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An Existence Void of Individuality

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Submitted to the Program of Organizational Dynamics in the Graduate Division of the School of Arts and Sciences in Partial Fulfillment of the Requirements for the Degree of Master of Science in Organizational Dynamics at the University of Pennsylvania
Advisor: Eric van Merkensteijn

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An Existence Void of Individuality

Abstract
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AN EXISTENCE VOID OF INDIVIDUALITY

by

José L. Mercado Jr.

Submitted to the Program of Organizational Dynamics
in the Graduate Division of the School of Arts and Sciences
in Partial Fulfillment of the Requirements for the Degree of
Master of Science in Organizational Dynamics at the
University of Pennsylvania

Philadelphia, Pennsylvania

2007

AN EXISTENCE VOID OF INDIVIDUALITY

Approved by:

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Larry M. Starr, PHD, Program Director

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Eric van Merkensteijn, Advisor

ABSTRACT

I argue that as humanity continues on its path of rapid technological developments in the economic and political arenas, the human race becomes less able to choose individually, and submits to a collective society. As each day passes, our civilization loses more of its individuality and assimilates to a larger vehicle. This thesis describes our loss of uniqueness and our assimilation to the technology collective.

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CHAPTER 1

INTRODUCTION

This thesis argues that organizational individuality is being threatened by forces shifting toward organizational assimilation. As a metaphor, I offer the Borg, a fictional collective entity into which individuals are absorbed, as depicted in the science fiction television series, Star Trek, The Next Generation. As noted by Weldes (2003), the goal of the Borg "is 'to reach perfection' – to reach a state of absolute order."[1] I argue that technology is today's collective entity and its advances in various forms of industry and government is assimilating mankind's expression of individuality. As technology continues to advance, I believe that more information and data must be processed in more mechanized and standardized ways that promote greater uniformity in economic and political contexts. Thus, we are approaching an absolute order; an existence void of individuality. We are degrading our very essence of autonomy.

In Chapter 2, I discuss my idea of the Collective Society. I illustrate that mankind is assimilating to an organizational society and that the collective is technology.

Chapter 3 focuses on big businesses and how the technology collective in big businesses assimilates smaller ones. I show how the big multinational corporations force the smaller companies to assimilate or die; resistance is futile.

In Chapter 4, I apply the technology collective to the organizational dynamics in governments. First, I discuss the United States of America and how the US seeks to assimilate the world. Then, I discuss how the European Union

assimilated a quantity of European countries and now poses a threat to European countries that resist.

In Chapter 5, I conclude that it is the exponential growth of the technology collective that enables our big businesses and our governments to assimilate smaller, defenseless corporate and political entities.

In Chapter 6, I reflect on selective seminars taken while enrolled in the Organizational Dynamics Program.

CHAPTER 2

THE COLLECTIVE SOCIETY - ORGANIZATIONAL ASSIMILATION

Technology can be defined as "the body of knowledge available to a civilization that is of use in fashioning implements, practicing manual arts and skills, and extracting or collecting materials."[2] I believe that this body of knowledge continues to provide mechanisms to process more data at faster rates. At some point, mankind will no longer be able to sift through this body of knowledge, and it will be forced to assimilate to the technology collective. I assert that technology is the collective.

I remember staring at a bee hive as a young child. I was fascinated at how these insects formed a world inside their hive. I watched documentaries of bees and marveled at the several specific roles the various bees assumed in order to protect their queen and preserve their existence. Mikhailov and Celenbuhr (2002) state that bees, "are often considered as a superorganism because they employ social design to solve ecological problems ordinarily dealt with by single organisms."[3] Clearly, one bee is insignificant, but collectively, the superorganism of bees in the hive form a complex network functioning as one entity.

The official Star Trek web site describes the Borg as a "cybernetic life-form thousands of years old which is part organic, part artificial life."[4] Although I do not believe that a "cybernetic life-form" is taking over our world, I do believe that humanity's rapid development of technology is eroding our individuality and we are assimilating to the technology collective. One must pay close attention to

the construct of the Borg, “part organic, part artificial life.” In a not so subtle fashion, I believe that the Borg represents mankind’s ultimate transition from our organic existence towards a mechanized and collective status. Further, I also believe that the technology collective is creeping into our organizational culture.

The Star Trek web site states that the “collective consciousness is experienced by the Borg as "thousands" of voices — they are collectively aware, but not aware of themselves as separate individuals,” [5] which I purport is similar to the bees in the hive. Andreadis (1998) notes, as well, that the Borg symbolizes loss of individuality, forcible conversion, and technological supremacy by masters with an inflexible will.”[6] The “inflexible will” is the technology collective.

As human beings, we demand recognition for being able to think and express ourselves. Mikhailov and Celenbuhr (2002) suggest that “at high levels of the evolutionary staircase, in humans and, to a less extent, in some animals, the mind appears. The highest function of the brain involves rational or irrational operations with abstract concepts.”[7] We want to believe that because we are human, we can resist the technology collective and think individually. But I believe that as the rate of advances in technology, we are losing that battle each day. It is not that I disbelieve mankind’s ability to process “rational or irrational operations with abstract concepts,” however, as the technology collective adds more data to process, we run out of time to do so and in order to exist, we lose our autonomy and assimilate to the technology collective.

Mikhailov and Celenbuhr (2002) go in to detail by stating, "moreover, self-consciousness develops that allows an individual to construct a model of his or her own person, as perceived by other humans."[8] I believe that as we are bombarded with more data to process each day as a result of the technology collective, the human race will become like the bees in the hive or the Borg. I do not compare the mental capacity of bees to humans. My point is that the technology collective is saturating mankind's capacity to critically think, thus forcing man to react, like bees. This is precisely why the Borg metaphor is necessary to support this thesis. The Borg closes the gap between mankind and bees.

The technology collective is systematically erasing mankind's sense of autonomy. One may define autonomy as "the quality or state of being self-governing; especially: the right of self-government."[9] Dworkin (1988) says that "autonomy is a feature of persons and that it is a desirable quality to have."[10] Despite my personal desire to maintain and preserve my autonomy, I suggest that the technology collective is assimilating man, thus erasing our autonomy.

Cell phones, pagers, blackberry devices, constant email, laptop computers and the like were not widely available 30 years ago. These advances in technology avail us with more data more rapidly which forces us to process more data more rapidly. Ultimately, as the technology collective continues its advances, I believe mankind will no longer be capable of individually thinking. Thus, in order to exist, just like the bees and the Borg, mankind will have to assimilate to the technology collective that functions at a level that surpasses

individual capacity; loss of autonomy. I am not saying that the formation of teams or organizations is how mankind is losing the battle. I am social and I enjoy being in a social setting. Mankind is not losing its battle by forming teams or socially functioning. I propose that mankind is losing its autonomy because of the requirement to process too much data due to the technology collective.

For example, my boss, a professional employee for over 30 years explained that he remembers when there were less methods of communicating with management when he was a junior manager. He would handle his affairs with his staff and report his results to his manager via phone calls or physical meetings. Today, there are computer programs that electronically report my status to my boss in real time. He can email me, call my cell phone, or instant-message me in order to get a real time status of my progress. I do the same to my staff which is four times larger than my boss' was when he began his career. As a result, I must manage by exception. I can not individually check and report status' on my staff because my staff is so large. Rather, with the assimilation of technology, I review the exceptions and resolve them. My management style is forced to be less personal. I assimilated to the technology collective.

CHAPTER 3

BIG BUSINESS

The technology collective facilitated the creation of multi-national corporations. Shapiro (1989) defines the multinational corporation as "a company with production and distribution facilities in more than one country."[11] I assert that the leading multinational corporations are assimilating the smaller ones.

For example, Wal-Mart, has enormous global impact in our society. According to Wal-Mart's annual report for 2006, the company earned over $312 Billion in sales revenue.[12] Because of Wal-Mart's tremendous size and impact on society, its influence alters local economies throughout the United States. For example, Charles Fishman, senior writer of Fast Company (2003), illustrates how adjusting a single order of Vlasic pickles in a store, greatly impacts Vlasic's ability to retain its autonomous structure. One can deduce from Fishman that Vlasic was forced to assimilate to Wal-Mart's technology collective (see Appendix A).

Wal-Mart's growth in economic power is directly related to the technology collective in that as the corporation applies the latest business technologies, smaller organizations cannot compete and must assimilate or go out of business. Ruth Rosen, a reporter for the San Francisco Chronicle (2003) described how Wal-Mart undermines smaller, local businesses by, "pushing smaller businesses into bankruptcy by providing lower wages and higher health care costs to their employees. Furthermore, Wal-Mart undersells smaller businesses by acquiring goods from cheap foreign labor,"[13] (see Appendix B). I argue that Wal-Mart is

able to apply these methods because of its ability to implement the latest business technologies as made available by the technology collective.

A colleague who works for a leading multinational corporation shared a similar anecdote with me stating that his company “kills companies” that they no longer use as suppliers. He expressed that his company imposes its suppliers with new technology methods of doing business. If the suppliers resist these methods, their products are not used. Unfortunately the supplier usually provides his company with so much of its production that without his business, the supplier goes out of business; resistance is futile.

The Department of Defense (DoD) Small Business Innovation Research (SBIR) Program is a $1/2 billion in early-stage R&D funding for small technology companies.[14] This might suggest that SBIR is a great opportunity for big businesses to support smaller ones with the aid of the DoD. However, I suggest that the SBIR program is actually another method by which the technology collective keeps the smaller businesses from breaking away and ultimately exercising its autonomy. Under the guise of government support, the little organization is “aided” by the bigger company and when the smaller company demonstrates an innovative idea, the bigger company then steps in and commercializes the idea. The smaller company becomes subservient to the larger one and its technology is assimilated.

