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Walmart's Contested Expansion in the Retail Business: Differential Accumulation, Institutional Restructuring and Social Resistance

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Abstract

This paper offers an analysis of Walmart's contested expansion in the retail business. It draws on, and develops, some aspects of the capital as power framework so as to provide the first quantitative explication of the company's power trajectory to date. After rapid growth in the first four decades of its existence, the power of Walmart appears to be flat-lining relative to dominant capital as a whole. The major problems for Walmart lie in the fact that its green-field growth is running into barriers, while its cost cutting measures seem to be approaching a floor. The paper contends that these problems are in part born out of resistance that Walmart is experiencing at multiple social scales. This resistance helps to explain why Walmart is nearing what appears to be an 'asymptote' – a distributional limit that the company might not be able to pass. Walmart's power trajectory may give us clues about the future limits on the power of dominant capital as a whole.

Key words: capital accumulation; corporate power; resistance; Walmart; capitalization; asymptotes.

Introduction

By some measures Walmart is the world's largest corporation. The retail giant has garnered more annual revenues than any other business for seven of the last ten years. And with 2.2 million employees, it has about as many people in uniform as the People's Liberation Army of China. Walmart's gargantuan size has made it the focus of much attention from journalists and scholars alike. In particular, the social effects of its model of Everyday Low Prices – in which very cheap products are sold in very high volumes - have been hotly debated. Economic geographers, labor historians, business analysts, neoclassical economists and sociologists have all weighed in on the discussions (c.f. Basker, 2007; Bianco, 2006; Gereffi & Christian, 2009; Jacques, Thomas, Foster, McCann & Tunno, 2003; Lichtenstein, 2006). While some have pointed to the savings that Walmart offers to cash-strapped consumers, others have sought to highlight the deleterious effects of Walmart's cost cutting strategies on its own employees, on local communities and on the workers that toil in sweatshop conditions for Walmart's suppliers.

Much of the research done on Walmart is very instructive for those who seek to make sense of the company. However, what all of the analyses appear to lack is a systematic quantitative means of actually gauging the changes in Walmart's power. And without a clear conception of Walmart's power trajectory, it is difficult to make sense of the wider significance of the insights that existing analyses offer. This paper seeks to make up for this deficiency by drawing on, and developing, aspects of the capital as power (CasP) framework propounded by Jonathan Nitzan and Shimshon Bichler. The CasP framework offers a method of analyzing relations of control and resistance as they redound across every social scale (Nitzan & Bichler, 2009). As Nitzan and Bichler argue, these disparate and heterogeneous power dynamics can be empirically investigated because their effects are encoded into the universal metric of capital.

The paper argues that Walmart's meteoric rise to the upper echelons of big business in the 1970s and 1980s was driven by a potent accumulation regimen of obsessive cost cutting and relentless green-field development. However, by the 1990s the company's accumulation engine appeared to be nearing the zenith of its effectiveness. Indeed, as Walmart's share of overall corporate profits got larger, resistance to further increases in its profit share intensified. This intensified resistance came from a whole gamut of groups, ranging from retail rivals, to labor unions to community activists. And partly as a result of the intensified resistance, Walmart's green-field expansion efforts appear to be running into barriers and its cost-cutting measures appear to be approaching a floor.

The argument is divided into four sections. The first section elaborates on the CasP approach and demonstrates how it can help the researcher chart the development of Walmart's power in the last four decades. The second section seeks to make sense of Walmart's golden age of rapid growth by offering some new quantitative measures of the company's pecuniary performance. In particular, I examine the development of Walmart's distinctive accumulation strategy and the wider social conditions within which the strategy became so successful. The third section examines the slowdown in Walmart's accumulation of power in the 1990s and 2000s. It suggests that this slowdown can in part be understood in relation to the mounting resistance that Walmart has encountered both directly and indirectly. The concluding section proposes widening the vista of inquiry, by considering the internationalization of Walmart's retail operations. It suggests that despite this internationalization, Walmart's accumulation of power appears to be approaching a quantitative limit that the company may not be able to pass.

Capital as Power

Building in part on Thorstein Veblen's theory of business sabotage, Nitzan and Bichler argue that all profits stem from the institution of private ownership as it confers upon owners the power to exclude others from using their assets. Without private ownership there could be no restriction on the use of goods; and without restriction on the use of goods, goods could not be priced into commodities that yield pecuniary earnings. But exclusion within capitalism goes way beyond matters of pricing power. It entails the wholesale delimitation of the manifold possibilities of human creativity and social development down avenues propitious for profit growth. The foundational exclusionism of private ownership is evidenced in the etymological roots of the word private: 'privatus' and 'privare' – Latin for 'restrict' and 'deprive' (Nitzan & Bichler, 2009).

The CasP framework suggests that capital is the central institution of exclusion in contemporary society. Unlike modalities of exclusion that were widespread in the past, such as feudal relations of custom and fealty; and unlike other forms of exclusion that persist today, such as sexism and racism, capital endows exclusion with a quantitative syntax. This syntax is capitalization: the formula through which risk-adjusted expected future earnings are discounted to their present value. Nitzan's and Bichler's theoretical innovation lies in recasting the discounting formula from the perspective of what they call dominant capital: the major firms and government entities at the core of accumulation. Capitalization is all encompassing. Any power process that bears on the expected future earnings of any given asset is factored into the capitalization formula. And since dominant

capital actively seeks to re-shape power processes in a manner that augments future income and reduces risk, market value is itself the master signifier of business power. This insight has far-reaching implications. Instead of being a mere tool that enables owners to re-actively measure the value of their ownership claims, capitalization is the inter-subjective means through which dominant capital communicates its capacity to actively restructure society (Nitzan & Bichler, 2009).

However, the CasP approach is not just influenced by Veblen's analysis of business, but also by the philosophical worldview of Friedrich Hegel. As Hegel argues, reality is constituted by negation. Just as exclusion is predicated on the threat of its transgression, power presupposes resistance. Following on from this, the CasP framework suggests that corporate agency does not exist in a vacuum, but rather in a force-field of social struggle. As such, in the final analysis, capitalized power represents "*confidence in obedience*" (Nitzan & Bichler, 2009, 17). It is the quantitative analogue that tells the researcher how certain dominant capital is of the underlying population acquiescing to its pecuniary advancement.

This insight has profound implications on how we view the space within which business operates. Instead of following neo-classical economists in taking power to be a distortion external to the market, the CasP framework suggests that power is actually commodified by the market via capitalization. Accordingly, the researcher should consider every social process where the dynamics of restructuring and resistance bear on the pecuniary earnings of business. These dynamics encompass, but are by no means limited to, 'the sphere of production' privileged in Marxist political economy. Nitzan and Bichler draw on the concept of the hologram to explain this new way of seeing capitalist order: power emanates from each and every part of the whole; and the overall power shifts within the whole reflect back on each and every part (Nitzan & Bichler, 2009).

In the CasP approach, then, capitalism is considered to be neither a mode of production nor a mode of consumption, but instead a mode of power. And as power is inherently relational and inter-subjective, Nitzan and Bichler argue that firms' pecuniary operations should be understood in relative rather than absolute terms. This relativity has both quantitative and qualitative dimensions. On the quantitative side, it is indicated by the fact that corporations do not seek to reach a conceptually indeterminate 'profit maximum'. Instead they benchmark their own performance in relation to an average. And on the qualitative side, the relativity is manifest in the fact that different groups of corporations constantly seek to transform myriad institutions of social order, against opposition, so as to augment their power over and above other business groups (Nitzan & Bichler, 2009).

Through charting the long-running historical correlation between earnings per share and stock price in the S&P 500 dataset, Nitzan and Bichler show that current earnings are used by investors as the central guide for discounting expected future profits to their present value (2009, p. 186). Thus, profit growth is the main long term driver of capitalization growth. But what propels profit growth? Observing that a firm's earnings can be calculated as the product of the number of its employees and its average earnings per employee, Nitzan and Bichler argue that companies can augment their profit in two main ways: i) by increasing their employee numbers; or ii) by increasing their profit per employee.¹ Moreover, there are a variety of ways in which firms can attain more employees and more profit per employee (2009, pp. 328-31). Nitzan's and Bichler's schema is graphically summarized in Figure 1.

