mart exerts pressure that passes through official as well as unofficial channels to prevent suppliers from passing China's high infla-

22 <http://www.carrefour.com/english/actualitiespop/28022000.htm>; [23032000.htm](http://www.carrefour.com/english/actualitiespop/23032000.htm).

23 Sam Hornblower, Is Wal-Mart good for America? Wal-Mart & China. A Joint Venture “Frontline,” <http://www.pbs.org/wgbh/pages/frontline/shows/walmart/secrets/wmchina.html>.

24 Ted P. Huffman, Wal-Mart in China. Challenges Facing a Foreign Retailer's Supply Chain, in: *The China Business Review* 5 (2003), p. 19.

tion into Wal-Mart's U.S. value chain. On the other hand, Wal-Mart has been pressured to recognize the All-China Federation of Trade Unions which flies in the face of company policy. The gains to Chinese business are immeasurable as suppliers gain access to Western markets without the huge expense of developing their own brands. Also much is to be learned from Wal-Mart's technologies, none of which are secret, as Wal-Mart itself recognizes, as it proposes to donate large sums to the Technical University at Beijing to teach Western retailing. The risk is that Chinese manufacturers will want to snatch for themselves some greater share of the value from Wal-Mart's supply chain, and will themselves want to establish their own brands or use their growing power to invest themselves in research and design to make new products. That prospect can't but unnerve Western big brand producers, which already on the defensive as they have to compete with Wal-Mart house brands made in China, contemplate new mergers to shore up their market position.<sup>25</sup>

Wal-Mart's expansion has also become a European story – as well as a Latin American and Canadian one. Its original strategy was to move from relatively poor rural toward relatively wealthy urban centers. Abroad, rural areas have generally been too impoverished to countenance the scale of Wal-Mart's, and the company has had to work through the centers, struggling against well-entrenched competitors, uncertain whether the conditions exist that made it so profitable in the U.S. Initially Wal-Mart avoided so-called Greenfield expansion, preferring joint ventures and takeovers. It became more comfortable in 1994 after acquiring the 122 outlets of Woolco, Canada, Woolworth's discount branch. Convinced by that experience that it could handle multi-lingualism and cultural complication, including refractory workers with union traditions, in December 1997 it acquired Germany's Wertkauf chain of 21 hypermarkets. In 1999 it bought the 229 stores belonging to the British ASDA Group. Though these purchases were to have started Wal-Mart's “European invasion”, the subsequent hiatus showed the huge corporation pausing to regroup in the face of the high costs, regulatory complexity, and consumer sensitivities attendant on doing business in the European Union.<sup>26</sup>

Today, however, having sounded out European Union authorities about what combinations would violate anti-monopoly laws and anticipating that European consumers too may be ready for “every day low price” – with all that goes with it – Wal-Mart is once more negotiating to enter Western Europe. In turn, European firms, Carrefour in the lead, have begun to reposition themselves. After merging with Promodès in 1999 and launching a

25 Laura Rich, Procter&Gamble Bulks UP, in: *New York Times*, January 30, 2005.

26 Selling Wal-Mart International, in: *Management Ventures, Inc.*, September, 1998, pp. 2–7.



new global satellite inventory system in 2004, Carrefour recently underwent a management shake up.<sup>27</sup>

However it occurs, critics of Wal-Mart's eventual presence on the European continent will be mindful of discussions that occurred in the mid-1990s as anti-globalist forces explored the impact of retail capitalism: American policy makers, it was argued, wanted the whole world to be ruled by "K-Mart states". Like the American discount chain store that had gone abroad (and then was bested by Wal-Mart) by exploiting non-union labor, delivering no-frills service, and supplying the trashiest stock consumers would settle for, the K-Mart State was a metaphor for government on the cheap, one that gave international capital easy access to local financial markets, stripped away the Keynesian cushions that protected against high unemployment rates, backed down powerful unions, and whittled away at social services.<sup>28</sup> The K-Mart state also stood for government with diminished sovereignty over national culture, one that enabled the local stock of local cultural goods to be undersold by the American "infotainment" conglomerates which were the cultural hallmarks of the new global economy. Signally, what was not contemplated only a decade ago was the immense power of the global retailing revolution to industrialize East Asia and not just flood Western manufacturing nations with their goods, but tap fresh well-springs of legitimacy for consuming them.

From this wide angle, we can contemplate Deutsche Woolworth GmbH & Co whose 340 outlets in Germany and Austria are a homey sight to local shoppers. Yet currently it procures 50 percent of supplies from the Far East, employing TradeStone Software of Gloucester, Massachusetts to coordinate sourcing and DHL to move the goods to Woolworth's main warehouse in the Westphalian town of Bönen. Practically nobody would disapprove of its overriding goal, which is, to quote Dr. Harald Gerking, Supply Chain Manager, to offer "its customers quality at low prices".<sup>29</sup>

From the angle of global commercial revolutions, using an approach that compares the reverberations from two breakaway firms, Woolworth's and Wal-Mart's, we are left with one plausible conclusion, many questions, and a pious hope. The conclusion is that nothing affirmed about or by Wal-Mart

27 Carrefour is well studied: In addition to its website <http://www.carrefour.com/> see Jean-Marc Villermet, *Naissance de l'hypermarché*, Paris 1991; also Sylvain Courage, *La vérité sur Carrefour, l'épicier planétaire aux 2 millions de clients par jour*, Paris 1991.

28 Daniel Drache, *From Keynes to K-Mart. Competitiveness in a Corporate Age*, in: Robert Boyer/ibid. (eds.), *States Against Markets*, London 1996, pp. 31-61.

29 DHL handles Asian imports for the trading company, Bonn, August 27, 2004, [http://www.dpwn.de/dpwn?check=yes&lang=de\\_EN&xmlFile=2000243](http://www.dpwn.de/dpwn?check=yes&lang=de_EN&xmlFile=2000243); Deutsche Woolworth Signs Global E-Sourcing. Order Management Agreement with TradeStone Software, January 17, 2005, <http://www.tradestonesoftware.com/newsrelease01172005.html>.

as it presently exists is an historical fact, not even that Wal-Mart is ineluctably anti-union, and least of all that consumers are naturally attracted to "every day low price". Seeing how Woolworth's changed hugely over a century, and Wal-Mart already over a half of one, there is no gainsaying future trends. What is clear nonetheless is that the history of neither can be confided to a master narrative. The layers of analysis are so complex – from corporate decision-making to consumer action – and the cultures involved so diverse, that to navigate them rafts of scholars have to embark on new seas and brave the same fearsome gales that buffeted Walter Benjamin's Angel of History.