CHAPTER 4

GOVERNMENTS

THE USA

230 years after the Declaration of Independence, the United States not only merely exists, it is the global superpower. A superpower can be defined as "one of a very few dominant states in an era when the world is divided politically into these states and their satellites."[15] *E Pluribus Unum*, the Latin words carried by the Eagle symbolizing the national seal of the United States is translated, "Out of many, one." I believe these words clearly illustrate the assimilation of Americans.

In his 2007 State of the Union speech, President George W. Bush discussed immigration matters and specifically said: "We need to uphold the great tradition of the melting pot that welcomes and assimilates new arrivals," (please refer to the context of this speech in Appendix C).[16] Clearly, I see the President's administration surrendering to the technology collective. By using the term of assimilation, the model undermines individuality and supports the collective society. Diversity is dismantled in favor of adopting a mainstream American social collective.

Prior to the President's most recent State of the Union brief, President Bush released his 2002 National Security Strategy, (please refer to its entirety in Appendix D).[17] He states in his opening statement:

> These values of freedom are right and true for every person, in every society—and the duty of protecting these values against their enemies is the common calling of freedom-loving people across the globe and across the ages.

I perceive President Bush assumes that the world buys in to the American culture. I believe that this supports the United States' underlying agenda of global assimilation as promulgated by the technology collective.

The US makes the assumption that Freedom is "non-negotiable." "The United States welcomes our responsibility to lead in this great mission." (appendix D). The technology collective facilitates the United State's ability to globally reach across boundaries. Thus it assimilates greater numbers of non Americans across longer distances.

As an American, I believe that our way of existence is the correct way to experience life. However, I cannot assume that my way of living is the best for mankind. Further, I cannot assume that other cultures agree with me. Much less, I cannot impose my way of life on other cultures in the name of democracy. I understand democracy as a way to not impose my will on others. By imposing the American way on foreign lands, the United States becomes an instrument of the technology collective as it assimilates more and more ways of life.

THE EUROPEAN UNION

The official web site of the European Union, states that "a number of European leaders became convinced that the only way to secure a lasting peace between their countries was to unite them economically and politically."[18] As the technology collective assimilates the EU,

The EU web site is rich in supporting its assimilation to the technology collective. The web site highlights certain topics: Integration means common,

policies, the Single Market: banning the barriers, the Single Currency: the euro in your pocket. These topics illustrate the systematic assimilation of the European nations that join. The technology collective fosters the rapid assimilation of the joining nations.

Integrating common policies is necessary for the EU to function, but I see it as stripping away the distinctions of the individual countries. Long histories of national currencies are being stripped away with the adoption of the euro. Furthermore, the economic and political incentives gained by the countries joining the EU create securities in numbers, but similar to my earlier example of Wal-Mart and the assimilation of its suppliers, I believe that the EU nations surrender their autonomy in support of the EU collective.

I believe that Europe, although older than the United States is assimilating to the United States' model. Despite the centuries of rich histories experienced by each individual country of the EU, the EU is systematically assimilating each country. The EU expresses its assimilation of the European countries by stripping them of their autonomy as well. There is a common currency, the Euro. There is a common military, supported by each participating country. One must wonder if all of Europe will ultimately be assimilated by the EU.

Once all the countries are assimilated, will the United States and the EU then assimilate? I believe the answer to this question will be yes. Just as the technology collective assimilates the big companies, ultimately, the governments will concurrently assimilate. Those that resist will be killed.

CHAPTER 5

CONCLUSION

Earlier on, Man had to make decisions and be accountable without having a pager, or a cell phone or email or a black berry or any other form of technology that allowed for an individual to stand tall. As time passes the advances in the technology collective will complete the assimilation process. At some point the technology collective will turn mankind into the metaphoric Borg. Resist as we may, I believe that time will be in favor of mankind's ultimate assimilation.

I believe that the large corporations will join forces and apply the attributes of the technology collective. This example was clearly made with Wal-Mart's treatment of Vlasic Pickles in Appendix A. I see the exponential growth of the technology collective enabling our big businesses and our governments to assimilate smaller, defenseless corporate and political entities.

I conclude that the technology collective will give birth to a new world order. The governments and businesses will merge, and the new world order will be a massive, global entity that functions collectively. The parts of the whole will illustrate total loss of autonomy, collectively functioning as a superororganism, but void of individuality.

CHAPTER 6

REFLECTION

The previous pages encapsulate my position on the technology collective and how its impacts in business and government will show mankind's ultimate assimilation. The following pages will walk you through selective seminars, illustrating my personal journey through the Organizational Dynamics program and my perception of the technology collective's impact on mankind and being assimilated. The format will include the course title, and description, followed by my remarks.

DYNM 655: Using the Political Process to Effect Organizational Change

At one time or another, each of us has said something like "I know what to do to make some really effective changes in this organization, but the politics make it almost impossible to get anything done." The sense is that although there are changes that should be made to improve organizational performance, politics (internal, external, or governmental) simply obstructs our ability to make a difference. Frustrations notwithstanding, politics is anything but an impediment; it is the art and science of coordinating individuals, departments, management, markets – the entire organizational environment – to effect a balance of objectives and methods. This seminar will discuss the use of politics to promote effective change within organizations. After reviewing the theory of organizations and the roles that political processes play in communications and decision-making, a series of cases will be presented that illustrate the contexts and conditions

for effective political coordination. Both private and public sector examples will be employed. Seminar participants will be required to present a case study of organizational politics and demonstrate ways in which it can be used as an effective agent of change.

At one time or another, each of us has said something like "I know what to do to make some really effective changes in this organization, but the politics make it almost impossible to get anything done." The technology collective enjoys the sentiment of not being able to get anything done. As organizations lose the ability to affect change, the masses lose their identity and become bees in a giant bee hivel. Individuality is lost by the masses. The person with a bright idea gets squashed because the rest of the group is following the least difficult path, collectively working to keep the superororganism alive..

The sense is that although there are changes that should be made to improve organizational performance, politics (internal, external, or governmental) simply obstructs our ability to make a difference. Observing internal, external and governmental environments proves our civilization's inability to resist the technology collective. Internally, one can see organizations getting larger and larger. Mission statements go from becoming a regional leader to a world leader in a particular market. When one looks externally, the

other businesses are either acquired or they're the competition. Ultimately they either acquire or are acquired

DYNM 644: Strategic Outsourcing

This course examines outsourcing from the perspective of corporate effectiveness, staff development, and socio-politics. We will discuss how to use outsourcing as a strategic and competitive advantage; appropriate planning, implementing and managing a successful outsourcing program; and using outsourcing for downsizing and re-engineering. We will also consider how to "sell" outsourcing to corporate staff and the external community, and how to survive your own organization's outsourcing decision. Students will complete projects that will shape future information provided in this course.

As this course examined outsourcing, in my mind I changed the term "outsourcing" to "assimilating." As we reviewed case studies of how larger companies focused on their "core" competencies, and "outsourced" the rest of the necessary business functions, I made the connection that in order for companies to survive and to grow, they had to assimilate other companies. Just as I discussed that mankind had too much data to process, I see this occurring in corporations as well. By assimilating other companies, big companies could get bigger, ultimately assimilating other companies into their collective, ultimately the technology collective.

<u>DYNM 600: Managing Diversity in the Workplace</u>

This seminar will focus on the social nature of race, ethnicity, and lifestyle relations in the workplace, assessing implications for the resulting organizational culture and management issues. The workplace is the intersection of many individual experiences and biases, particularly those surrounding the personal issues of race, ethnicity and lifestyle. One's capability for managing and being managed are profoundly affected by how clearly one is able to understand one's own biases as well as those of others. A main objective of the seminar will be to increase one's ability to understand and manage diversity in the workplace by investigating: (1) how distinctions manifest themselves in organizations; (2) how the same behavior can be viewed differently, depending on experience and culture; (3) the meaning of dominant and minority groups; (4) the workplace as the same or different from society in general; (5) risks of assuming that differences are being understood, when they are not; (6) the nature of stigma and its implications for the workplace.

The corporate workplace is the new “Diversity Free” zone of the 21st century and the larger the organization, the greater the diversity dilution. Throughout Dr. Anderson’s course, I listened to several guest speakers, read several passages and saw two movies, and my conclusion is that it is where we work that diversity is overtly overlooked. I use the term “overtly” purposely because one will find diversity information scattered about the office space. Companies are forced to “check” the diversity box, thus providing their workers

with diversity training, and diversity awareness, but if you listen to the employees' interaction, you'll sense an awkwardly accepting tone among everyone. I find it comical when I catch someone "overtly" trying to play the diversity free game in a crowd.

I don't know if the dilution is genuinely accepted as with the train station discussed in the "Cosmopolitan Canopy." I don't know if I am too cynical or if my suspicions are grounded. In the "Cosmopolitan Canopy," people were free to embrace the different cultures. In the workplace, I find people working towards a common culture. Rather than embracing our differences, I feel as though we strive to create an environment that sanitizes our uniqueness and has us assimilate to a "professional" culture. Whenever we discussed this in class, I couldn't help thinking about science fiction movies where everyone dressed alike or even the "Borg" that assimilated to the "collective" in Star Trek.

In reference to Goffman's Stigma, we discussed how some of his absolutes raised question, but I found the reading to be very interesting. Particularly on how one becomes stigmatized. Environment and knowledge of one's afflictions pave the way to who is the stigmatized person, and in one setting, the tables can be reversed. In today's workplace, anyone is stigmatized if they don't conduct themselves in a "professional" manner. I believe that this manner is defined by the organization. As the organizations get larger, more people will lose their sense of diversity and assimilate to the corporate culture. This culture being driven by the technology collective.