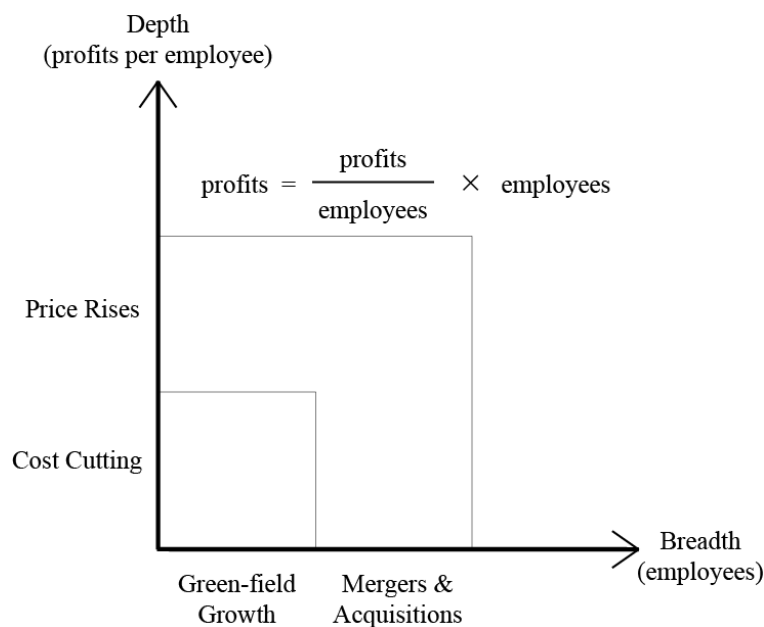


Figure 1: The Axes of Pecuniary Expansion

The breadth axis of pecuniary growth refers to the firm's overall employee numbers. This measure can be used as a proxy of the *extensiveness* of the firm's power. Early on in the development of firms, breadth expansion usually takes the form of green-field development. However, as firms become larger in size they are increasingly able to raise capital to buy up other firms through merger and acquisition (M&A). The depth axis refers to the firm's profits per employee. This measure can be used as an indicator of the *intensiveness* at which the firm projects its power onto its own employees,

and onto individuals and organizations outside of its immediate operational scope. Increased depth can be achieved through cutting costs, via operational efficiency gains and lower input expenses; or through price rises. As with mergers and acquisitions, price rises are characteristic of larger firms' operations. This is because firms usually have to be of a significant size in order to engage in successful collusion. But as Nitzan and Bichler argue, the same does not apply to cost cutting. Rather than just being the preserve of dominant capital, cost cutting is a ubiquitous business practice. New and improved production techniques easily spread from one firm to another; moreover reductions in input costs are usually not restricted for the benefit of one firm. As such, Nitzan and Bichler contend that in the long-run, cost cutting enables corporations to merely "meet the average, not beat it." (2009, p. 363).

According to the CasP framework, the differential accumulation of dominant capital as a whole is achieved primarily through countercyclical waves of price rises and mergers and acquisitions. However, as Nitzan and Bichler argue, the patterns of dominant capital may not be representative of how individual firms have augmented their own pecuniary earnings. This insight is certainly true in relation to Walmart. In terms of depth, downward 'price leadership' rather than upward price collusion has defined its business model of lean retailing. It is thus primarily through cost cutting that Walmart has sought to increase its profits per employee. In terms of breadth, for much of its history, green-field investment has been Walmart's preponderant means of increasing its organizational scale. And rather than operating counter-cyclically as with the breadth and depth waves of dominant capital as a whole, Walmart's cost cutting and green-field investment have proceeded in a coeval and symbiotic manner. This symbiosis can be seen in the 'virtuous cycle' of profit growth in which high sales volume finances low-margin pricing and low-margin pricing drives high sales volume.

With some key aspects of CasP's theory of accumulation sketched, we can now begin to trace the power trajectory of Walmart. Figure 2 offers the starting point of the empirical analysis. In what may be the first quantitative explication of Walmart's power trajectory to date, the chart depicts the firm's differential capitalization and differential profit as set against the average corporation within dominant capital, both plotted against a logarithmic scale. The proxy used for dominant capital is the Compustat 500 – the 500 largest firms by market capitalization listed in the US.

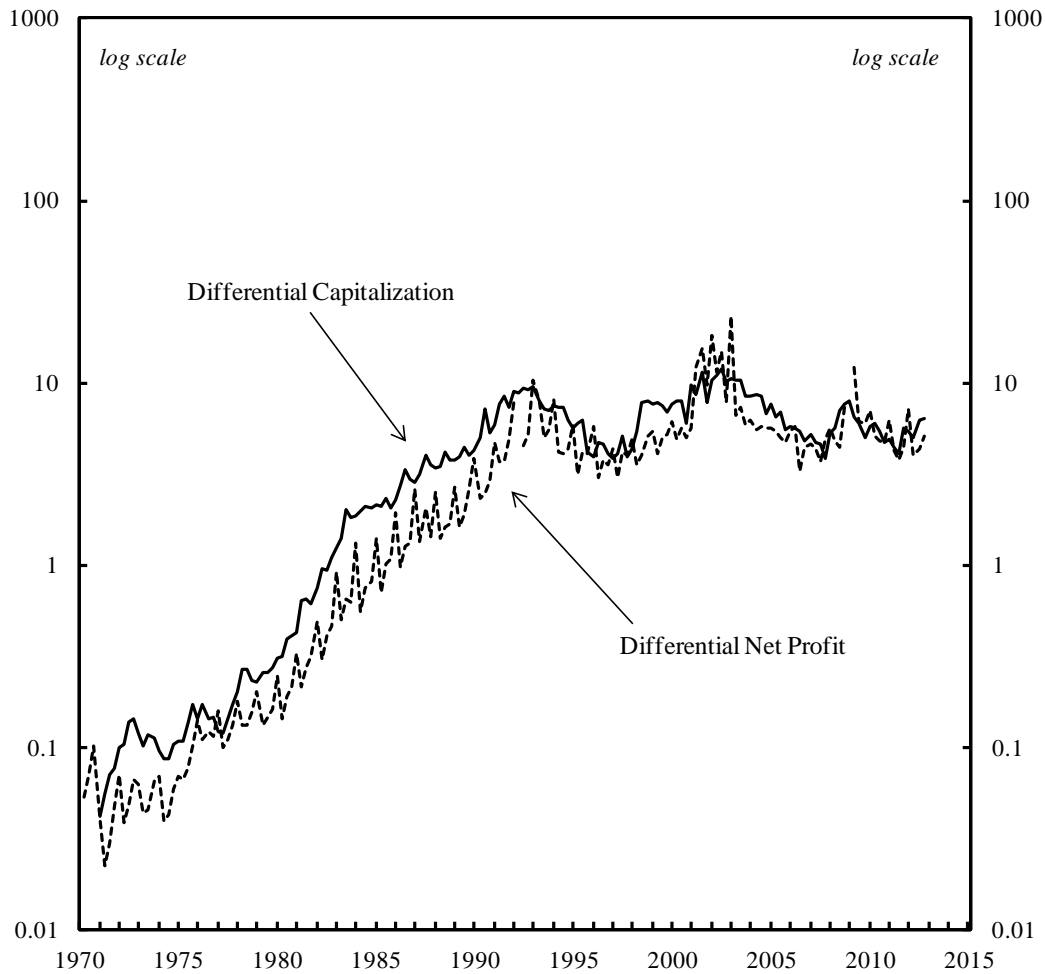


Figure 2: The Differential Capitalization and Differential Net Profit of Walmart

Note: Differential capitalization is the ratio of Walmart's market value to the market value of the average corporation in the Compustat 500. Differential net profit is the ratio of Walmart's net income to the net income of the average corporation in the Compustat 500. The Compustat 500 is the top 500 firms by market value listed in the United States.

Source: Walmart and Compustat 500 net income and market capitalization data from Compustat through WRDS. Series codes: NIQ; PRCQ and CSHOQ.

Three major observations can be made from the chart. Firstly, the growth in differential capitalization and differential profit of Walmart are very tightly correlated. This strong correlation underlines the importance of understanding current earnings as driving the long-term increases in the capitalization of the company. Secondly, the figure clearly shows that the period spanning from the late 1970s to the early 1990s represents a true golden age for Walmart. Indeed, in 1975, the market capitalization of Walmart is just one-tenth of the average firm in dominant capital, but in less than two decades the relative capitalization increases almost one hundredfold, so that by 1993

Walmart's capitalization is over nine times larger than the average dominant capitalist firm. Thirdly, from the early 1990s onwards Walmart's capitalization appears to oscillate below a differential ceiling, reaching a peak in 2003 and then trending downward slightly for all but three of the following ten years.

