

## On the Wal-Mart Money Trail

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With a combined fortune of more than \$90 billion, the Waltons--the immediate heirs of Wal-Mart founder Sam Walton--are the richest family in the world. Five of the country's ten richest individuals are members of Sam's immediate family: his wife, Helen, and their three surviving children--Rob, Jim and Alice--as well as his late son John's widow, Christy (John Walton died in June when his private plane crashed). Until recently, however, they gave away little of their fortune. As Sam Walton explained in his 1992 autobiography, *Made in America*, he didn't believe in giving "any undeserving stranger a free ride." Nor did he believe in being generous with company profits. "We feel very strongly," he wrote, "that Wal-Mart really is not, and should not be, in the charity business." Money that Wal-Mart donated to charity, he reasoned, would only come out of the pockets of "either our shareholders or our customers." (He didn't mention workers, perhaps a tacit acknowledgment that picking their pockets was just business as usual.) As for politics, Sam couldn't stand the stuff. At a 1988 Mother's Day "toast and roast" honoring Helen Walton, then-Senator Dale Bumpers of Arkansas quipped that waiting for big campaign contributions from the Waltons was like "leaving landing lights on for Amelia Earhart."

All that has changed. Since Sam died in 1992, both the Bentonville, Arkansas-based company and the family have dramatically escalated their charitable giving, becoming far more influential in the worlds of philanthropy and politics. It is hardly a coincidence that this transformation occurred after Wal-Mart became the nation's largest private employer and a flytrap for much-deserved criticism. The company is battling numerous employee rights lawsuits in court, the biggest of these being *Betty Dukes v. Wal-Mart Stores*, a sex-discrimination class action representing 1.6 million women. Communities around the nation, charging that the company is a stingy low-wage employer with an arrogant disregard for local and national laws, are battling to keep Wal-Mart from opening or expanding stores. Several labor unions have made fighting Wal-Mart a top priority. This year two major national organizations, Wal-Mart Watch and Wake Up Wal-Mart, formed to lead a citizens' movement to pressure the company to change its ways.

The National Committee for Responsive Philanthropy (NCRP), a watchdog group, released a report in September, *The Waltons and Wal-Mart: Self-Interested Philanthropy*, detailing the recent increase in Wal-Mart and Walton philanthropy and noting its likely relationship to the company's image problems. Indeed, the increase has been staggering. The Walton Family Foundation (WFF) gave away \$106.9 million in 2003--the most recent year for which data are available--twice as much as in 2000. Wal-Mart's company PAC, now the third-largest corporate PAC and the second-largest corporate donor to the GOP, gave away \$2.1 million in 2004, compared with just \$100,000 in 1994. The Walton family, too, has greatly increased its political giving; in 2004, for example, Alice donated \$2.6 million to the influential Republican PAC Progress for America, which supported the sleazy Swift Boat Veterans for Truth and gave Bush a critical push in the election's final months. Since 1999 the Wal-Mart Foundation (WMF)--a company-controlled entity with no direct connection to the WFF--has tripled its giving and by the end of this year will have doled out more than \$200 million in cash and merchandise, according

to spokeswoman Melissa O'Brien.

The company also donated \$20 million in cash and merchandise to the Hurricane Katrina relief effort, garnering extensive--and partially justified--praise. To antigovernment zealots like New York Times columnist John Tierney and the wing nuts running the Wall Street Journal editorial page, Wal-Mart's impressive response to the hurricane showed that the private sector is simply more effective than the government. It is true that when you starve government by draining its resources and electing officials who don't believe in it, nothing seems to work. But Wal-Mart played a major role in that eviscerating process. Much of Wal-Mart's philanthropy (as well as that of the Walton family) has been directed toward promoting anti-government politics, whether by lobbying against high taxes for the rich or contributing to Republican candidates, conservative think tanks and efforts to privatize education.

Jeff Krehely, who co-wrote the NCRP report, says that for his organization, such a sharp increase in giving, coupled with the company's obvious desire to spin itself as a better corporate citizen, "raises red flags. We wonder, What's the agenda here? What's happening?" The WMF's Melissa O'Brien told The Nation that criticisms of the company come from "special-interest groups" and do not influence its giving. She also told the New York Sun that the NCRP report was funded by Target, a charge Krehely calls "ludicrous." (Dayton Hudson, Target's former parent company, contributed to the NCRP in the 1990s. In 2000 the company reorganized as the Target Corporation and hasn't contributed to the watchdog group since.)

Each Walton heir has philanthropic projects of his or her own--Alice, for example, is building a world-class art museum in northwest Arkansas--but the family fortune should be considered as one because most of the money is managed together. The giving is also largely administered together, through the Walton Family Foundation, as well as through close communication among its family members. (At least twice a year, the family meets to talk about how to spend its money.) The Waltons own about 40 percent of Wal-Mart's stock, making Wal-Mart essentially a family business--highly unusual for a large multinational company. (Both the Wal-Mart Family Foundation and Walton Enterprises--the company that represents the Walton family's interests--declined to cooperate with this article, or to make any of the notoriously press-shy Waltons available for interviews.)