Perhaps our diversity will revolve around working classes over time. Jelly's during year 2050 would probably have all different races inside. It's very interesting to think about how the future will be and how diversity will evolve or regress. I like my differences and embrace my culture. Furthermore, I embrace the differences of others and find that in doing so, there are so many solutions to issues that I never thought of. Unfortunately, with the amount of data and the rate in which mankind will be forced to process it, ultimately, mankind will not be able to maintain its differences. Human nature does not like change, thus the less change, the more comfort. Unfortunately, it's this attitude combined with the technology collective, that will rob our future from the little traditions. One can say "look how far we (Blacks, Hispanics, Women, Gays. . .) we've come. I only ask that someone also says "look at all we lost." What will the 22nd century look like? My guess, is vanilla. Not white, but plain.

DYNM 766: Perspectives on Change in the Czech Republic

This course compares the Czech Republic to other former Communist societies in Central Europe as they transform toward a democratic society and market economy. Students will meet and study with Czech and US academics, as well as local government, banking, business and entrepreneurial representatives. The purpose of the program is to help students to understand the economic and cultural complexities of the organizational, political, cultural and psychological transformation process of an important European region. Students will also be apprised of the new

business opportunities that have opened as a result of this process. The transformation process and the new business development can have important impact on personal and organizational efforts to expand into or work more effectively in the global marketplace.

Although I greatly appreciated my Czech Republic Experience, I could not help feeling as though the greatness of the rich histories of this country were eroding. While in the Czech Republic, we had a great balance of classroom briefings as well as cultural excursions throughout the country. Unlike the United States, I saw castles build hundreds of years ago and their histories prominently displayed. However, in the classroom, I could not resist feeling as though the assimilation process had begun here too. We had several economic presentations and governmental presentations that discussed the Czech Republic's strength in the European Union. One briefer went as far as explaining to the class that currently, the Czech currency is stronger than the Euro, so the Czech Republic is going to resist transitioning its currency. Immediately, I felt the technology collective exercising its power. Ultimately, the Czech Republic will assimilate to the EU.

By reflecting on these seminars from during my time in the Organizational Dynamics curriculum, I see that my thinking of assimilation was a thread that ran through my studies. As I mentioned earlier, I don't believe that there's an entity taking over mankind, but if I can relate my coursework to such a threat, I hope that mankind recognizes that our essence of autonomy is greatly challenged. Throughout this paper, I called it the technology collective. Whatever the name, I

believe that the threat is real and we must hold on to that autonomy which separates us from the bees in the hive. *E Pluribus Unum,* takes on an entirely new meaning after reading this paper.

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APPENDIX A

The Wal-Mart You Don't Know

The giant retailer's low prices often come with a high cost. Wal-Mart's relentless pressure can crush the companies it does business with and force them to send jobs overseas. Are we shopping our way straight to the unemployment line?

From: Issue 77 | December 2003 | Page 68 | By: Charles Fishman

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A gallon-sized jar of whole pickles is something to behold. The jar is the size of a small aquarium. The fat green pickles, floating in swampy juice, look reptilian, their shapes exaggerated by the glass. It weighs 12 pounds, too big to carry with one hand. The gallon jar of pickles is a display of abundance and excess; it is entrancing, and also vaguely unsettling. This is the product that Wal-Mart fell in love with: Vlasic's gallon jar of pickles.

Wal-Mart priced it at $2.97--a year's supply of pickles for less than $3! "They were using it as a 'statement' item," says Pat Hunn, who calls himself the "mad scientist" of Vlasic's gallon jar. "Wal-Mart was putting it before consumers, saying, This represents what Wal-Mart's about. You can buy a stinkin' gallon of pickles for $2.97. And it's the nation's number-one brand."

Therein lies the basic conundrum of doing business with the world's largest retailer. By selling a gallon of kosher dills for less than most grocers sell a quart,

Wal-Mart may have provided a ser-vice for its customers. But what did it do for Vlasic? The pickle maker had spent decades convincing customers that they should pay a premium for its brand. Now Wal-Mart was practically giving them away. And the fevered buying spree that resulted distorted every aspect of Vlasic's operations, from farm field to factory to financial statement.

Indeed, as Vlasic discovered, the real story of Wal-Mart, the story that never gets told, is the story of the pressure the biggest retailer relentlessly applies to its suppliers in the name of bringing us "every day low prices." It's the story of what that pressure does to the companies Wal-Mart does business with, to U.S. manufacturing, and to the economy as a whole. That story can be found floating in a gallon jar of pickles at Wal-Mart.

Wal-Mart is not just the world's largest retailer. It's the world's largest company--bigger than ExxonMobil, General Motors, and General Electric. The scale can be hard to absorb. Wal-Mart sold $244.5 billion worth of goods last year. It sells in three months what

number-two retailer Home Depot sells in a year. And in its own category of general merchandise and groceries, Wal-Mart no longer has any real rivals. It does more business than Target, Sears, Kmart, J.C. Penney, Safeway, and Kroger combined. "Clearly," says Edward Fox, head of Southern Methodist University's J.C. Penney Center for Retailing Excellence, "Wal-Mart is more powerful than any retailer has ever been." It is, in fact, so big and so furtively powerful as to have become an entirely different order of corporate being.

Wal-Mart wields its power for just one purpose: to bring the lowest possible prices to its customers. At Wal-Mart, that goal is never reached. The retailer has a clear policy for suppliers: On basic products that don't change, the price Wal-Mart will pay, and will charge shoppers, must drop year after year. But what almost no one outside the world of Wal-Mart and its 21,000 suppliers knows is the high cost of those low prices. Wal-Mart has the power to squeeze profit-killing concessions from vendors. To survive in the face of its pricing demands, makers of everything from bras to bicycles to blue jeans have had to lay off employees and close U.S. plants in favor of outsourcing products from overseas.

Of course, U.S. companies have been moving jobs offshore for decades, long before Wal-Mart was a retailing power. But there is no question that the chain is helping accelerate the loss of American jobs to low-wage countries such as China. Wal-Mart, which in the late 1980s and early 1990s trumpeted its claim to "Buy American," has doubled its imports from China in the past five years alone, buying some $12 billion in merchandise in 2002. That's nearly 10% of all Chinese exports to the United States.

One way to think of Wal-Mart is as a vast pipeline that gives non-U.S. companies direct access to the American market. "One of the things that limits or slows the growth of imports is the cost of establishing connections and networks," says Paul Krugman, the Princeton University economist. "Wal-Mart is so big and so centralized that it can all at once hook Chinese and other suppliers into its digital

system. So--wham!--you have a large switch to overseas sourcing in a period quicker than under the old rules of retailing."

Steve Dobbins has been bearing the brunt of that switch. He's president and CEO of Carolina Mills, a 75-year-old North Carolina company that supplies thread, yarn, and textile finishing to apparel makers--half of which supply Wal-Mart. Carolina Mills grew steadily until 2000. But in the past three years, as its customers have gone either overseas or out of business, it has shrunk from 17 factories to 7, and from 2,600 employees to 1,200. Dobbins's customers have begun to face imported clothing sold so cheaply to Wal-Mart that they could not compete even if they paid their workers nothing.

"People ask, 'How can it be bad for things to come into the U.S. cheaply? How can it be bad to have a bargain at Wal-Mart?' Sure, it's held inflation down, and it's great to have bargains," says Dobbins. "But you can't buy anything if you're not employed. We are shopping ourselves out of jobs."

The gallon jar of pickles at Wal-Mart became a devastating success, giving Vlasic strong sales and growth numbers--but slashing its profits by millions of dollars.

There is no question that Wal-Mart's relentless drive to squeeze out costs has benefited consumers. The giant retailer is at least partly responsible for the low rate of U.S. inflation, and a McKinsey & Co. study concluded that about 12% of

the economy's productivity gains in the second half of the 1990s could be traced to Wal-Mart alone.

There is also no question that doing business with Wal-Mart can give a supplier a fast, heady jolt of sales and market share. But that fix can come with long-term consequences for the health of a brand and a business. Vlasic, for example, wasn't looking to build its brand on a gallon of whole pickles. Pickle companies make money on "the cut," slicing cucumbers into spears and hamburger chips. "Cucumbers in the jar, you don't make a whole lot of money there," says Steve Young, a former vice president of grocery marketing for pickles at Vlasic, who has since left the company.

At some point in the late 1990s, a Wal-Mart buyer saw Vlasic's gallon jar and started talking to Pat Hunn about it. Hunn, who has also since left Vlasic, was then head of Vlasic's Wal-Mart sales team, based in Dallas. The gallon intrigued the buyer. In sales tests, priced somewhere over $3, "the gallon sold like crazy," says Hunn, "surprising us all." The Wal-Mart buyer had a brainstorm: What would happen to the gallon if they offered it nationwide and got it below $3? Hunn was skeptical, but his job was to look for ways to sell pickles at Wal-Mart. Why not?

And so Vlasic's gallon jar of pickles went into every Wal-Mart, some 3,000 stores, at $2.97, a price so low that Vlasic and Wal-Mart were making only a penny or two on a jar, if that. It was showcased on big pallets near the front of stores. It was an abundance of abundance. "It was selling 80 jars a week, on average, in every store," says Young. Doesn't sound like much, until you do the math: That's

240,000 gallons of pickles, just in gallon jars, just at Wal-Mart, every week. Whole fields of cucumbers were heading out the door.

For Vlasic, the gallon jar of pickles became what might be called a devastating success. "Quickly, it started cannibalizing our non-Wal-Mart business," says Young. "We saw consumers who used to buy the spears and the chips in supermarkets buying the Wal-Mart gallons. They'd eat a quarter of a jar and throw the thing away when they got moldy. A family can't eat them fast enough."

The gallon jar reshaped Vlasic's pickle business: It chewed up the profit margin of the business with Wal-Mart, and of pickles generally. Procurement had to scramble to find enough pickles to fill the gallons, but the volume gave Vlasic strong sales numbers, strong growth numbers, and a powerful place in the world of pickles at Wal-Mart. Which accounted for 30% of Vlasic's business. But the company's profits from pickles had shriveled 25% or more, Young says--millions of dollars.

The gallon was hoisting Vlasic and hurting it at the same time.