These insights into Walmart's differential pecuniary trajectory recall Nitzan's and Bichler's recent analysis of the possible limits on the pecuniary growth of dominant capital as a whole. In this analysis, Nitzan and Bichler suggest that dominant capital may be reaching an 'asymptote' – a distributional limit that it cannot surpass. This focus on pecuniary limits is grounded in their understanding of capital accumulation as a power process of relative gain. From Nitzan's and Bichler's view, after a certain point, the greater the share of profits that dominant capital wants to secure, the more resistance it will encounter. The more resistance dominant capital encounters, the more force dominant capital will have to project on society. And the more force dominant capital projects on the rest of society, the greater the potential for severe dislocation and concomitant backlash (Nitzan & Bichler, 2012).

To the extent that a corporation as vast as Walmart can be referred to as a microcosm, it is perhaps a microcosm of this process. As stated in the introduction, the retail giant has recorded the highest revenues out of any firm in the world for seven of the last ten years. Walmart is thus positioned at the apex of dominant capital. And, according to the data presented in Figure 2, if there is an asymptote for the company's pecuniary growth, it seems to be around a differential capitalization ratio of 10, or 2% of the market value of the Compustat 500 as a whole. In what remains, I explore the thesis that Walmart is nearing some differential pecuniary limit. More specifically, I show how cost cutting and green-field growth propelled Walmart's rapid expansion in the 1970s and 1980s. I then show how the symbiosis between cost cutting and green-field investment became less and less effective as Walmart got larger in size and as resistance mounted. If Walmart is to expand its power further it will have to increasingly obey the logic of dominant capital: by engaging in price rises or mergers and acquisitions (M&A). The strategy of enforcing price increases as a means of spurring growth is alien to the company's model of lean retaining; so instead it has pursued the strategy of buying up and expanding retail operations abroad. However, at least for the foreseeable future, it is unlikely that these efforts at foreign retail colonization will yield the increases in differential pecuniary returns that Walmart experienced during its initial ascent into dominant capital.

Walmart's Golden Age of Accumulation: 1960s to the mid-1990s

i) The evolution of Walmart's model of lean retailing

Walmart's model of lean retailing took shape in its early development during the 1960s in Bentonville, in North West Arkansas. At this time agricultural production was getting increasingly mechanized and this caused the displacement of tens of thousands of workers from the region's farmland. Walmart was thus able to draw upon surfeits of cheap, mostly female, labor. And the company wanted to keep things this way. Unlike other retail giants, such as Sears, that accommodated unionization in the post-war era, Walmart took a zero-tolerance approach to organized labor. It viewed unions as an intrusion upon managerial authority and an impediment to the firm's hallmark cost cutting strategy (Lichtenstein, 2006).

Walmart's aversion to unions was manifest in the geography of the company's early expansion. For the first two decades of its existence, Walmart built almost all of its stores in small towns in the Southeast and Midwest where organized labor has historically been weak. It largely avoided the 'archipelago' of union strongholds stretching from the District of Columbia to the metropolitan areas of New York, Boston, Minneapolis, Seattle and San Diego (Lichtenstein, 2009). The company's focus on rural America also stemmed from two other considerations. Firstly, land-use regulations were relatively loose in the Midwestern and Southwestern states. Secondly, Walmart's rivals tended to rule out non-urban communities as being too insignificant to bother with. Walmart's top managers were not beholden to the received wisdom and saw the vast swathe of near virgin retail territory in rural America as the potential outlet for irresistible growth (Graves, 2006; Holmes, 2011).

However, Walmart's rural green-field growth strategy was not without its challenges. Most notably, by opening its stores in remote parts of the US, Walmart had difficulty securing dependable and low-cost deliveries from its suppliers (Graves, 2006). Given this problem, Walmart chose to develop its own distribution system and soon became renowned for being a true pioneer in 'logistics' – a field of knowledge which had hitherto been associated with the art of war-making. Walmart did away with whole regiments of supply chain middlemen and unleashed a barrage of penalties on suppliers that did not deliver to the last letter on their contracts. Moreover, in the 1970s Walmart began replacing traditional warehouses with distribution centers (DCs). Through facilitating cross-docking - a process through which merchandise was transferred directly from incoming rail cars and trucks directly to outgoing trucks - these DCs reduced the time that Walmart held inventory from a matter of months to a matter of hours (Lichtenstein, 2009). The savings from this process were considerable. By the end of the 1980s, Walmart's distribution costs were only 1.35% of sales, while

the corresponding figure for rival companies Kmart and Sears was 3.5% and 5% respectively (Vance & Scott, 1994, p. 92).

Moreover, these DCs constituted the basis for the company's hugely effective 'hub and spoke' strategy of extending its retail imperium. This strategy entailed setting up a DC in one location and then constructing 75 to 100 stores within one day's drive away from the DC. Once the catchment area was filled with stores, Walmart would open up a new DC in an adjacent region. There were two major advantages of this method of expansion. Firstly, it increased name-recognition for Walmart within the areas in which it operated and thus lessened advertising costs. And secondly, it discouraged the market entry of retail rivals that belatedly recognized the commercial potential of small-town retail markets (Roberts & Berg, 2012). By the end of the 1980s the company became the third largest retailer in the US, even though it operated in only half of the American states (Vance & Scott, 1994). Thus, Walmart's method of internalizing distribution functions into its own pecuniary ambit proved to be a very effective way of forestalling the mimetic effects of cost cutting on the one hand, and of accelerating its green-field growth on the other.

Walmart was also one of the first discount firms to adopt Universal Product Code, or UPC, scanning. This barcode scanning technology obviated the need for retail clerks to engage in the cumbersome practice of keying in inventory data by hand and it thus enabled Walmart to expedite consumer traffic at its checkouts. Moreover, by offering such an efficient way of capturing purchasing patterns, the technology also helped curtail the informational advantage that manufacturers had in regard to consumer behavior. Walmart sought to increase its data-gathering capacities further by launching the world's largest private, integrated satellite network in the mid-1980s. Walmart's very own geostationary satellite, positioned some 34km above the world's surface, transmitted all of the barcode data scanned at store checkouts to company headquarters in Bentonville. These data were then processed almost instantaneously, thus allowing Walmart to speed up the reordering of store merchandise. The satellite also beamed live pep talks given by company founder, Sam Walton, to hundreds of thousands of his employees at a time, via the company's television network (Lichtenstein, 2009). And in 1990, Walmart sought to build upon its existing barcode and satellite technologies, through the introduction of Retail Link. This addition to Walmart's repertoire of logistical technologies enabled the company to develop a 'just in time' supply system as it facilitated the communication of real-time sales and in-stock data to its suppliers. As Sam Walton once reflected, "people think we got big by putting big stores in small towns. Really we got big by replacing inventory with information" (cited in Berg & Roberts, 2012). The truth was

that Walmart got big because of both factors. Walmart's rapid spatial expansion and its logistical supremacy were mutually reinforcing (Bonacich & Hardie, 2006).

Due to this mutually reinforcing dynamic between Walmart's rapid spatial expansion and its logistical supremacy, Walmart was almost becoming a state within a state. It even had its own nomenclature. The company's precariously employed workers were christened 'associates'; its human resources department was termed 'the People Division'; its founding founder was known by the sentimental moniker 'Mr. Sam' and his multimillionaire directors were named, in true Orwellian fashion, 'Servant Leaders'. In one bizarre instance of megalomania, Walton broadcast a video of himself to his employees enjoining them to raise their hands and to repeat the following pledge:

"From this day forward, I solemnly promise and declare that for every customer that comes within ten feet of me, I will smile, look them in the eye, and greet them, so help me Sam" (cited in Vance & Scott, 1994, p. 107).

Walton even invented a rallying cry for the firm – 'the Wal-Mart Cheer' – that its retail clerks and shelf stackers are still expected to sing with gusto at the beginning of every morning shift (Lichtenstein, 2009). As such, the late 'Mr. Sam' clearly had no qualms about imbuing the firm with a cultish philosophy. Yet despite the eerie and totalitarian air of Walmart's expanding techno-cultural complex, there is no denying that the company's logistical vanguardism helped drive its growth in the 1970s and 1980s.

ii) Transformations in the Social Hologram of Power

However, it would be wrong to attribute Walmart's early pecuniary success solely to the corporation's own agency. As the CasP framework suggests, we need to relate our findings back to the social hologram: the general force-field of power within which corporations operate. The development of Walmart's model of lean retailing both contributed to changes in the hologram of power and was reinforced by them.