Philanthropy obscures the often unseemly process by which the money was made--and for Wal-Mart that's at least part of the point. Stephen Copley, a United Methodist Church pastor who serves on the board of the Arkansas Single Parents Scholarship Fund, a Springdale, Arkansas, charity that has benefited from Walton dollars, says that the program has "an incredible success rate. One lady even got a PhD. [The Walton money] does a tremendous amount of good." However, he adds, "it's great to help single parents go to school, but those same single parents might be working for Wal-Mart, and they can't afford health insurance." Copley, also head of the Arkansas Interfaith Committee for Worker Justice, is troubled that in his home state, Walton and Wal-Mart generosity "gets great media...they look so good even though in reality their business practices are very bad."

The Wal-Mart Foundation gives a staggering number of gifts, apparently in order to buy goodwill in as many communities as possible, rather than, as Krehely points out, "giving to

sustain organizations." The WMF's 2003 IRS 990 form is 2,239 pages long, far longer than that of the Ford Foundation, which has billions more in assets. That's because most WMF gifts are tiny: thousands or even hundreds of dollars to churches and Lions clubs and Boys and Girls clubs, \$500 to the YMCA of Nashville and Middle Tennessee and to the Tulip Trace (Indiana) Girl Scouts Council and so on. Communities where Wal-Mart faced a particular battle over opening a new store--Inglewood, California, or New York City--enjoyed especially generous largesse. Like the flowers and other tokens of courtship from a suitor who later becomes a wife-beater, such gifts are often followed by demands for public subsidies and tax breaks. In this way Wal-Mart is repeating the strategy that has served it so well in Arkansas, where Wal-Mart and the Waltons' charitable gifts are many and company critics are relatively few. Says Lindsay Brown, president of the Central Arkansas Labor Council, "It's a hell of a plan, and it works."

We are supposed to applaud philanthropy--the very word connotes altruism and "giving back"--but Walton and Wal-Mart giving serves as a reminder that philanthropy provides an alternative to taxation, a way for rich people and corporations to decide what to do with their extra money, as opposed to letting the rest of us decide through our elected governments. Since charitable donations are a tax write-off, as Krehely points out, "they are supposed to benefit the public good." He thinks it is reasonable to ask whether a family's--or a company's--philanthropy serves the common good, or at least enough good "to make up for the public revenue that we're losing."

Funny he should mention taxes: Wal-Mart and the Waltons have, after all, been notably reluctant to pay them. Not only has the company lobbied for tax breaks in communities all over the nation, the Waltons--the family that former Wal-Mart board member Hillary Clinton has called "the best America has to offer"--have campaigned vigorously against the estate tax. They have donated money to its opponents, Republicans like John Thune of South Dakota and David Vitter of Louisiana, and enlisted one of Washington's top lobbying firms, Patton Boggs--a leading anti-estate tax lobbyist--to represent their interests.

Chuck Collins of Responsible Wealth, a group of well-off people who strongly favor the estate tax, observes that the Waltons sometimes say the estate tax is not a priority for the family. "That may be true from their perspective," he says, "but it's a bit like an elephant saying it's really not interested in stepping on anthills. When you're America's wealthiest family, you are a philanthropic and lobbying heavyweight even on your minor interests." For instance, Senator Blanche Lincoln of Arkansas, one of a handful of Democrats who draw checks from the Waltons, supports estate-tax repeal (or crippling "reform"). "Senator Lincoln will wax eloquent about the small farmers of Arkansas," Collins says, "but what's really on her mind is Walton."

In addition to campaigning specifically against the estate tax, the Waltons also give money to groups that generally favor tax giveaways to the rich, like Americans for Tax Reform. And the Waltons have already reaped the benefits of tax policies enacted by the conservatives they helped put in office: This year Bush's dividend tax cut will save the family \$51 million, according to Lee Farris, an estate-tax expert with the Boston-based United for a Fair Economy.

The Waltons' philanthropy--and their hostility to paying their fair share of taxes--also needs to be viewed in the context of tax subsidies Wal-Mart has received for building new stores, which

Good Jobs First places at more than \$1 billion, an estimate that does not include the many other ways taxpayers subsidize Wal-Mart stores, for instance, through numerous forms of public assistance--Medicaid, Food Stamps, public housing--that often allow workers to subsist on Wal-Mart's low wages. A report by the House Education and Workforce Committee conservatively places the latter at \$420,750 per store; the Wal-Mart Foundation's per-store charitable giving is just 11 percent of that amount (\$47,222).

In addition to spending on Republican candidates, the Waltons have lavished funds on right-wing ideological institutions--organizations that serve the interest of wealthy individuals and lawless antiunion companies like Wal-Mart. From 1998 through 2003 the WFF contributed \$25,000 to the Heritage Foundation, \$15,000 to the Cato Institute, \$125,000 to the Hudson Institute, \$155,000 to the Goldwater Institute, \$70,000 to the National Right to Work Legal Defense Foundation, \$300,000 to the Mackinac Center for Public Policy, \$185,000 to the Pacific Research Institute for Public Policy and \$350,000 to the Evergreen Freedom Foundation.