Young remembers begging Wal-Mart for relief. "They said, 'No way,' " says Young. "We said we'll increase the price"--even $3.49 would have helped tremendously--"and they said, 'If you do that, all the other products of yours we buy, we'll stop buying.' It was a clear threat." Hunn recalls things a little differently, if just as ominously: "They said, 'We want the $2.97 gallon of pickles. If you don't do it, we'll see if someone else might.' I knew our competitors were

saying to Wal-Mart, 'We'll do the $2.97 gallons if you give us your other business.' " Wal-Mart's business was so indispensable to Vlasic, and the gallon so central to the Wal-Mart relationship, that decisions about the future of the gallon were made at the CEO level.

Finally, Wal-Mart let Vlasic up for air. "The Wal-Mart guy's response was classic," Young recalls. "He said, 'Well, we've done to pickles what we did to orange juice. We've killed it. We can back off.' " Vlasic got to take it down to just over half a gallon of pickles, for $2.79. Not long after that, in January 2001, Vlasic filed for bankruptcy--although the gallon jar of pickles, everyone agrees, wasn't a critical factor.

By now, it is accepted wisdom that Wal-Mart makes the companies it does business with more efficient and focused, leaner and faster. Wal-Mart itself is known for continuous improvement in its ability to handle, move, and track merchandise. It expects the same of its suppliers. But the ability to operate at peak efficiency only gets you in the door at Wal-Mart. Then the real demands start. The public image Wal-Mart projects may be as cheery as its yellow smiley-face mascot, but there is nothing genial about the process by which Wal-Mart gets its suppliers to provide tires and contact lenses, guns and underarm deodorant at every day low prices. Wal-Mart is legendary for forcing its suppliers to redesign everything from their packaging to their computer systems. It is also legendary for quite straightforwardly telling them what it will pay for their goods.

"We are one of Wal-Mart's biggest suppliers, and they are our biggest customer, by far. We have a great relationship. That's all I can say. Are we done now?"

John Fitzgerald, a former vice president of Nabisco, remembers Wal-Mart's reaction to his company's plan to offer a 25-cent newspaper coupon for a large bag of Lifesavers in advance of Halloween. Wal-Mart told Nabisco to add up what it would spend on the promotion--for the newspaper ads, the coupons, and handling--and then just take that amount off the price instead. "That isn't necessarily good for the manufacturer," Fitzgerald says. "They need things that draw attention."

It also is not unheard of for Wal-Mart to demand to examine the private financial records of a supplier, and to insist that its margins are too high and must be cut. And the smaller the supplier, one academic study shows, the greater the likelihood that it will be forced into damaging concessions. Melissa Berryhill, a Wal-Mart spokeswoman, disagrees: "The fact is Wal-Mart, perhaps like no other retailer, seeks to establish collaborative and mutually beneficial relationships with our suppliers."

For many suppliers, though, the only thing worse than doing business with Wal-Mart may be not doing business with Wal-Mart. Last year, 7.5 cents of every dollar spent in any store in the United States (other than auto-parts stores) went to the retailer. That means a contract with Wal-Mart can be critical even for the largest consumer-goods companies. Dial Corp., for example, does 28% of its business with Wal-Mart. If Dial lost that one account, it would have to double its

sales to its next nine customers just to stay even. "Wal-Mart is the essential retailer, in a way no other retailer is," says Gib Carey, a partner at Bain & Co., who is leading a yearlong study of how to do business with Wal-Mart. "Our clients cannot grow without finding a way to be successful with Wal-Mart."

Many companies and their executives frankly admit that supplying Wal-Mart is like getting into the company version of basic training with an implacable Army drill sergeant. The process may be unpleasant. But there can be some positive results.

"Everyone from the forklift driver on up to me, the CEO, knew we had to deliver [to Wal-Mart] on time. Not 10 minutes late. And not 45 minutes early, either," says Robin Prever, who was CEO of Saratoga Beverage Group from 1992 to 2000, and made private-label water sold at Wal-Mart. "The message came through clearly: You have this 30-second delivery window. Either you're there, or you're out. With a customer like that, it changes your organization. For the better. It wakes everybody up. And all our customers benefited. We changed our whole approach to doing business."

But you won't hear evenhanded stories like that from Wal-Mart, or from its current suppliers. Despite being a publicly traded company, Wal-Mart is intensely private. It declined to talk in detail about its relationships with its suppliers for this story. More strikingly, dozens of companies contacted declined to talk about even the basics of their business with Wal-Mart.

Here, for example, is an executive at Dial: "We are one of Wal-Mart's biggest suppliers, and they are our biggest customer by far. We have a great relationship. That's all I can say. Are we done now?" Goaded a bit, the executive responds with an almost hysterical edge: "Are you meshuga? Why in the world would we talk about Wal-Mart? Ask me about anything else, we'll talk. But not Wal-Mart."

No one wants to end up in what is known among Wal-Mart vendors as the "penalty box"--punished, or even excluded from the store shelves, for saying something that makes Wal-Mart unhappy. (The penalty box is normally reserved for vendors who don't meet performance benchmarks, not for those who talk to the press.)

"You won't hear anything negative from most people," says Paul Kelly, founder of Silvermine Consulting Group, a company that helps businesses work more effectively with retailers. "It would be committing suicide. If Wal-Mart takes something the wrong way, it's like Saddam Hussein. You just don't want to piss them off."

As a result, this story was reported in an unusual way: by speaking with dozens of people who have spent years selling to Wal-Mart, or consulting to companies that sell to Wal-Mart, but who no longer work for companies that do business with Wal-Mart. Unless otherwise noted, the companies involved in the events they described refused even to confirm or deny the basics of the events.

To a person, all those interviewed credit Wal-Mart with a fundamental integrity in its dealings that's unusual in the world of consumer goods, retailing, and groceries. Wal-Mart does not cheat suppliers, it keeps its word, it pays its bills briskly. "They are tough people but very honest; they treat you honestly," says Peter Campanella, who ran the business that sold Corning kitchenware products, both at Corning and then at World Kitchen. "It was a joke to do business with most of their competitors. A fiasco."

But Wal-Mart also clearly does not hesitate to use its power, magnifying the Darwinian forces already at work in modern global capitalism.

Caught in the Wal-Mart squeeze, Huffy didn't just relinquish profits to keep its commitment to the retailer. It handed those profits to the competition.

What does the squeeze look like at Wal-Mart? It is usually thoroughly rational, sometimes devastatingly so.

John Mariotti is a veteran of the consumer-products world--he spent nine years as president of Huffy Bicycle Co., a division of Huffy Corp., and is now chairman of World Kitchen, the company that sells Oxo, Revere, Corning, and Ekco brand housewares.

He could not be clearer on his opinion about Wal-Mart: It's a great company, and a great company to do business with. "Wal-Mart has done more good for America by several thousand orders of magnitude than they've done bad," Mariotti says. "They have raised the bar, and raised the bar for everybody."

Mariotti describes one episode from Huffy's relationship with Wal-Mart. It's a tale he tells to illustrate an admiring point he makes about the retailer. "They demand you do what you say you are going to do." But it's also a classic example of the damned-if-you-do, damned-if-you-don't Wal-Mart squeeze. When Mariotti was at Huffy throughout the 1980s, the company sold a range of bikes to Wal-Mart, 20 or so models, in a spread of prices and profitability. It was a leading manufacturer of bikes in the United States, in places like Ponca City, Oklahoma; Celina, Ohio; and Farmington, Missouri.

One year, Huffy had committed to supply Wal-Mart with an entry-level, thin-margin bike--as many as Wal-Mart needed. Sales of the low-end bike took off. "I woke up May 1"--the heart of the bike production cycle for the summer--"and I needed 900,000 bikes," he says. "My factories could only run 450,000." As it happened, that same year, Huffy's fancier, more-profitable bikes were doing well, too, at Wal-Mart and other places. Huffy found itself in a bind.

With other retailers, perhaps, Mariotti might have sat down, renegotiated, tried to talk his way out of the corner. Not with Wal-Mart. "I made the deal up front with them," he says. "I knew how high was up. I was duty-bound to supply my customer." So he did something extraordinary. To free up production in order to make Wal-Mart's cheap bikes, he gave the designs for four of his higher-end, higher-margin products to rival manufacturers. "I conceded business to my competitors, because I just ran out of capacity," he says. Huffy didn't just relinquish profits to keep Wal-Mart happy--it handed those profits to its

competition. "Wal-Mart didn't tell me what to do," Mariotti says. "They didn't have to." The retailer, he adds, "is tough as nails. But they give you a chance to compete. If you can't compete, that's your problem."

In the years since Mariotti left Huffy, the bike maker's relationship with Wal-Mart has been vital (though Huffy Corp. has lost money in three out of the last five years). It is the number-three seller of bikes in the United States. And Wal-Mart is the number-one retailer of bikes. But here's one last statistic about bicycles: Roughly 98% are now imported from places such as China, Mexico, and Taiwan. Huffy made its last bike in the United States in 1999.

As Mariotti says, Wal-Mart is tough as nails. But not every supplier agrees that the toughness is always accompanied by fairness. The Lovable Company was founded in 1926 by the grandfather of Frank Garson II, who was Lovable's last president. It did business with Wal-Mart, Garson says, from the earliest days of founder Sam Walton's first store in Bentonville, Arkansas. Lovable made bras and lingerie, supplying retailers that also included Sears and Victoria's Secret. At one point, it was the sixth-largest maker of intimate apparel in the United States, with 700 employees in this country and another 2,000 at eight factories in Central America.

Eventually Wal-Mart became Lovable's biggest customer. "Wal-Mart has a big pencil," says Garson. "They have such awesome purchasing power that they write their own ticket. If they don't like your prices, they'll go vertical and do it themselves--or they'll find someone that will meet their terms."

