

BANGLADESHI GARMENT FIRE: DOWNSTREAM EFFECT OF A WALMART ECONOMY?

One of the things hot on the nets yesterday was Peter Suderman's pushback against the anti-WalMart action that has been progressing over the last week, culminating in organized protests at numerous stores across the country on Black Friday. Even Alan Grayson got in on the WalMart Thanksgiving protest mix.

But Suderman, loosing followup thoughts after an appearance regarding the subject on Up With Chris Hayes caused a storm. Here is a Storify with all 17 of Suderman's Tweet thoughts. Suderman, who is a Libertarian and certainly no progressive, nevertheless makes some pretty cogent arguments, and the real gist can be summed up in just a few of the Tweets:

So the benefits of Walmart's substantially lower prices to the lowest earning cohort are huge, especially on food.

Obama adviser Jason Furman has estimated the welfare boost of Walmart's low food prices alone is about \$50b a year.

Paying Walmart's workers more would mean the money has to come from somewhere.

But where?

Raise prices to pay for increased wages and you cut into the store's huge low-price benefits for the poor. It's regressive.

Suderman goes on to note that WalMart workers are effectively within the norm for their business sector as to pay and benefits.

My purpose here is not to get into a who is right and who is wrong, the protesters or Suderman, I actually think there is relative merit to both sides and will leave resolution of that discussion for others.

My point is that the discussion is bigger than than simply the plight of the WalMart retail workers in the US. WalMart is such a huge buyer and seller that it is the avatar of modern low cost retailing and what it does has reverberations not just in the US life and economy, but that of the world. Ezra Klein came close to going there in a reponse piece to Suderman's take:

But Wal-Mart's effect on its own employees pales in comparison to its effect on its supply chain's workers, and its competitors' workers. As Barry Lynn argued in his Harper's essay "Breaking the Chain," and as Charles Fishman demonstrated in his book "The Wal-Mart Effect," the often unacknowledged consequence of Wal-Mart is that it has reshaped a huge swath of the American, and perhaps even the global, economy.

Not "perhaps" the global economy Ezra, definitively the global economy. WalMart sets the tone for high volume mass merchandizers in the US market. Their cut throat and efficient management of the supply chain laid the ground, and still does, for much of the market – Target, Costco, Kohls, the latest JC Penney, The GAP, etc. What WalMart innovated has become the dominant model and gives the lead to the rest of the segment. And one of the prime ways WalMart is able to sell so low is mass purchasing from dirt cheap overseas producers, and that makes WalMart a driver of foreign economies as well, and in some of the poorest and most fragile areas.

The pervasive effects of this giant WalMart global market effect were driven home in a

particularly gruesome way last night. A garment factory in Bangladesh burned, and consumed over 112 lives in the process, with the death toll clearly expected to rise:

At least 112 people were killed in a fire that raced through a multi-story garment factory just outside of Bangladesh's capital, an official said Sunday.

The blaze broke out at the seven-story factory operated by Tazreen Fashions late Saturday. By Sunday morning, firefighters had recovered 100 bodies, fire department Operations Director Maj. Mohammad Mahbub told The Associated Press.

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He said the fire broke out on the ground floor, which was used as a warehouse, and spread quickly to the upper floors.

"The factory had three staircases, and all of them were down through the ground floor," Mahbub said. "So the workers could not come out when the fire engulfed the building."

"Had there been at least one emergency exit through outside the factory, the casualties would have been much lower," he said.

And what type of garments does Tazreen make you ask? WalMart garments it seems. While the Washington Post AP report linked and cited above notes that the local factories make garments for "Wal-Mart, JC Penney, H&M, Marks & Spencer, Carrefour and Tesco", further research seems to indicate a direct relationship between Tazreen and WalMart. Now, let's be clear, the report at the link is from 2010 and does not necessarily mean that there was current production for WalMart at Tazreen, and even if there was, it certainly does not mean WalMart has any direct responsibility. It should be noted that it

appears WalMart was more than aware of the safety problems at Tazreen Fashions and did nothing more than issue a cover your ass meaningless safety notice, but did not stop placing production orders.

Further, it should be noted that there are a lot of garment factories in Bangladesh, up to 4,000 according to the Post article above. And there is a long and tragic history of deadly fires in them. Here is one from 2010; here is another from 2006. Here is a 2001 report in the New York Times delineating the intersection of the Bangladeshi garment industry, fire and throw away treatment of workers' lives.

What happened last night is not a one off exception in the Bangladeshi garment business, it is closer to the rule. And it is fueled by the demand for cheap at all human cost product by the WalMart led business sector. Again, to be fair, just as there are competing arguments in the Suderman/protesters views as to US WalMart retail employees, there is another side of the Bangladeshi garment coin. As deplorable as the manufacturing conditions in Bangladesh are, because of it Bangladesh actually has an economy. It may not be first world, but it is a marked improvement over the life depicted in decades past.

And here is where Suderman's arguments run smack into the Bangladeshi plight. Suderman noted that the marginal extra dollar may not do much for the average American WalMart retail worker:

Erase the Walmart CEO's entire salary, and you can raise average hourly wages by just a penny or so.

Erase the entire Walton family fortune and you get an average \$1/hour boost to Walmart workers.

For the sake of argument, let's assume Suderman is right that the marginal boost won't make that huge a difference for the average worker (and

leave aside for the moment the benefit from all that extra money in the economy). Even if you assume the extra marginal dollar may not do that much here, think what it would do in Bangladesh where garment workers live, and die at alarming rates, on incomes as low as \$37 per month? The labor is so cheap in Bangladesh that China is starting to outsource work there! That extra bit of money in the hands of the workers in Bangladesh could make a world of difference in their safety and quality of life.

These conditions are perpetuated by the low cost penny pinching WalMart business model:

Ready-made garments account for 80 per cent of the country's \$24bn annual exports.

Haque said that labour groups he spoke to claimed that factories "are simply not equipped to the safety standards that are required to meet the demands of Western brands".

"If you speak to garment managers, they say that they are under pressure to produce as much clothes as possible with the least amount of money," he said.

"And so they say in these circumstances, safety isn't always the priority."

"The priority here is to produce as much clothes as possible."

I have no idea what the fix or answer to these problems and incongruities are. Maybe there isn't one. But I do think the equation is a lot more complex than people like Suderman and Ezra Klein let on. The effects of the WalMart economy go a lot further downstream than US retail employees. The Triangle Shirtwaist Fire of 1911, where 146 souls perished, served as a wake up call for these types of labor practices in the US. The Tazreen Fashions garment fire may well match or eclipse that death toll by the time it is all said and done. Perhaps it, too, should serve as a wake up call as to the human cost of

the WalMart business model.