Both the family and the company have made education a major funding priority. Many of the WFF's education gifts have a distinct ideological tilt, emphasizing a "free market" approach to education reform, a vision the late John Walton embraced with particular enthusiasm. The WFF funds advocacy groups promoting conservative school "reform"--otherwise known as privatization--like the Center for Education Reform and the Black Alliance for Educational Options, as well as the actual programs these groups champion: charter schools and voucher programs. (The BAEO did not return calls for this article.)

Among such projects, the Waltons tend to fund the most mind-numbing and cultish, giving in 2003 alone nearly \$3 million to Knowledge Is Power (KIPP) schools and millions more to other schools using the KIPP curriculum, which emphasizes regimented recitation rather than critical or creative thinking. Particularly widespread in low-income neighborhoods, such schools seem bent on disciplining and exhorting the poor rather than developing human potential (much like Wal-Mart as a workplace, with its relentless company cheers and dead-end jobs). Several years ago the principal of New York City's John A. Reisenbach Charter School, which uses the KIPP curriculum and received \$118,000 from the Waltons in 2003, told me proudly, as we watched fidgety second graders chant meaningless slogans, "We are getting them ready for business."

The WFF has become the single largest source of funding for the voucher and charter school movement. Walton funding allows some charter schools to spend more per pupil than "competing" public schools. The ironic result is that while these projects are supposed to demonstrate to the public the wonders of a marketized approach to education, the WFF's money gives its grantees an advantage over other schools, allowing them to perform better than they would otherwise. "[The Waltons] claim to support competition and the free market," says Paul Dunphy, a policy analyst for Citizens for Public Schools, a Boston-based coalition, "but actually they are manipulating the market, conferring advantage on their pet projects."

It's a fitting paradox, since the Wal-Mart economic model, like almost anything held up as an example of the beauty of the free market, contains so many contradictions (yes, it's extremely profitable, but look at all those tax subsidies). Because so much Walton and Wal-Mart philanthropy is crudely self-interested, it's tempting to find an equally crude motive for the

Walton family's interest in education; many Wal-Mart critics have assumed that the Waltons must be planning to reap several more fortunes through for-profit education companies. That's not completely baseless: John Walton was briefly involved in such a venture. However, he backed out, realizing such profiteering was hurting the credibility of his education reform efforts. And so far, for-profit education is still not a very profitable industry--especially when compared with retail.

The Waltons' motives for supporting the privatization of education seem--at this writing, anyway--to be ideological, even idealistic, rather than an elaborate backdrop to a new money-making scheme. Like many rich Americans who have helped to finance the far right's rise to power, they have embraced a worldview in which what's good for the wealthy is good for everyone else. And greater cultural acceptance of the unfettered market--through an increasing tolerance for privatization of all kinds--will certainly make the world safer for a family business that thrives on weak government and lack of regulation. But it's also likely that the Waltons, like most right-wingers, sincerely believe that their ideas have the potential to improve people's lives. Why wouldn't the Waltons genuinely believe in the free market? Look how well it has served them.

Helen Walton, now 85 and in poor health, is expected to donate almost all of her personal fortune--worth \$18 billion--to the WFF upon her death, which, as the NCRP points out, will make that entity the richest foundation in the world. This should disturb progressives, since so much Walton money goes to support conservative causes. Yet although the current direction and political leanings of Walton "philanthropy" are clear, the future is a mystery. As Krehely observes, nothing is known about the politics or interests of Sam Walton's grandchildren. This matters in a family foundation; this fall the Olin Foundation closed its doors, having spent down its endowment because the older generation did not trust the younger Olins to carry on the family's right-wing traditions. Since the Waltons don't say much about their future plans, or about their internal family politics, it's unclear what lies in store for this--currently--right-wing fortune.

"The Waltons could be an enormous force for good," says Responsible Wealth's Chuck Collins. "As the company's biggest shareholders, they could decide that Wal-Mart could pay a living wage. They could use their charitable dollars not to undermine public education but to boost educational opportunity. They could become major contributors to social good. But they're not."

One item in the Walton Family Foundation's most recent IRS filing shows how uninterested this family is in true social responsibility: a measly \$6,000 to something called the Wal-Mart Associates in Need Fund. Contrast that with the millions the family spends promoting right-wing causes, and it becomes painfully clear that the Waltons value conservative ideology far more than they value the human beings who have made them the richest family on earth. Told about these figures, Kathleen MacDonald, a Wal-Mart candy department clerk in Aiken, South Carolina, responded bluntly, "All I have to say about that is, it doesn't surprise me. Like Bush, they don't have a clue what working families go through." MacDonald would like to see The Simple Life do a show about working at Wal-Mart. "I could see Paris Hilton on a register at Christmastime, or stocking shelves," she says. Or perhaps Alice Walton as a greeter, on her feet all day, thanking us for shopping at Wal-Mart.

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