In the summer of 1995, Garson asserts, Wal-Mart did just that. "They had awarded us a contract, and in their wisdom, they changed the terms so dramatically that they really reneged." Garson, still worried about litigation, won't provide details. "But when you lose a customer that size, they are irreplaceable."

Lovable was already feeling intense cost pressure. Less than three years after Wal-Mart pulled its business, in its 72nd year, Lovable closed. "They leave a lot to be desired in the way they treat people," says Garson. "Their actions to pulverize people are unnecessary. Wal-Mart chewed us up and spit us out."

Believe it or not, American business has been through this before. The Great Atlantic & Pacific Tea Co., the grocery-store chain, stood astride the U.S. market in the 1920s and 1930s with a dominance that has likely never been duplicated. At its peak, A&P had five times the number of stores Wal-Mart has now (although much smaller ones), and at one point, it owned 80% of the supermarket business. Some of the antipredatory-pricing laws in use today were inspired by A&P's attempts to muscle its suppliers.

There is very little academic and statistical study of Wal-Mart's impact on the health of its suppliers and virtually nothing in the last decade, when Wal-Mart's size has increased by a factor of five. This while the retail industry has become much more concentrated. In large part, that's because it's nearly impossible to get meaningful data that would allow researchers to track the influence of Wal-Mart's business on companies over time. You'd need cooperation from the

vendor companies or Wal-Mart or both--and neither Wal-Mart nor its suppliers are interested in sharing such intimate detail.

Bain & Co., the global management consulting firm, is in the midst of a project that asks, How does a company have a healthy relationship with Wal-Mart? How do you avoid being sucked into the vortex? How do you maintain some standing, some leverage of your own?

This July, in a mating that had the relieved air of lovers who had too long resisted embracing, Levi Strauss rolled blue jeans into every Wal-Mart in the United States.

Bain's first insights are obvious, if not easy. "Year after year," Carey, a partner at Bain & Co., says, "for any product that is the same as what you sold them last year, Wal-Mart will say, 'Here's the price you gave me last year. Here's what I can get a competitor's product for. Here's what I can get a private-label version for. I want to see a better value that I can bring to my shopper this year. Or else I'm going to use that shelf space differently.' "

Carey has a friend in the umbrella business who learned that. One year, because of costs, he went to Wal-Mart and asked for a 5% price increase. "Wal-Mart said, 'We were expecting a 5% decrease. We're off by 10%. Go back and sharpen your pencil.' " The umbrella man scrimped and came back with a 2% increase. "They said, 'We'll go with a Chinese manufacturer'--and he was out entirely."

The Wal-Mart squeeze means vendors have to be as relentless and as microscopic as Wal-Mart is at managing their own costs. They need, in fact, to turn themselves into shadow versions of Wal-Mart itself. "Wal-Mart won't necessarily say you have to reconfigure your distribution system," says Carey. "But companies recognize they are not going to maintain margins with growth in their Wal-Mart business without doing it."

The way to avoid being trapped in a spiral of growing business and shrinking profits, says Carey, is to innovate. "You need to bring Wal-Mart new products--products consumers need. Because with those, Wal-Mart doesn't have benchmarks to drive you down in price. They don't have historical data, you don't have competitors, they haven't bid the products out to private-label makers. That's how you can have higher prices and higher margins."

Reasonable advice, but not universally useful. There has been an explosion of "innovation" in toothbrushes and toothpastes in the past five years, for instance; but a pickle is a pickle is a pickle.

Bain's other critical discovery is that consumers are often more loyal to product companies than to Wal-Mart. With strongly branded items people develop a preference for--things like toothpaste or laundry detergent--Wal-Mart rarely forces shoppers to switch to a second choice. It would simply punish itself by seeing sales fall, and it won't put up with that for long.

But as Wal-Mart has grown in market reach and clout, even manufacturers known for nurturing premium brands may find themselves overpowered. This July, in a mating that had the relieved air of lovers who had too long resisted embracing, Levi Strauss rolled blue jeans into every Wal-Mart doorway in the United States: 2,864 stores. Wal-Mart, seeking to expand its clothing business with more fashionable brands, promoted the clothes on its in-store TV network and with banners slipped over the security-tag detectors at exit doors.

Levi's launch into Wal-Mart came the same summer the clothes maker celebrated its 150th birthday. For a century and a half, one of the most recognizable names in American commerce had survived without Wal-Mart. But in October 2002, when Levi Strauss and Wal-Mart announced their engagement, Levi was shrinking rapidly. The pressure on Levi goes back 25 years--well before Wal-Mart was an influence. Between 1981 and 1990, Levi closed 58 U.S. manufacturing plants, sending 25% of its sewing overseas.

Sales for Levi peaked in 1996 at $7.1 billion. By last year, they had spiraled down six years in a row, to $4.1 billion; through the first six months of 2003, sales dropped another 3%. This one account--selling jeans to Wal-Mart--could almost instantly revive Levi.

Last year, Wal-Mart sold more clothing than any other retailer in the country. It also sold more pairs of jeans than any other store. Wal-Mart's own inexpensive house brand of jeans, Faded Glory, is estimated to do $3 billion in sales a year, a house brand nearly the size of Levi Strauss. Perhaps most revealing in terms of

Levi's strategic blunders: In 2002, half the jeans sold in the United States cost less than $20 a pair. That same year, Levi didn't offer jeans for less than $30.

For much of the last decade, Levi couldn't have qualified to sell to Wal-Mart. Its computer systems were antiquated, and it was notorious for delivering clothes late to retailers. Levi admitted its on-time delivery rate was 65%. When it announced the deal with Wal-Mart last year, one fashion-industry analyst bluntly predicted Levi would simply fail to deliver the jeans.

But Levi Strauss has taken to the Wal-Mart Way with the intensity of a near-death religious conversion--and Levi's executives were happy to talk about their experience getting ready to sell at Wal-Mart. One hundred people at Levi's headquarters are devoted to the new business; another 12 have set up in an office in Bentonville, near Wal-Mart's headquarters, where the company has hired a respected veteran Wal-Mart sales account manager.

Getting ready for Wal-Mart has been like putting Levi on the Atkins diet. It has helped everything--customer focus, inventory management, speed to market. It has even helped other retailers that buy Levis, because Wal-Mart has forced the company to replenish stores within two days instead of Levi's previous five-day cycle.

And so, Wal-Mart might rescue Levi Strauss. Except for one thing.

Levi didn't actually have any clothes it could sell at Wal-Mart. Everything was too expensive. It had to develop a fresh line for mass retailers: the Levi Strauss Signature brand, featuring Levi Strauss's name on the back of the jeans.

Two months after the launch, Levi basked in the honeymoon glow. Overall sales, after falling for the first six months of 2003, rose 6% in the third quarter; profits in the summer quarter nearly doubled. All, Levi's CEO said, because of Signature.

"They are all very rational people. And they had a good point. Everyone was willing to pay more for a Master Lock. But how much more can they justify?"

But the low-end business isn't a business Levi is known for, or one it had been particularly interested in. It's also a business in which Levi will find itself competing with lean, experienced players such as VF and Faded Glory. Levi's makeover might so improve its performance with its non-Wal-Mart suppliers that its established business will thrive, too. It is just as likely that any gains will be offset by the competitive pressures already dissolving Levi's premium brands, and by the cannibalization of its own sales. "It's hard to see how this relationship will boost Levi's higher-end business," says Paul Farris, a professor at the University of Virginia's Darden Graduate School of Business Administration. "It's easy to see how this will hurt the higher-end business."

If Levi clothing is a runaway hit at Wal-Mart, that may indeed rescue Levi as a business. But what will have been rescued? The Signature line--it includes clothing for girls, boys, men, and women--is an odd departure for a company

whose brand has long been an American icon. Some of the jeans have the look, the fingertip feel, of pricier Levis. But much of the clothing has the look and feel it must have, given its price (around $23 for adult pants): cheap. Cheap and disappointing to find labeled with Levi Strauss's name. And just five days before the cheery profit news, Levi had another announcement: It is closing its last two U.S. factories, both in San Antonio, and laying off more than 2,500 workers, or 21% of its workforce. A company that 22 years ago had 60 clothing plants in the United States--and that was known as one of the most socially reponsible corporations on the planet--will, by 2004, not make any clothes at all. It will just import them.

In the end, of course, it is we as shoppers who have the power, and who have given that power to Wal-Mart. Part of Wal-Mart's dominance, part of its insight, and part of its arrogance, is that it presumes to speak for American shoppers.

If Wal-Mart doesn't like the pricing on something, says Andrew Whitman, who helped service Wal-Mart for years when he worked at General Foods and Kraft, they simply say, "At that price we no longer think it's a good value to our shopper. Therefore, we don't think we should carry it."

Wal-Mart has also lulled shoppers into ignoring the difference between the price of something and the cost. Its unending focus on price underscores something that Americans are only starting to realize about globalization: Ever-cheaper prices have consequences. Says Steve Dobbins, president of thread maker Carolina Mills: "We want clean air, clear water, good living conditions, the best

health care in the world--yet we aren't willing to pay for anything manufactured under those restrictions."

Randall Larrimore, a former CEO of MasterBrand Industries, the parent company of Master Lock, understands that contradiction too well. For years, he says, as manufacturing costs in the United States rose, Master Lock was able to pass them along. But at some point in the 1990s, Asian manufacturers started producing locks for much less. "When the difference is $1, retailers like Wal-Mart would prefer to have the brand-name padlock or faucet or hammer," Larrimore says. "But as the spread becomes greater, when our padlock was $9, and the import was $6, then they can offer the consumer a real discount by carrying two lines. Ultimately, they may only carry one line."

In January 1997, Master Lock announced that, after 75 years making locks in Milwaukee, it would begin importing more products from Asia. Not too long after, Master Lock opened a factory of its own in Nogales, Mexico. Today, it makes just 10% to 15% of its locks in Milwaukee--its 300 employees there mostly make parts that are sent to Nogales, where there are now 800 factory workers.