For one thing, the decline of organized labor in the US from the 1970s onwards was highly propitious for Walmart's expansion. Indeed, although Walmart avoided a head-on clash with unions partly because of its rural location strategy, the company also benefited from the fact that the morale of union organizers within the retail sector was sapped by a series of defeats suffered by the American labor movement as a whole. Chief among these defeats was the failed passage of the

Labor Law Reform Act in 1978 and Reagan's hugely symbolic quashing of the Professional Air Traffic Controllers Organization strike in 1981 (Lichtenstein, 2009). Against this backdrop of union retrenchment, Walmart was enjoying relative pliancy from its workers.

Additionally, there was a significant shift in the balance of power away from the manufacturing sector toward the retail sector in the US. For much of the twentieth century, manufacturers used a legal device known as resale price maintenance (RPM) to set a minimum price at which their goods were sold. When Walmart was founded, RPM was already in decline and once the Consumer Goods Pricing Act was passed in 1975, RPM was completely outlawed. With pricing power shifting away from manufacturers, Walmart was able to pursue deep discounting much more rigorously than before. But the dissolution of RPM did not just contribute to a power shift between the manufacturing sector and the retail sector; it also catalyzed a power shift within the retail business itself. Indeed, the Consumer Goods Pricing Act gave Walmart and other large retailers an advantage over smaller, service-oriented retail stores that specialized in offering quality point-of-sale information on the goods that they sold. With minimum resale values officially withdrawn, price became paramount and large discount chains, like Walmart, began to flourish at the expense of local, family-owned retail proprietorships (Boyd, 1997).

The declining role that the manufacturing sector has played in the generation of income in the US coincided with the increasing significance of service industries. This shift has been accompanied by a profound transformation in American society: the feminization of labor. On the one hand, this transformation is reflected in the massive influx of women into paid work: with employment rates of adult females shooting up from 48% in 1973 to over 67% in 1997 (Freeman, 2000, p. 5). On the other hand, the transformation is constitutive of the degradation of wage labor along lines associated with the subordinate gender roles of women. Indeed, the burgeoning service sector has opened up a new segment of the labor market characterized by more casualized, more 'flexible' and less secure work. Women in general, and racialized women in particular, became disproportionately represented in these new jobs. Walmart capitalized on this process, and at the same time reinforced it, by filling its lowest labor ranks with predominantly female workers, while keeping its managerial staff overwhelmingly male. In fact, from the company's foundation, around 70% of its low-ranking employees have been female. Yet even to this day women receive far less pay for the same work that their male counterparts carry out, and they only receive around one-third of all promotions to managerial positions (Seligman, 2006, p. 237). In true holographic fashion, oppressive social relationships outside of Walmart stores have been reproduced and reaffirmed within them.

Moreover, the decline of manufacturing in the US occurred alongside the emergence of global manufacturing centers abroad. Of particular importance to Walmart's expansion was the emergence of the 'East Asian tigers': South Korea, Singapore, Hong Kong and Taiwan. In the 1960s and 1970s, the governments of all these countries embarked on a mixture of export-based growth, state-led proletarianization and brutal repression of organized labor (Koo 1990; Sen & Koo, 1993). Walmart, like other major retailers in the US, took note, and by 1976 it started buying merchandise directly from East Asia. Similar to Walmart's retail operations in the US, patriarchy and pecuniary gain dovetail in the disciplinary control of workers in this part of its supply chain. Indeed, as in the US, historic legacies of female oppression and domestication in many parts of East Asia has encouraged the perception amongst business that women are less likely to agitate in the workplace and demand higher wages (Elson & Pearson, 1981; Standing, 1989). Partly as a result, an estimated 90% of sweatshop workers that make garments supplied to retailers such as Walmart are women. 'The Orient', as Sam Walton called it, and its abundance of female labor, became integral to Walmart's cost cutting regimen (Walton & Huey, 1993).

The company's initial success in marrying its in-house logistical innovations with supplier discipline and wage repression is registered in various differential cost cutting measures as shown in Figure 3. The main chart depicts two cost cutting indicators: selling and general administration (SGA) expenses per employee and costs of goods sold (COGS) per employee. The first measure calibrates the efficiency of Walmart's *internal* operations and thus can be seen as a rough proxy of the company's control over its workers. The second measure gages the extent to which Walmart is able to project power up its supply chain so as to minimize its *external* costs. The data are weighted relative to the corresponding SGA and COGS expenses per employee of the average firm within the Compustat 500. The lower the cost cutting measure, the more intensively Walmart is projecting its power onto its own employees and onto its suppliers, relative to dominant capital as a whole. Thus, in measuring Walmart's cost cutting performance in this manner we can build a richer understanding of the differential profit and differential capitalization data presented in the previous section.

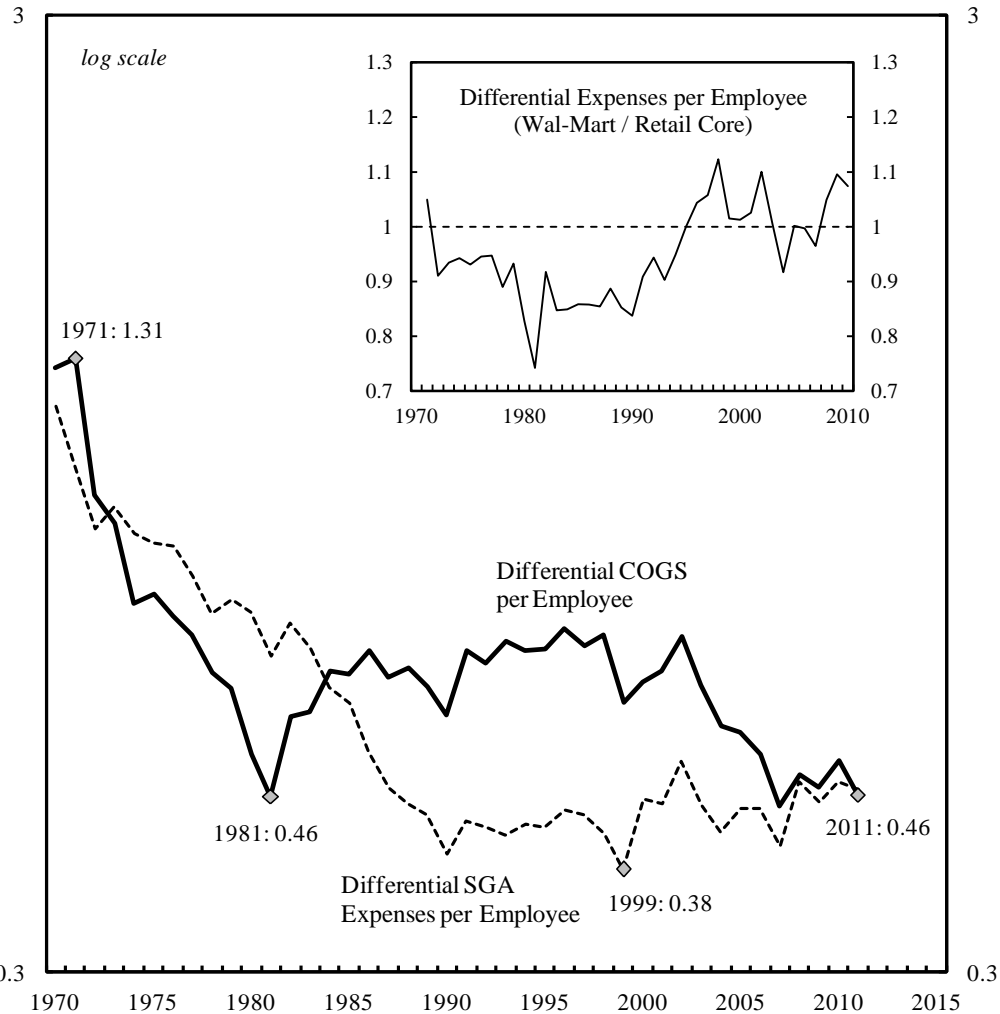


Figure 3: The Differential Cost Cutting of Walmart

Note: In the main chart, Walmart's COGS and SGA expenses per employee are weighted relative to the corresponding SGA and COGS expenses per employee of the average firm within the Compustat 500 to yield differential measures. The right-hand axis is, like the left-hand axis, scaled logarithmically. The differential expenses measure plotted in the insert is presented as a ratio of Walmart's combined COGS and SGA expenses per employee to the Retail-Core's combined COGS and SGA expenses per employee. The Retail-Core proxy is made up of the top 20 firms by market value listed under SIC codes 53 (General Merchandise Stores) and 54 (Food Stores) less Walmart. For details of Compustat 500 see note to Figure 1.

