

The Horrible House of Walton

Lying, cheating and swindling their way to the top

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WITH A new documentary highlighting its corporate abuses and a series of scandals finally emerging in the mainstream media, the Wal-Mart retail empire is coming under the type of public scrutiny it avoided for decades under its founder Sam Walton. JOE ALLEN tells the story of the robber barons of the 21st century.

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THE LATEST embarrassment for the Wal-Mart empire was the leak of an internal memo outlining a plan to hold down health care costs. How? By dissuading "unhealthy people from coming to work at Wal-Mart."

If this smacks of the 19th century fad of the American rich known as "Social Darwinism" ("weeding out the unfit"), that's not surprising. There are other features present at Wal-Mart that seem to come straight from that century.

With the five senior members of the Walton family tied for fourth place in *Forbes* magazine's most recent list of the "400 Richest Americans" (one of the five, John Walton, died in a plane crash earlier this year), the Waltons are the richest family in the world, worth more than \$100 billion altogether. The Walton family is beginning to resemble the "robber barons" of the 19th century America--the ostentatiously wealthy and corrupt capitalists who dominated the U.S. economy.

The robber barons of the past were hated figures. The names of the "great families"--the Rockefellers, the Carnegies, the Mellons, the Morgans--became synonymous with cruelty and mean-spiritedness. Yet the Waltons have, so far, largely escaped public scrutiny or criticism for Wal-Mart's corporate practices.

HOW DID Sam Walton, the founder of the Wal-Mart empire and "father" of the modern retail industry, make his money? He did it the old-fashioned way: He married the daughter of a rich man, stole other people's ideas and paid his workers as little as possible.

Of course, this isn't how "Mr. Sam," which is what many of his workers called him, is portrayed in the company's literature. There is a virtual cult around Sam Walton. He is depicted as a "modest man" who drove a used pickup truck, loved his dog and had only the utmost respect for his employees, whom he called "associates."

Walton was good at playing "modest" despite the fact that he was the richest man in America when he died in 1992. But he achieved success by making sure that other people--especially the clerks, cleaners, truck drivers and other workers who make Wal-Mart run--didn't.

Walton admitted as much in his autobiography. "In the beginning, I was so chintzy I really didn't really pay my employees very well," he said. "We really didn't do much for the clerks except pay them an hourly wage." The "beginning" has lasted over four decades now.

Mr. Sam did everything he could to avoid paying even the minimum wage. The Labor Department investigated Walton for his illegal practice of using a "small business" exception to the minimum wage. When the Labor Department ruled against him, he sued in federal court to keep paying his workers below the minimum wage. Fortunately, he lost.

In the 1960s, the first attempts were made to organize Walton's workers--by the Retail Clerks Union, one of the forerunners of the present-day United Food and Commercial Workers union (UFCW). Connie Kreyling, a worker at the Mexico, Mo., Wal-Mart, was fired for trying to

organize a union, and fought for two years to get her job back.

Walton brought in a union-busting lawyer named John E. Tate, who got his anti-union start as a teenager, scabbing on a strike at a Reynolds Tobacco plant in North Carolina. Tate succeeded in halting the organizing efforts.

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WAL-MART TODAY is the largest private-sector employer not only in North America but the world. It employs 1.3 million people worldwide in more than 5,000 stores.

The incredible wealth generated by the Wal-Mart machine has produced an embarrassment of riches for the Walton children and grandchildren--which in recent years they have begun to flaunt more openly. What makes this all the more obscene is that most of the senior members of the Walton clan still reside in Arkansas--one of the poorest states in the country.

To take one example, earlier this year, Alice Walton, the daughter of Sam, bought a painting worth \$35 million--Asher Durant's *Kindered Spirits*. Wal-Mart Watch, a progressive watchdog group, calculates that this amount would cover the health care costs of more than 8,500 Wal-Mart workers throughout Arkansas.

Currently, more than 3,900 Wal-Mart workers in Arkansas receive some form of state aid--mostly Medicaid, the program that provides medical care to the poor and their children. The state government spends around \$16.2 million annually on the health care needs of Wal-Mart workers, according to an article in the *Arkansas Democrat-Gazette*.

Far from feeling any shame about this, Alice Walton didn't even want to pay the 6 percent state sales tax on her \$35 million painting. She and the Walton Foundation lobbied for the passage of a bill that exempts the foundation from paying Arkansas sales tax on the purchase or sale of artwork for the new Walton Art Center, due to open in the next couple years. The tax on the Durant painting would have put \$3 million into the state treasury--a small fraction of the state funds used to provide health care to Wal-Mart employees and their families.

This isn't the only special deal for the Wal-Mart empire. According to a study by the Washington, D.C.-based Good Jobs First, the company has looted more than \$1 billion in economic development subsidies from state and local governments across the country.

According to the National Committee for Responsive Philanthropy (NCRP), "Wal-Mart and the Walton family have only recently begun to translate their vast wealth into political power."

Since 2000, Wal-Mart has contributed over half a million dollars in "soft money" donations to the Republican Party and made significant contributions to the 2004 re-election campaigns of House Speaker Dennis Hastert (R-Ill.), ex-Majority Leader Tom DeLay (R-Texas), current Majority Leader Roy Blunt (R-Mo.) and President George W. Bush. Overall, in the 2004 races for House of Representatives, Wal-Mart donated more than \$1 million to House Republican candidates and \$200,000 to Senate Republican candidates.

In another, more insidious way, the Waltons are exercising political power through the Walton Family Foundation and the Wal-Mart Foundation.

One target of the Walton family's "philanthropic" efforts has been school privatization, through promoting vouchers and charter schools. "Some critics argue that it is the beginning of the 'Wal-Martization' of education, and a move to for-profit schooling, from which the family could potentially financially benefit," says the NCRP. "John Walton owned 240,000 shares of Tesseract Group Inc. (formerly known as Education Alternatives Inc.), which is a for-profit company that develops/manages charter and private school as well as public schools."

THE SUPER-rich in the United States has traditionally acted as this country's royalty, and the progeny of royalty--whether from the House of Windsor or Walton--tend to degenerate over time. They are afflicted by the particular diseases of the rich--laziness and intellectual sloth.

Thus, Elizabeth Paige Laurie, the granddaughter of Wal-Mart co-founder Bud Walton, Sam's brother, was forced to return her bachelor's degree from the University of Southern California after it was revealed that she paid her roommate to do her classwork for three years. Perhaps Laurie's "unhealthy" lifestyle will preclude her from working at the family business--under its new health care guidelines.

Webster's Dictionary defines robber baron as "an American capitalist of the latter part of the 19th century who became wealthy through exploitation (as of natural resources, governmental influence or low wage scales)...or through ethically questionable tactics." There couldn't be a better definition of the 21st century Walton family.

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