Larrimore did the first manufacturing layoffs at Master Lock. He negotiated with Master Lock's unions himself. He went to Bentonville. "I loved dealing with Wal-Mart, with Home Depot," he says. "They are all very rational people. There wasn't a whole lot of room for negotiation. And they had a good point. Everyone was willing to pay more for a Master Lock. But how much more can they justify? If

they can buy a lock that has arguably similar qual-ity, at a cheaper price, well, they can get their consumers a deal."

It's Wal-Mart in the role of Adam Smith's invisible hand. And the Milwaukee employees of Master Lock who shopped at Wal-Mart to save money helped that hand shove their own jobs right to Nogales. Not consciously, not directly, but inevitably. "Do we as consumers appreciate what we're doing?" Larrimore asks. "I don't think so. But even if we do, I think we say, Here's a Master Lock for $9, here's another lock for $6--let the other guy pay $9."

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Andrew Moesel provided research assistance for this story.

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Appendix B

Oakland vs. Wal-Mart

by Ruth Rosen

Published on Thursday, October 23, 2003 by the San Francisco Chronicle

WAL-MART DOESN'T take no for an answer. When Contra Costa County passed a ban on "big box" super-centers, which combine general merchandise and full-service grocery departments, the largest corporation in the world parachuted in paid workers to gather enough signatures to place a referendum on the ban on the March ballot.

Now, Wal-Mart faces another foe -- the city of Oakland, which passed an ordinance Tuesday night that bans the building of super-centers that include full-service supermarkets and exceed 2.5 acres in size. Smaller big-box stores (including Wal-Mart) and supermarkets would not be affected.

Not everyone agrees with the city council's decision. Wal-Mart officials, for their part, view their intention to build 40 new super-centers in California as providing "consumer choice."

Council member Desley Brooks, who cast a "no" vote on the ban, told me, "We're always saying Oakland wants to court retail business and increase jobs, but then we put up these obstacles. People in Oakland will just drive to another city." Instead of paying $5 for a box of cereal at Safeway, for example, a shopper could buy the same item for $1.97 at Wal-Mart. So,

say opponents, isn't the city council acting against the interests of the poor, who want low prices and desperately need low-skilled jobs?

In the short term, yes. But the city council, especially council President Ignacio de la Fuente and council member Jane Brunner, who introduced and fought for the ordinance, were looking at the larger picture.

"Superstores like Wal-Mart" Ignacio de la Fuente told me, "have a detrimental impact on the local economy. They wipe out mom-and-pop stores and discourage other supermarkets from coming into the neighborhood. They also cause greater traffic congestion and air pollution because people frequently drive across town to shop for groceries at super-centers. Most importantly, they depress the wages of workers and offer unaffordable health benefits so that taxpayers have to pay for those workers' health services."

He's right. Wal-Mart, for example, has already pushed some two dozen national supermarket chains into bankruptcy during the last 10 years by paying poverty-level wages, offering unaffordable health benefits and underselling other big box stores by importing goods made by cheap foreign labor. The average Wal-Mart grocery worker earns $8.50 an hour, which results in a below poverty-level annual income of $14,000. By contrast, a union worker at a supermarket earns $17 an hour, plus health benefits, which allows working families to share a slice of the American Dream and keeps taxpayers from picking up the tab for their health care.

Richard Benson, President of the United Food and Commercial Workers, AFL- CIO, knows what Wal-Mart super-centers do to workers, their families and neighborhoods. To the council, he argued that "The combined negative effects on the community far outweigh consumer savings that can be realized at a super- center. . . . It is important to remember that the lower prices offered by stores like Wal-Mart are in large measure a function of labor costs more than 20 percent lower than supermarkets and other competitors, which in turn result in lower community standards."

Oakland now joins a few dozen cities and counties -- from Stratham, N. H., to Bozeman, Mont. -- who have banned such super-stores by convincing their residents that if they pay less at a super store, they end up paying more taxes when workers land on the public dole. With $245 billion in revenues, however, Wal-Mart can easily afford to fight off unions that try to organize its workers and cities that try to ban its stores.

Stay tuned: The Wal-Mart wars in California have just begun.

APPENDIX C

For Immediate Release

Office of the Press Secretary

January 23, 2007

President Bush Delivers State of the Union Address

United States Capitol

Washington, D.C.

9:13 P.M. EST

THE PRESIDENT: Thank you very much. And tonight, I have a high privilege and distinct honor of my own -- as the first President to begin the State of the Union message with these words: Madam Speaker. (Applause.)

In his day, the late Congressman Thomas D'Alesandro, Jr. from Baltimore, Maryland, saw Presidents Roosevelt and Truman at this rostrum. But nothing could compare with the sight of his only daughter, Nancy, presiding tonight as Speaker of the House of Representatives. (Applause.) Congratulations, Madam Speaker. (Applause.)

Two members of the House and Senate are not with us tonight, and we pray for the recovery and speedy return of Senator Tim Johnson and Congressman Charlie Norwood. (Applause.)

Madam Speaker, Vice President Cheney, members of Congress, distinguished guests, and fellow citizens:

The rite of custom brings us together at a defining hour -- when decisions are hard and courage is needed. We enter the year 2007 with large endeavors underway, and others that are ours to begin. In all of this, much is asked of us. We must have the will to face difficult challenges and determined enemies -- and the wisdom to face them together.

Some in this chamber are new to the House and the Senate -- and I congratulate the Democrat majority. (Applause.) Congress has changed, but not our responsibilities. Each of us is guided by our own convictions -- and to these we must stay faithful. Yet we're all held to the same standards, and called to serve the same good purposes: To extend this nation's prosperity; to spend the people's money wisely; to solve problems, not leave them to future generations; to guard America against all evil; and to keep faith with those we have sent forth to defend us. (Applause.)

We're not the first to come here with a government divided and uncertainty in the air. Like many before us, we can work through our differences, and achieve big things for the American people. Our citizens don't much care which side of the aisle we sit on -- as long as we're willing to cross that aisle when there is work to be done. (Applause.) Our job is to make life better for our fellow Americans, and to help them to build a future of hope and opportunity -- and this is the business before us tonight.

A future of hope and opportunity begins with a growing economy -- and that is what we have. We're now in the 41st month of uninterrupted job growth, in a recovery that has created 7.2 million new jobs -- so far. Unemployment is low, inflation is low, and wages are rising. This economy is on the move, and our job is to keep it that way, not with more government, but with more enterprise. (Applause.)

Next week, I'll deliver a full report on the state of our economy. Tonight, I want to discuss three economic reforms that deserve to be priorities for this Congress.

First, we must balance the federal budget. (Applause.) We can do so without raising taxes. (Applause.) What we need to do is impose spending discipline in Washington, D.C. We set a goal of cutting the deficit in half by 2009, and met that goal three years ahead of schedule. (Applause.) Now let us take the next step. In the coming weeks, I will submit a budget that eliminates the federal deficit within the next five years. (Applause.) I ask you to make the same commitment. Together, we can restrain the spending appetite of the federal government, and we can balance the federal budget. (Applause.)

Next, there is the matter of earmarks. These special interest items are often slipped into bills at the last hour -- when not even C-SPAN is watching. (Laughter.) In 2005 alone, the number of earmarks grew to over 13,000 and totaled nearly $18 billion. Even worse, over 90 percent of earmarks never make it to the floor of the House and Senate -- they are dropped into committee reports that are not even part of the bill that arrives on my desk. You didn't vote them into

law. I didn't sign them into law. Yet, they're treated as if they have the force of law. The time has come to end this practice. So let us work together to reform the budget process, expose every earmark to the light of day and to a vote in Congress, and cut the number and cost of earmarks at least in half by the end of this session. (Applause.)

And, finally, to keep this economy strong we must take on the challenge of entitlements. Social Security and Medicare and Medicaid are commitments of conscience, and so it is our duty to keep them permanently sound. Yet, we're failing in that duty. And this failure will one day leave our children with three bad options: huge tax increases, huge deficits, or huge and immediate cuts in benefits. Everyone in this chamber knows this to be true -- yet somehow we have not found it in ourselves to act. So let us work together and do it now. With enough good sense and goodwill, you and I can fix Medicare and Medicaid -- and save Social Security. (Applause.)

Spreading opportunity and hope in America also requires public schools that give children the knowledge and character they need in life. Five years ago, we rose above partisan differences to pass the No Child Left Behind Act, preserving local control, raising standards, and holding those schools accountable for results. And because we acted, students are performing better in reading and math, and minority students are closing the achievement gap.

Now the task is to build on the success, without watering down standards, without taking control from local communities, and without backsliding and calling

it reform. We can lift student achievement even higher by giving local leaders flexibility to turn around failing schools, and by giving families with children stuck in failing schools the right to choose someplace better. (Applause.) We must increase funds for students who struggle -- and make sure these children get the special help they need. (Applause.) And we can make sure our children are prepared for the jobs of the future and our country is more competitive by strengthening math and science skills. The No Child Left Behind Act has worked for America's children -- and I ask Congress to reauthorize this good law. (Applause.)

A future of hope and opportunity requires that all our citizens have affordable and available health care. (Applause.) When it comes to health care, government has an obligation to care for the elderly, the disabled, and poor children. And we will meet those responsibilities. For all other Americans, private health insurance is the best way to meet their needs. (Applause.) But many Americans cannot afford a health insurance policy.

And so tonight, I propose two new initiatives to help more Americans afford their own insurance. First, I propose a standard tax deduction for health insurance that will be like the standard tax deduction for dependents. Families with health insurance will pay no income on payroll tax -- or payroll taxes on $15,000 of their income. Single Americans with health insurance will pay no income or payroll taxes on $7,500 of their income. With this reform, more than 100 million men, women, and children who are now covered by employer-provided insurance will

benefit from lower tax bills. At the same time, this reform will level the playing field for those who do not get health insurance through their job. For Americans who now purchase health insurance on their own, this proposal would mean a substantial tax savings -- $4,500 for a family of four making $60,000 a year. And for the millions of other Americans who have no health insurance at all, this deduction would help put a basic private health insurance plan within their reach. Changing the tax code is a vital and necessary step to making health care affordable for more Americans. (Applause.)