Source: Walmart, Retail-Core and Compustat 500 cost of goods sold, selling and general administration expenses and employee data from Compustat through WRDS. Series codes: COGS, XSGA and EMP.

The figure clearly shows Walmart dramatically reduced its differential COGS per employee in the 1970s. The drop in Walmart's differential SGA expenses per employee was even longer in duration and deeper in intensity, falling in the 1980s when Walmart's differential COGS had reached a

plateau. Another observation one can make from Figure 3 relates to the insert positioned at the top right hand corner of the main chart. The insert combines Walmart's per employee COGS and SGA expenses and divides this number by the equivalent expenses per employee of the average firm in the Retail-Core: the top twenty largest supermarket and general merchandise firms listed in the US, less Walmart. As we can see, Walmart's expenses differential was falling until the early 1980s and remained lower than the average Retail-Core firm until the mid-1990s. Thus, the trends testify to the early success of Walmart's logistical innovations and its disciplinary control over its workforce and suppliers. The company's sales motif of everyday low prices was undergirded by a ruthless regimen of everyday low costs (Roberts & Berg, 2012).

The mid-1990s onward: Walmart's Differential Accumulation Model Runs into Limits

i) Differential cost cutting approaches a floor

However, Walmart's differential cost cutting regimen became less effective through time. Turning back to the main chart of Figure 3, the diminished effectiveness of Walmart's cost cutting strategies is indicated by the bottoming out of Walmart's differential SGA per employee ratio and the flat-lining of Walmart's differential COGs per employee ratio in the 1990s. It is also evidenced by the sudden increase in Walmart's expenses relative to the Retail-Core in the 1990s as presented in the insert of the figure.

What explains these trends? As before, one has to look at multiple social scales of restructuring and resistance to make sense of Walmart's cost cutting trajectory. Three factors appear to be of particular concern: Walmart's declining relative logistical advance; the resistance showed by workers employed directly by Walmart; and the international transformation in Walmart's supply base. While the first factor may tell us a lot about Walmart's increasing overall expenses relative to its retail rivals, the second factor perhaps illuminates the course taken by Walmart's differential SGA expenses per employee; and the last factor enriches our understanding of the trajectory of the company's differential COGS per employee.

In regard to Walmart's declining relative logistical advance, the company is perhaps encountering the limits of the possible in terms of its technological innovation. Indeed, Walmart has for a long time held the second largest data warehousing system in the world after the Pentagon and by the early 2000s this system had more storage capacity than all of the fixed pages on the internet at that time (Roberts & Berg, 2012). This technology has empowered Walmart to gain crucial insights into

the intricate shifts in the topography of consumer desire and to get its supply chains to respond accordingly. To take one example, when in 2004 Walmart found out that Hurricane Ivan was heading for the Florida panhandle, Walmart's complex data-mining algorithms predicted that customers, upon hearing news of the impending storm, would be clamoring for Kellogg's Strawberry Pop Tarts. Walmart put its distribution systems on alert and stepped up the delivery of the product to its stores in Florida; and true to Walmart's prediction, sales of the strawberry flavored pastries sky-rocketed (Patel, 2007). Yet here lies the problem: having attained this level of logistical sophistication, it is hard to imagine how the company can develop even more advanced means of predicting, and responding to, short-term consumption trends. Diminishing returns from successive logistical breakthroughs appear likely.

Moreover, other major retailers have managed to replicate some of Walmart's innovations in supply chain management. This pattern of emulation can be seen in the fact that many major retailers have developed their own versions of Retail Link. Moreover, since the mid-2000s, Walmart has begun to abandon its traditional strategy of developing its logistical capabilities 'in house' and it has moved increasingly towards using third party data-gathering systems such as Terradata and Oracle Business Intelligence. Given this change in policy, it is likely that Walmart is now following technological trends rather than setting them. A senior insider of the company confirmed this view of Walmart's technological capacity: "[w]e obviously used to be the leader, but everyone else has caught up" (cited in Roberts & Berg, 2012). This process of catch-up is clearly shown in the insert of Figure 3. For all but three of the last fifteen years, Walmart's differential expenses per employee have been higher than the average in the Retail-Core. Thus, at least in the case of Walmart, Nitzan and Bichler appear entirely correct in their claim that in the long-run, cost cutting merely enables corporations to keep up with the average, rather than supersede it.

In regard to labor relations, Walmart's differential cost cutting regimen has been complicated by an ever more restive workforce. This restiveness is manifest in the huge desertion rates within the company's lower ranks. Indeed, by 1999 the annual labor turnover reached an astonishing 70% as employees were buckling under the pressure of harsh work conditions and poverty-line wages. The constant need to find replacements was very costly for Walmart because of the significant expenses incurred in training new employees. Indeed by the early 2000s it was estimated that Walmart was spending \$1.4 billion annually to replace the 600,000 to 700,000 workers that leave the company each year (Hopkins 2007). Moreover, although Walmart has hitherto this point effectively nipped unionization efforts in the bud, lawsuits against the company have offered a fruitful avenue of contestation for disgruntled employees. Indeed, by 2004 Walmart was involved in a total of 8000

ongoing legal cases (Olive, 2004). The cases were launched in regard to a multiplicity of complaints concerning gender and race discrimination, violation of state and federal regulations on overtime, lunch breaks and health and safety (Lichtenstein, 2009). The most famous of these was the 'Duke versus Walmart' case – the largest class action attempt in history, involving 1.6 million female plaintiffs who were allegedly discriminated against when working for Walmart. The Bentonville giant successfully appealed to the US Supreme Court to revoke the class action status of these legal efforts and, in so doing, the company saved itself from the possibility of paying billions of dollars in damages. However, Walmart has not been able to avoid all of the legal repercussions of its draconian labor practices. To illustrate, in 2008 alone Walmart agreed to pay as much as \$640 million to settle 63 suits across the US over charges that it did not provide its employees with meal breaks and proper rest (Banjo, 2012; Reuters, 2012; Seligman, 2006).

Additionally, there has been a recent upsurge in struggles waged against Walmart outside of the law courts. Indeed, in October 2012, over 70 Walmart retail clerks engaged in walkouts in Los Angeles. Shortly after, the walkouts spread to 28 Walmart stores in 12 different states. The strike represented the most sustained and extensive labor offensive against Walmart in the company's history. The actions were taken because Walmart allegedly harassed and cut the hours of workers who became affiliated to OUR Walmart (Organization United for Respect at Walmart) - a nonunion campaign group that seeks better pay, more affordable health care and improved working conditions for Walmart employees. The growing resistance, manifest most clearly on the picket line and in the law courts, may be contributing to the slight uptrend in Walmart's differential SGA expenses per employee since the turn of the millennium.²

The data for Walmart's differential cost of goods sold per employee have a more complex trajectory. After an upward lurch in its relative cost of goods sold in the early 1980s, Walmart's external expenses flat-lined for the rest of the 1980s and for much of the 1990s. Then in 2002 Walmart's differential COGS per employee started falling. And in 2007, it almost reached the historic low that Walmart attained in the early 1980s, only to rise again somewhat thereafter. As indicated above, in order to better comprehend these quantitative changes in Walmart's relative expenses it may be worthwhile considering the contested restructuring of Walmart's supply chain.

In the mid-1980s, Walmart's supply base in 'the Orient' shifted away from the East Asian tiger countries toward China. This shift was caused by a number of factors: rising wages and a more politically assertive working class in South Korea and Hong Kong; the reflation of most East Asian currencies as negotiated in the 1985 Plaza Accords; and the market-based transformation of the

Chinese political economy onto an export-orientated platform under the leadership of Deng Xiaoping. Since that point, many of Walmart's suppliers have moved their operations to the coastal regions of China. Walmart's interests were in a number of respects becoming concordant with the interests of the Chinese ruling elite as they both united around a common concern over the maintenance of Chinese labor discipline, social stability and a devalued renminbi so as to make goods from China as cheap as possible. As such, by the early 2000s it appeared that the self-styled 'All-American' retail giant and the Chinese Communist Party had become very strange bedfellows.