My second proposal is to help the states that are coming up with innovative ways to cover the uninsured. States that make basic private health insurance available to all their citizens should receive federal funds to help them provide this coverage to the poor and the sick. I have asked the Secretary of Health and Human Services to work with Congress to take existing federal funds and use them to create "Affordable Choices" grants. These grants would give our nation's governors more money and more flexibility to get private health insurance to those most in need.

There are many other ways that Congress can help. We need to expand Health Savings Accounts. (Applause.) We need to help small businesses through Association Health Plans. (Applause.) We need to reduce costs and medical errors with better information technology. (Applause.) We will encourage price transparency. And to protect good doctors from junk lawsuits, we passing medical liability reform. (Applause.) In all we do, we must remember that the best

health care decisions are made not by government and insurance companies, but by patients and their doctors. (Applause.)

Extending hope and opportunity in our country requires an immigration system worthy of America -- with laws that are fair and borders that are secure. When laws and borders are routinely violated, this harms the interests of our country. To secure our border, we're doubling the size of the Border Patrol, and funding new infrastructure and technology.

Yet even with all these steps, we cannot fully secure the border unless we take pressure off the border -- and that requires a temporary worker program. We should establish a legal and orderly path for foreign workers to enter our country to work on a temporary basis. As a result, they won't have to try to sneak in, and that will leave Border Agents free to chase down drug smugglers and criminals and terrorists. (Applause.) We'll enforce our immigration laws at the work site and give employers the tools to verify the legal status of their workers, so there's no excuse left for violating the law. (Applause.)

We need to uphold the great tradition of the melting pot that welcomes and assimilates new arrivals. (Applause.) We need to resolve the status of the illegal immigrants who are already in our country without animosity and without amnesty. (Applause.) Convictions run deep in this Capitol when it comes to immigration. Let us have a serious, civil, and conclusive debate, so that you can pass, and I can sign, comprehensive immigration reform into law. (Applause.)

Extending hope and opportunity depends on a stable supply of energy that keeps America's economy running and America's environment clean. For too long our nation has been dependent on foreign oil. And this dependence leaves us more vulnerable to hostile regimes, and to terrorists -- who could cause huge disruptions of oil shipments, and raise the price of oil, and do great harm to our economy.

It's in our vital interest to diversify America's energy supply -- the way forward is through technology. We must continue changing the way America generates electric power, by even greater use of clean coal technology, solar and wind energy, and clean, safe nuclear power. (Applause.) We need to press on with battery research for plug-in and hybrid vehicles, and expand the use of clean diesel vehicles and biodiesel fuel. (Applause.) We must continue investing in new methods of producing ethanol -- (applause) -- using everything from wood chips to grasses, to agricultural wastes.

We made a lot of progress, thanks to good policies here in Washington and the strong response of the market. And now even more dramatic advances are within reach. Tonight, I ask Congress to join me in pursuing a great goal. Let us build on the work we've done and reduce gasoline usage in the United States by 20 percent in the next 10 years. (Applause.) When we do that we will have cut our total imports by the equivalent of three-quarters of all the oil we now import from the Middle East.

To reach this goal, we must increase the supply of alternative fuels, by setting a mandatory fuels standard to require 35 billion gallons of renewable and alternative fuels in 2017 -- and that is nearly five times the current target. (Applause.) At the same time, we need to reform and modernize fuel economy standards for cars the way we did for light trucks -- and conserve up to 8.5 billion more gallons of gasoline by 2017.

Achieving these ambitious goals will dramatically reduce our dependence on foreign oil, but it's not going to eliminate it. And so as we continue to diversify our fuel supply, we must step up domestic oil production in environmentally sensitive ways. (Applause.) And to further protect America against severe disruptions to our oil supply, I ask Congress to double the current capacity of the Strategic Petroleum Reserve. (Applause.)

America is on the verge of technological breakthroughs that will enable us to live our lives less dependent on oil. And these technologies will help us be better stewards of the environment, and they will help us to confront the serious challenge of global climate change. (Applause.)

A future of hope and opportunity requires a fair, impartial system of justice. The lives of our citizens across our nation are affected by the outcome of cases pending in our federal courts. We have a shared obligation to ensure that the federal courts have enough judges to hear those cases and deliver timely rulings. As President, I have a duty to nominate qualified men and women to vacancies on the federal bench. And the United States Senate has a duty, as well, to give

those nominees a fair hearing, and a prompt up-or-down vote on the Senate floor. (Applause.)

For all of us in this room, there is no higher responsibility than to protect the people of this country from danger. Five years have come and gone since we saw the scenes and felt the sorrow that the terrorists can cause. We've had time to take stock of our situation. We've added many critical protections to guard the homeland. We know with certainty that the horrors of that September morning were just a glimpse of what the terrorists intend for us -- unless we stop them.

With the distance of time, we find ourselves debating the causes of conflict and the course we have followed. Such debates are essential when a great democracy faces great questions. Yet one question has surely been settled: that to win the war on terror we must take the fight to the enemy. (Applause.)

From the start, America and our allies have protected our people by staying on the offense. The enemy knows that the days of comfortable sanctuary, easy movement, steady financing, and free flowing communications are long over. For the terrorists, life since 9/11 has never been the same.

Our success in this war is often measured by the things that did not happen. We cannot know the full extent of the attacks that we and our allies have prevented, but here is some of what we do know: We stopped an al Qaeda plot to fly a hijacked airplane into the tallest building on the West Coast. We broke up a Southeast Asian terror cell grooming operatives for attacks inside the United

States. We uncovered an al Qaeda cell developing anthrax to be used in attacks against America. And just last August, British authorities uncovered a plot to blow up passenger planes bound for America over the Atlantic Ocean. For each life saved, we owe a debt of gratitude to the brave public servants who devote their lives to finding the terrorists and stopping them. (Applause.)

Every success against the terrorists is a reminder of the shoreless ambitions of this enemy. The evil that inspired and rejoiced in 9/11 is still at work in the world. And so long as that's the case, America is still a nation at war.

In the mind of the terrorist, this war began well before September the 11th, and will not end until their radical vision is fulfilled. And these past five years have given us a much clearer view of the nature of this enemy. Al Qaeda and its followers are Sunni extremists, possessed by hatred and commanded by a harsh and narrow ideology. Take almost any principle of civilization, and their goal is the opposite. They preach with threats, instruct with bullets and bombs, and promise paradise for the murder of the innocent.

Our enemies are quite explicit about their intentions. They want to overthrow moderate governments, and establish safe havens from which to plan and carry out new attacks on our country. By killing and terrorizing Americans, they want to force our country to retreat from the world and abandon the cause of liberty. They would then be free to impose their will and spread their totalitarian ideology. Listen to this warning from the late terrorist Zarqawi: "We will sacrifice our blood and bodies to put an end to your dreams, and what is coming is even worse."

Osama bin Laden declared: "Death is better than living on this Earth with the unbelievers among us."

These men are not given to idle words, and they are just one camp in the Islamist radical movement. In recent times, it has also become clear that we face an escalating danger from Shia extremists who are just as hostile to America, and are also determined to dominate the Middle East. Many are known to take direction from the regime in Iran, which is funding and arming terrorists like Hezbollah -- a group second only to al Qaeda in the American lives it has taken.

The Shia and Sunni extremists are different faces of the same totalitarian threat. Whatever slogans they chant, when they slaughter the innocent they have the same wicked purposes. They want to kill Americans, kill democracy in the Middle East, and gain the weapons to kill on an even more horrific scale.

In the sixth year since our nation was attacked, I wish I could report to you that the dangers had ended. They have not. And so it remains the policy of this government to use every lawful and proper tool of intelligence, diplomacy, law enforcement, and military action to do our duty, to find these enemies, and to protect the American people. (Applause.)

This war is more than a clash of arms -- it is a decisive ideological struggle, and the security of our nation is in the balance. To prevail, we must remove the conditions that inspire blind hatred, and drove 19 men to get onto airplanes and to come and kill us. What every terrorist fears most is human freedom

-- societies where men and women make their own choices, answer to their own conscience, and live by their hopes instead of their resentments. Free people are not drawn to violent and malignant ideologies -- and most will choose a better way when they're given a chance. So we advance our own security interests by helping moderates and reformers and brave voices for democracy. The great question of our day is whether America will help men and women in the Middle East to build free societies and share in the rights of all humanity. And I say, for the sake of our own security, we must. (Applause.)

In the last two years, we've seen the desire for liberty in the broader Middle East -- and we have been sobered by the enemy's fierce reaction. In 2005, the world watched as the citizens of Lebanon raised the banner of the Cedar Revolution, they drove out the Syrian occupiers and chose new leaders in free elections. In 2005, the people of Afghanistan defied the terrorists and elected a democratic legislature. And in 2005, the Iraqi people held three national elections, choosing a transitional government, adopting the most progressive, democratic constitution in the Arab world, and then electing a government under that constitution. Despite endless threats from the killers in their midst, nearly 12 million Iraqi citizens came out to vote in a show of hope and solidarity that we should never forget. (Applause.)