Given the extensiveness of Walmart's ties with the Chinese export-led growth regime, it is possible that the sharp fall in Walmart's relative external costs between 2002 and 2007 may in part be due to China's accession to the WTO in 2001. The trade liberalization that ensued made Chinese firms much more exposed to international competition which in turn compelled them to cut costs further (Andreas, 2008). Walmart sought to cozy up to the CCP further during this period of liberalization. Indeed, in the first six years of the 2000s, the then CEO of Walmart, Lee Scott went on five visits to China to meet high-ranking government officials, including the then president of the country, Jiang Zemin (Wang and Zhang, 2006) And by 2004, Walmart accounted for 15% of the US's imports from the country (Basker & Pham, 2007, 1). Walmart used its extensive negotiating capacity to exact favorable terms from its suppliers. Indeed, with more than 200 million customers visiting Walmart stores each week, the company has a huge amount of power in determining which manufacturers gain access to vast swathes of the retail market in the US and abroad. The company's gate-keeping authority has made Chinese suppliers amenable to the deep price reductions that the retail giant demands. In this sense, the *capacity to exclude* is integral to Walmart's pecuniary success. It explains how Walmart managed to get a head-start on its retail rivals, through internalizing distribution functions and developing in-house logistical technologies, and how it managed to gain price leverage over its suppliers, through the threat of barring them from its massive consumer base.

However, many Chinese manufacturers now appear to be squeezed by Walmart to the very limit. In fact, during the global financial crisis of 2008 and 2009, thousands of Chinese manufacturing firms, many of which were Walmart suppliers, fell into bankruptcy. And some of the surviving companies have adopted a strategy of 'de-Walmartizing' their operations so as to reduce their dependence on the Bentonville giant's orders (Hong, 2011). This strategic shift may go some way in explaining why since 2007 Walmart's differential cost of goods sold per employee have risen somewhat. The slight uptrend may also partly be the result of the exhaustion of the one-shot effect of the trade liberalization inaugurated by China's accession to the WTO and the gradual reflation of the Chinese renminbi against the US dollar since 2010. Indeed, although this gradual reflation may be welcomed

by elements of the US government that have accused the CCP of 'currency manipulation', it has probably had a negative impact on Walmart's relative external expenses, as it has made Chinese exports more costly.

But perhaps more fundamentally, the slight increase in Walmart's relative external expenses may be the result of the increased difficulty that the Chinese government has had in maintaining the obedience of Chinese workers in recent years. Indeed, on a general level, the recent capitalist transformation of China has caused a huge amount of social dislocation, and it has contributed to rising disaffection amongst the Chinese population. This rising disaffection is registered in the thirteen-fold increase in labor disputes recorded in the country between 1995 and 2006 (Harris & Luo, 2008). These labor disputes have often spilled over into what the Chinese police apparatus call 'mass incidents'. According to Chinese government statistics, these public disturbances – which can range from riots, demonstrations, strikes and mob sieges of government offices – have also increased dramatically. In 1994, there were 10,000 mass incidents involving 730,000 participants; but just ten years later, in 2004, there were 74,000 such disturbances involving 3.67 million people (Keidel, 2006, 3).

The rising social discontent amongst Chinese citizen-workers appears to have caused some discord and discomfort between the bedfellows of Beijing and Bentonville. Indeed, in response to the increasingly febrile conditions in China, the CCP has made some efforts to mollify workers by passing a raft of measures, inimical to Walmart's differential cost-cutting regimen. The Labor Contract Law of 2008 epitomized the CCP's efforts at restoring 'social harmony' in the country. This law has strengthened the rights and improved the wage standards of employees and it has at the same time increased the production expenses and legal liabilities of employers. Moreover, in an effort to avoid future unrest, municipal and provincial governments throughout China are increasing minimum wages dramatically. To take one example, in February 2013, it was announced that minimum wages are set to increase by 19% in Guangdong. The importance of this hike should not be underestimated. As the country's major export-manufacturing hub, wage increases in the province will likely further undermine the deflationary impact China has had on the price of global consumer products in general, and the price of products sold in Walmart stores in particular.

As a result of these changes, many of Walmart's suppliers have sought to relocate some of their operations in countries where the risk of currency appreciation is less pronounced and where labor costs are lower. This shift in emphasis was hinted at in Walmart's announcement in 2010 that it would double its purchase of textiles made in Bangladesh and that 20% of its garment shipments

would be sourced from the country (Chan, 2011). Bangladesh has a minimum wage of \$37 per month – the lowest in the world; and it also has incredibly weak manufacturing regulations. Unsurprisingly, the cost cutting measures Walmart demands from its suppliers, coupled with the loose government regulations, can make working conditions in many of the textile factories very hazardous indeed. In fact, in late 2012, a major fire in a cramped garment factory in the suburbs of Dhaka killed 112 workers. Five of the 14 production lines in the factory were devoted to making clothing sold exclusively in Walmart stores (Greenhouse & Yardly, 2012). Tens of thousands of Bangladeshi garment workers took to the streets of Dhaka in protest while the news of the fire was broadcast around the world.

Soon after the factory inferno it was revealed that in 2011 Walmart, with the help of other retailers such as Gap, blocked measures proposed by Bangladeshi government officials and labor leaders in a key conference regarding fire safety. The Walmart representative in the meeting reportedly demurred that the proposed fire safety improvements would entail “very extensive and costly modification” and that it was “not financially feasible... to make such investments” (cited in Greenhouse & Yardly, 2012). The ultimate price for Walmart’s cost squeamishness was paid by those garment workers who died of asphyxiation and first-degree burns. It is unlikely that Walmart will be able to enforce further cost reductions in this part of its supply chain without precipitating further ruination and uproar. Indeed, *Homo Sacer* - the ‘bare human life’ excluded from the provisions and protections usually afforded to rights-bearing citizens – was embarrassingly revealed by the conflagration; and the social limits of Walmart’s minimization of expenses were underscored. In light of the public relations disaster, Walmart hurriedly tightened up its supplier fire safety standards. The site of the excoriated factory thus represented the true ground zero of Walmart’s global cost cutting drive.

ii) Differential employee growth runs into barriers

Such are the human consequences of Walmart’s stuttering cost cutting regimen – and the impact these human consequences has on further attempts at cost cutting. But what about the other major route to its differential growth: greenfield investment? For how long can Walmart keep pace on this axis of expansion?

By the late 1980s much of rural America was integrated by Walmart’s retail operations. And by the early 1990s Walmart had come to dominate the discount sector along with its two major rivals – Kmart and Sears. Thus, there was little room for Walmart’s continued expansion within its existing

pecuniary ambit, both in sectoral and geographical terms. The company was, to borrow a phrase from Nitzan and Bichler, “running out of breadth” (2009, 390). In response, Walmart began to extend its business interests from rural to metropolitan areas; and from non-food retailing to food retailing. However, by extending its dominion in this manner, Walmart was impinging on the territorial domains of its rivals. Moreover, by entering the union strongholds in the North East and the West Coast, it was also setting itself on a collision course with organized labor. As such, the specter of labor resistance did not just haunt Walmart’s cost cutting strategies, but also its green-field growth ambitions. (Lichtenstein, 2009; Roberts & Berg, 2012)

Walmart’s move into groceries and city-spaces catalyzed a breathtaking wave of consolidation in the US retailing sector. In the years between 1992 and 2003, thirteen thousand traditional supermarkets closed down and at least twenty-five regional grocery chains were driven into bankruptcy (Lichtenstein, 2009, p. 135). And as a defensive response to Walmart’s seemingly inexorable expansion, the largest supermarkets in the US engaged in a wave of mega-mergers in the late 1990s. In 1994 it took 20 of the largest US food retailers to account for 40% of sector-wide sales; but by 1999 it took just five supermarket chains to attain the same percentage (Milling & Baking News, 1999, p. 12). By fortifying their hold over their territorial domains, some of the major retailers in the US had put up some resistance to the Walmart’s ascent. However, their defensive response by no means stopped the Bentonville giant from reaching the commanding heights of the American retail sector. In fact, by the mid-2000s, Walmart claimed a 30% market share of all US staple goods and a 21% market share of food retailing, thus becoming the US’s largest grocer (Jantzen, Pescatrice & Braunstein, 2009, p. 297).

At face-value then, Walmart’s expansion has been a triumph. Astonishingly 96% of the US population now lives within 20 miles of a Walmart store and 60% lives within 5 miles (Zook & Graham, 2009, p. 20). However, the company has in certain respects become a victim of its own success because in some areas of the US new Walmart stores have begun to take business away from its existing stores. Indeed, the company estimated in its 2004 Annual Report that existing stores lost 1% in revenues from the process of ‘self-cannibalization’ (Walmart, 2004). This cannibalization cannot be understood without reference to the fact that in the midst of credit crunch and stagnating average wage-levels, Walmart’s customers are increasingly constrained by the limits of their disposable income. But at the same time, the problem appears intractable as Walmart is a bastion of poverty-wages in the service sector as a whole.

This tension has played out in Walmart's ambiguous position in relation to the wrangling over the minimum wage in the US. In the mid-2000s Walmart publically backed congressional initiatives to increase the minimum wage from \$5.15 to \$7.25. This support was based on enlightened pecuniary interest. As the then CEO of Walmart argued, Lee Scott, "[o]ur customers simply don't have the money to buy basic necessities between paychecks" (cited by Whoriskey, 2013). However, during Barack Obama's presidency Walmart has appeared reluctant to back the White House's plan to increase the minimum wage further to \$9, due to the effects that such a wage increase would have on its labor costs. And herein lies the dilemma. In conditions of recession, the predominantly low-income consumer base of Walmart cannot greatly increase its expenditure at Walmart stores, but at the same time Walmart is not able to lead the way in improving wages for service sector workers without compromising its model of lean retailing.

However, this hindrance to Walmart's green-field growth is constituted by consumers' efforts to live within their budget - an inherently latent and passive form of resistance. Yet just as there has been active social resistance that has directly scuppered Walmart's cost cutting strategies as detailed above, there has also been active social resistance that has directly targeted Walmart's green-field expansion. Indeed, Bernstein Research, the Wall Street-based investor advisory firm, produced a report in 2005 warning shareholders that Walmart's growth "is under siege in several regions of the country from growing opposition by local communities." The report concluded that the "heightened resistance" could slow down the company's square footage growth rates, which in turn could negatively impact Walmart's stock price and earnings per share (cited by Norman, 2007). Community resistance has been most pronounced in the 'site fights' headed by local activists and labor unions who have sought to lobby local and municipal governments to change zoning and land-use laws so as to thwart Walmart's planned store openings. Sometimes these struggles result in referenda on Walmart's entry into communities. Thus in fleeting moments, the *demos* has arisen to punctuate the blanket application of Walmart's power. And rather than merely being born out of 'not-in-my-backyard' parochialism, these democratic interjections appear to be part of a disparate but nonetheless nationwide movement of resistance against the company. As shown in the insert of Figure 4, the site fight phenomenon climaxed in 2008, when 70 of Walmart's planned store openings were blocked or postponed. Given the fact that the average Walmart store makes over \$50 million in annual sales³, each community victory represents a considerable blow to the company.

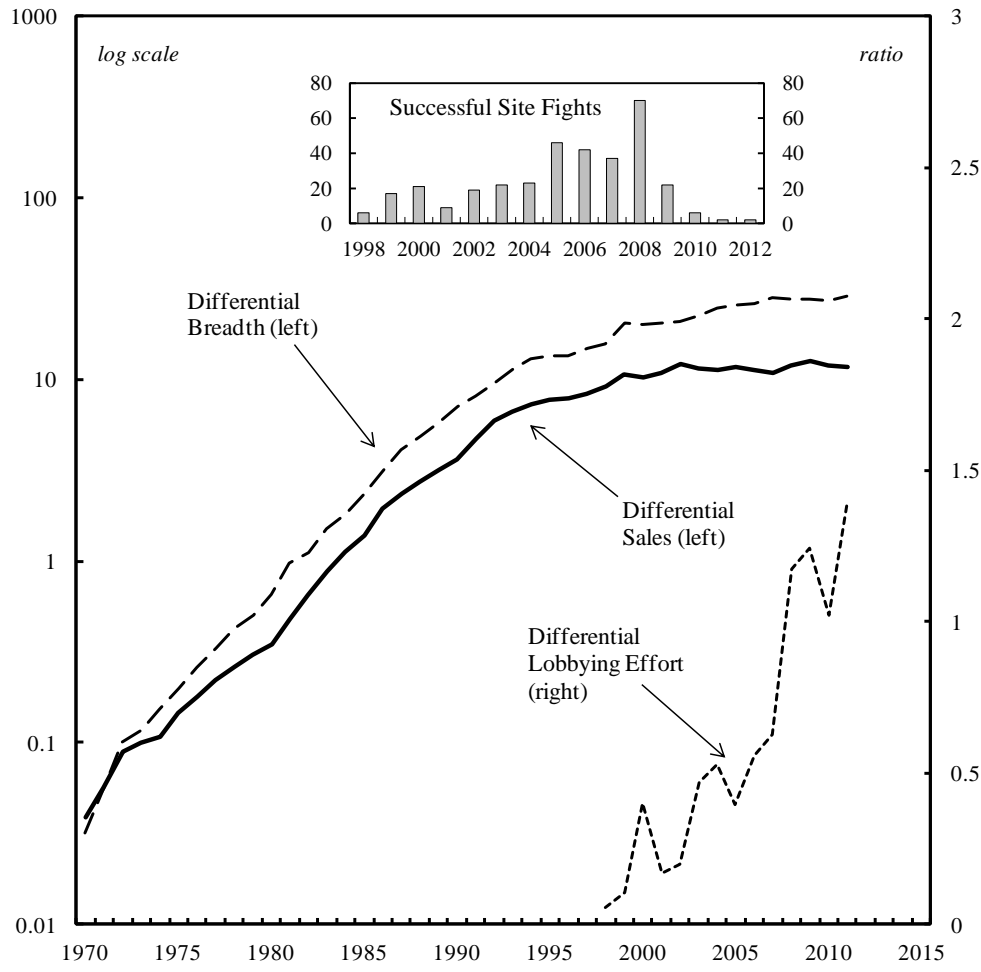


Figure 4: Walmart's Encumbered Expansion

Note: Differential lobbying effort is calculated by dividing Walmart's annual lobbying expenditure by the estimated lobbying expenditure of the average firm in the Compustat 500. The estimated lobbying expenditure of the average firm in the Compustat 500 is based on the not unreasonable assumption that the 500 largest firms account for 85% of total lobbying expenditure in the US. This proportion is then multiplied by total lobbying expenditure, which encompasses the amount spent by corporations, labor unions and other organizations to lobby Congress and other federal agencies. Walmart's differential breadth and sales are calculated by dividing the employees and sales figures for Walmart by the respective employees and sales figures for the average firm in the Compustat 500. Successful site fights are defined as those grassroots struggles that successfully block or postpone the opening up of one or more Walmart stores in any one area in the US, through litigation battles and/or the canvassing of support in local government.

Source: Lobbying expenditure data from Center for Responsive Politics, <<http://www.opensecrets.org/lobby/clientsum.php?id=D000000367&year=2012>> accessed 9 September 2012). Walmart and Compustat 500 employee and sales data from Compustat through WRDS. Series code: REVT and EMP. Site fight data collected from AI Norman database <<http://www.sprawl-busters.com/victoryz.html>>, accessed 9 September 2012.

Partly in response to the intensified resistance, Walmart revised its domestic expansion target in 2007 from 270 new supercenter openings per year to 170 supercenter openings per year for the three following years. (Norman, 2007) But, despite their being fewer new targets for community activists, site fights still rage on. At the time of writing, Walmart was going through a protracted battle over plans to open a new store in Los Angeles' historic Chinatown. In late June 2012, thousands of Angelinos - ranging from union organizers to Chinese owners of small 'mom-and-pop' shops - joined together in the largest anti-Walmart march to date, to express their opposition to the slated store opening. In short, active resistance to Walmart's green-field growth in some areas of the US has exacerbated the problems of passive resistance in other areas of the country.

The site fights and legal battles against Walmart brought the company's harsh labor conditions, low-pay and baleful impacts on many small business and communities under spotlight. As such, Walmart's public image appeared increasingly tarnished during the 2000s and this in turn began to undermine the company's sales. Indeed, the management consultants, McKinsey & Company, estimated that up to 8% of Walmart's customers had stopped shopping in Walmart stores because of the negative press the retail colossus received (Birger, 2007). This contention is corroborated by the quantitative evidence presented in the main chart of Figure 4. The chart shows how Walmart's differential sales – the ratio of Walmart's revenues to the revenues of the average firm in the Compustat 500 – began to grow at a slower pace in the 1990s and then plateaued in the 2000s. Moreover, the chart shows that Walmart's differential breadth, measured as the ratio between the number of Walmart employees and the employment of an average Compustat 500 firm, has also flattened off dramatically over the last twenty years. Taken together these data suggest that Walmart's expansion has become increasingly encumbered by passive and active resistance.

As the last CEO of Walmart suggested in 2004, the company is suffering from "exposure" (Humes, 2011). In order to mitigate its exposure and have more sway over US policymaking, the company resolved to insinuate its agenda deeply into US federal governmental structures. A government-relations unit was established in Washington DC in 1999 and as Figure 4 shows, Walmart began to dramatically increase its differential lobbying effort – a measure that compares the company's lobbying expenditure to the estimated lobbying expenditure of the average firm within the Compustat 500. The latest coup for the company has come in the form of President Obama's nomination of Sylvia Matthews Burrell – the head of the Walmart Foundation – as director of the Office of the Management and Budget (OMB). As head of the Walmart Foundation, Burrell played a key role in dispensing Walmart's 'charitable' funds to organizations such as the NAACP (National Association for the Advancement of Colored People) in order to win their support for controversial

store opening plans in New York and other parts of the US that the company has not yet colonized. Burrell would have significant authority to block federal regulations as director of OMB, and could thus cultivate a policy environment more propitious for Walmart's hitherto frustrated growth ambitions (Cummings 2004; Eidelson and Fang 2013; Slater, 2003). It remains to be seen whether Walmart's strategy to fuse its pecuniary interests with the authority of government will shore up the company's confidence in the obedience of the American population at large.

Concluding Remarks

Walmart's pecuniary success has been based on a reinvestment strategy of logistical innovation, rapid green-field growth and rigid control over workers throughout its supply chain. In the first two decades of its existence, Walmart could grow largely 'under the radar' of retail rivals and organized labor. It expanded at a dramatic pace in the relatively un-stored, un-regulated, un-unionized and hence uncontested retail landscape of the South East and Midwest. Also, Walmart managed to make deep cuts into its operating and inventory costs in its golden age of rapid growth. It was at the forefront in the advancement of new logistical technologies and the internalization of distributions functions and thus quickly surpassed its rivals in the field of supply chain management. Moreover, although it was not the first major retailer to source goods from East Asia, by the 1990s it had the largest network of suppliers in the region. Walmart's suppliers filled their sweatshops with masses of underpaid female workers who had migrated from rural areas, just as Walmart had filled its own stores with underpaid female retail clerks that had been displaced by agricultural transformations within the US. The success of this explicitly gendered nexus of corporate power is undeniable. No other organization in history has capitalized the energies of feminized labor more effectively and on such a colossal scale.

However, Walmart's supply chain supremacy has been eroded. This erosion has partly been caused by the spread of logistical innovations, first appropriated by Walmart, across the retail sector. It has also been caused by opposition to Walmart's model of lean retailing at all levels of its supply chain: from its workers involved in the OUR Walmart campaign; from its suppliers whose wafer thin margins can hardly be rendered any thinner; and from the suppliers' employees who at times are engaging in a life and death struggle for humane work conditions. In sum, the differential advantage Walmart has attained through cost cutting has been circumvented over time by the process of business replication and the absolute gains Walmart has made from cost cutting has run into limits imposed by social resistance.

Additionally, as Walmart expanded into the metropolitan areas of the North West and the Far West in the 1990s, it was harder for the company to apply its distinct model of retailing, because in these parts of the US unions are more active, municipal zoning rules are more heavily contested and the company's major retail rivals are stronger. As such, soon after Walmart moved into these areas it became subject to increased resistance. By virtue of its sheer size and prominence in the US retail sector, Walmart became a company that could not be ignored. Its green-field growth strategy in the US became encumbered by contestation and its name became sullied by its association with low pay, poor labor conditions and discriminatory practices against its female and racialized employees.

Up to a point then, Walmart could defy the logic of differential accumulation by combining green-field growth and cost cutting. But now Walmart appears to be reaching an asymptote. In order to stave off differential decline, the firm will have to obey the imperatives of dominant capital – by increasingly engaging in either price rises or mergers and acquisitions. Price rises are anathema to Walmart's model of lean retailing and so it appears that the Bentonville giant is chiefly seeking to expand through acquisitions abroad. An assessment of these retail operations is beyond the scope of this paper. However, it is worth noting that Walmart's foreign retail operations now account for 28% of Walmart's total sales and 23% of its profits (Wal-Mart, 2012). These data are admittedly imperfect indicators of the extent of Walmart's internationalization given the vicissitudes of international exchange rates and transfer pricing, nonetheless the gap between the share of total sales and the share of total operating income held by Walmart's international division suggests that the company's US business continues to be more profitable than its non-US retail operations.

Moreover, as the data in Figures 2 and 4 suggest, the internationalization efforts have not reversed Walmart's slowing growth in its relative employee numbers, nor has it contributed to a sustained increase in the company's differential capitalization. In fact, in 2012 Walmart announced that it would cut store openings for its international division by an astounding 30% (Jopson, 2012). The massive downsizing of expansion plans was motivated by the desire to attain satisfactory levels of profitability and assuage outstanding bribery claims made against the company. Bribery allegations first broke out after revelations that Walmart greased up its expansion in Mexico through systematic skullduggery, but it now encompasses alleged breaches in US anti-corruption laws in its nascent operations in India. With opportunities for frictionless growth characteristic of the first few decades of its existence long gone, Walmart appears to be pushing the limits of legality in its bid to expand further (Barstow, 2012).

The prospects of Walmart experiencing another golden age of rapid growth look very dim indeed. Walmart's differential capitalization appears to have been oscillating toward a pecuniary ceiling for the last two decades. This finding suggests that investors' remain agnostic about Walmart's capacity to greatly increase its earnings relative to dominant capital as a whole in the future. This agnosticism appears to be partly born out of an awareness of the opposition, both latent and active, that Walmart is encountering at multiple social scales. In 2012 alone, Walmart witnessed the largest street protest and its first ever labor strike. As four of the top ten richest people in the US are members of the Walton family and as millions of 'associates' are struggling to get by on poverty wages, the company might get drawn into the wider politicization of inequality that has occurred since the 2011-12 Occupy Movement. Thus, as Walmart has become a central part of the social hologram of power, conflictual dynamics within the company are increasingly mirrored in the conflictual dynamics of society as a whole.

To conclude, given the bleak pecuniary situation in the US, Walmart is increasingly dependent on the success of its embattled international division. If no transformative upsurge in foreign investment takes place, Walmart may experience relative stagnation or even differential decline. What is more, the significance of these findings may extend way beyond the future of one company. Given the fact that inequality is reaching historic highs in many advanced capitalist countries and given the seemingly ever more frequent eruptions of unrest in many of the global major manufacturing centers, the long arc of Walmart's accumulation of power may offer interesting clues about the future trajectory of all dominant corporations. In short, the exemplar of rapid business growth in the late twentieth century may become the harbinger of the limits to corporate power in the twenty-first.

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Notes

1. Profits are usually decomposed into sales and the profit to sales ratio. However, I follow Nitzan and Bichler in taking employee numbers to be my measure for breadth. This is firstly because profit can be directly derived from sales by simply deducting expenses. An increase in profits will necessarily entail an increase in sales or a decrease in expenses or both. But there is not a similarly direct relation between profit and employee numbers. An increase in profit may entail an increase or a decrease in employee numbers. This makes employee numbers and profits per employee conceptually distinguishable analogues of the extensiveness and the intensiveness of business power, respectively. Using employee numbers, rather than sales, as an indicator of breadth makes intuitive sense as well. All hierarchical organizations in history have been measured by the number of 'head', or *capita*, under command (see Nitzan & Bichler, pp. 328-9). For the same reasons, I use expenses to employee ratios, rather than expenses to sales ratios, as measures of businesses' cost cutting success later on in the paper.

2. In January 2013 Walmart announced that would hire every US army veteran that wants a job in the company. Presumably, this new hiring policy was advanced partly to enhance the public image of the company. Moreover, the new hiring policy may also be informed by the belief that those who are trained in the armed forces tend to have a greater respect for hierarchy and are more likely to disseminate an atmosphere of discipline within the workplace. Thus, the influx of army veterans in Walmart's employment ranks may make those associates who question the authority of the company's management feel more isolated (Dao, 2013).

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