A thinking enemy watched all of these scenes, adjusted their tactics, and in 2006 they struck back. In Lebanon, assassins took the life of Pierre Gemayel, a prominent participant in the Cedar Revolution. Hezbollah terrorists, with support

from Syria and Iran, sowed conflict in the region and are seeking to undermine Lebanon's legitimately elected government. In Afghanistan, Taliban and al Qaeda fighters tried to regain power by regrouping and engaging Afghan and NATO forces. In Iraq, al Qaeda and other Sunni extremists blew up one of the most sacred places in Shia Islam -- the Golden Mosque of Samarra. This atrocity, directed at a Muslim house of prayer, was designed to provoke retaliation from Iraqi Shia -- and it succeeded. Radical Shia elements, some of whom receive support from Iran, formed death squads. The result was a tragic escalation of sectarian rage and reprisal that continues to this day.

This is not the fight we entered in Iraq, but it is the fight we're in. Every one of us wishes this war were over and won. Yet it would not be like us to leave our promises unkept, our friends abandoned, and our own security at risk. (Applause.) Ladies and gentlemen: On this day, at this hour, it is still within our power to shape the outcome of this battle. Let us find our resolve, and turn events toward victory. (Applause.)

We're carrying out a new strategy in Iraq -- a plan that demands more from Iraq's elected government, and gives our forces in Iraq the reinforcements they need to complete their mission. Our goal is a democratic Iraq that upholds the rule of law, respects the rights of its people, provides them security, and is an ally in the war on terror.

In order to make progress toward this goal, the Iraqi government must stop the sectarian violence in its capital. But the Iraqis are not yet ready to do this on their

own. So we're deploying reinforcements of more than 20,000 additional soldiers and Marines to Iraq. The vast majority will go to Baghdad, where they will help Iraqi forces to clear and secure neighborhoods, and serve as advisers embedded in Iraqi Army units. With Iraqis in the lead, our forces will help secure the city by chasing down the terrorists, insurgents, and the roaming death squads. And in Anbar Province, where al Qaeda terrorists have gathered and local forces have begun showing a willingness to fight them, we're sending an additional 4,000 United States Marines, with orders to find the terrorists and clear them out. (Applause.) We didn't drive al Qaeda out of their safe haven in Afghanistan only to let them set up a new safe haven in a free Iraq.

The people of Iraq want to live in peace, and now it's time for their government to act. Iraq's leaders know that our commitment is not open-ended. They have promised to deploy more of their own troops to secure Baghdad -- and they must do so. They pledged that they will confront violent radicals of any faction or political party -- and they need to follow through, and lift needless restrictions on Iraqi and coalition forces, so these troops can achieve their mission of bringing security to all of the people of Baghdad. Iraq's leaders have committed themselves to a series of benchmarks -- to achieve reconciliation, to share oil revenues among all of Iraq's citizens, to put the wealth of Iraq into the rebuilding of Iraq, to allow more Iraqis to re-enter their nation's civic life, to hold local elections, and to take responsibility for security in every Iraqi province. But for all of this to happen, Baghdad must be secure. And our plan will help the Iraqi government take back its capital and make good on its commitments.

My fellow citizens, our military commanders and I have carefully weighed the options. We discussed every possible approach. In the end, I chose this course of action because it provides the best chance for success. Many in this chamber understand that America must not fail in Iraq, because you understand that the consequences of failure would be grievous and far-reaching.

If American forces step back before Baghdad is secure, the Iraqi government would be overrun by extremists on all sides. We could expect an epic battle between Shia extremists backed by Iran, and Sunni extremists aided by al Qaeda and supporters of the old regime. A contagion of violence could spill out across the country -- and in time, the entire region could be drawn into the conflict.

For America, this is a nightmare scenario. For the enemy, this is the objective. Chaos is the greatest ally -- their greatest ally in this struggle. And out of chaos in Iraq would emerge an emboldened enemy with new safe havens, new recruits, new resources, and an even greater determination to harm America. To allow this to happen would be to ignore the lessons of September the 11th and invite tragedy. Ladies and gentlemen, nothing is more important at this moment in our history than for America to succeed in the Middle East, to succeed in Iraq and to spare the American people from this danger. (Applause.)

This is where matters stand tonight, in the here and now. I have spoken with many of you in person. I respect you and the arguments you've made. We went into this largely united, in our assumptions and in our convictions. And whatever

you voted for, you did not vote for failure. Our country is pursuing a new strategy in Iraq, and I ask you to give it a chance to work. And I ask you to support our troops in the field, and those on their way. (Applause.)

The war on terror we fight today is a generational struggle that will continue long after you and I have turned our duties over to others. And that's why it's important to work together so our nation can see this great effort through. Both parties and both branches should work in close consultation. It's why I propose to establish a special advisory council on the war on terror, made up of leaders in Congress from both political parties. We will share ideas for how to position America to meet every challenge that confronts us. We'll show our enemies abroad that we are united in the goal of victory.

And one of the first steps we can take together is to add to the ranks of our military so that the American Armed Forces are ready for all the challenges ahead. (Applause.) Tonight I ask the Congress to authorize an increase in the size of our active Army and Marine Corps by 92,000 in the next five years. (Applause.) A second task we can take on together is to design and establish a volunteer Civilian Reserve Corps. Such a corps would function much like our military reserve. It would ease the burden on the Armed Forces by allowing us to hire civilians with critical skills to serve on missions abroad when America needs them. It would give people across America who do not wear the uniform a chance to serve in the defining struggle of our time.

Americans can have confidence in the outcome of this struggle because we're not in this struggle alone. We have a diplomatic strategy that is rallying the world to join in the fight against extremism. In Iraq, multinational forces are operating under a mandate from the United Nations. We're working with Jordan and Saudi Arabia and Egypt and the Gulf States to increase support for Iraq's government.

The United Nations has imposed sanctions on Iran, and made it clear that the world will not allow the regime in Tehran to acquire nuclear weapons. (Applause.) With the other members of the Quartet -- the U.N., the European Union, and Russia -- we're pursuing diplomacy to help bring peace to the Holy Land, and pursuing the establishment of a democratic Palestinian state living side-by-side with Israel in peace and security. (Applause.) In Afghanistan, NATO has taken the lead in turning back the Taliban and al Qaeda offensive -- the first time the Alliance has deployed forces outside the North Atlantic area. Together with our partners in China, Japan, Russia, and South Korea, we're pursuing intensive diplomacy to achieve a Korean Peninsula free of nuclear weapons. (Applause.)

We will continue to speak out for the cause of freedom in places like Cuba, Belarus, and Burma -- and continue to awaken the conscience of the world to save the people of Darfur. (Applause.)

American foreign policy is more than a matter of war and diplomacy. Our work in the world is also based on a timeless truth: To whom much is given, much is required. We hear the call to take on the challenges of hunger and poverty and disease -- and that is precisely what America is doing. We must continue to fight

HIV/AIDS, especially on the continent of Africa. (Applause.) Because you funded our Emergency Plan for AIDS Relief, the number of people receiving life-saving drugs has grown from 50,000 to more than 800,000 in three short years. I ask you to continue funding our efforts to fight HIV/AIDS. I ask you to provide $1.2 billion over five years so we can combat malaria in 15 African countries. (Applause.)

I ask that you fund the Millennium Challenge Account, so that American aid reaches the people who need it, in nations where democracy is on the rise and corruption is in retreat. And let us continue to support the expanded trade and debt relief that are the best hope for lifting lives and eliminating poverty. (Applause.)

When America serves others in this way, we show the strength and generosity of our country. These deeds reflect the character of our people. The greatest strength we have is the heroic kindness, courage, and self-sacrifice of the American people. You see this spirit often if you know where to look -- and tonight we need only look above to the gallery.

Dikembe Mutombo grew up in Africa, amid great poverty and disease. He came to Georgetown University on a scholarship to study medicine -- but Coach John Thompson got a look at Dikembe and had a different idea. (Laughter.) Dikembe became a star in the NBA, and a citizen of the United States. But he never forgot the land of his birth, or the duty to share his blessings with others. He built a brand new hospital in his old hometown. A friend has said of this good-hearted

man: "Mutombo believes that God has given him this opportunity to do great things." And we are proud to call this son of the Congo a citizen of the United States of America. (Applause.)

After her daughter was born, Julie Aigner-Clark searched for ways to share her love of music and art with her child. So she borrowed some equipment, and began filming children's videos in her basement. The Baby Einstein Company was born, and in just five years her business grew to more than $20 million in sales. In November 2001, Julie sold Baby Einstein to the Walt Disney Company, and with her help Baby Einstein has grown into a $200 million business. Julie represents the great enterprising spirit of America. And she is using her success to help others -- producing child safety videos with John Walsh of the National Center for Missing and Exploited Children. Julie says of her new project: "I believe it's the most important thing that I have ever done. I believe that children have the right to live in a world that is safe." And so tonight, we are pleased to welcome this talented business entrepreneur and generous social entrepreneur -- Julie Aigner-Clark. (Applause.)

Three weeks ago, Wesley Autrey was waiting at a Harlem subway station with his two little girls, when he saw a man fall into the path of a train. With seconds to act, Wesley jumped onto the tracks, pulled the man into the space between the rails, and held him as the train passed right above their heads. He insists he's not a hero. He says: "We got guys and girls overseas dying for us to have our freedoms. We have got to show each other some love." There is something

wonderful about a country that produces a brave and humble man like Wesley Autrey. (Applause.)

Tommy Rieman was a teenager pumping gas in Independence, Kentucky, when he enlisted in the United States Army. In December 2003, he was on a reconnaissance mission in Iraq when his team came under heavy enemy fire. From his Humvee, Sergeant Rieman returned fire; he used his body as a shield to protect his gunner. He was shot in the chest and arm, and received shrapnel wounds to his legs -- yet he refused medical attention, and stayed in the fight. He helped to repel a second attack, firing grenades at the enemy's position. For his exceptional courage, Sergeant Rieman was awarded the Silver Star. And like so many other Americans who have volunteered to defend us, he has earned the respect and the gratitude of our entire country. (Applause.)

In such courage and compassion, ladies and gentlemen, we see the spirit and character of America -- and these qualities are not in short supply. This is a decent and honorable country -- and resilient, too. We've been through a lot together. We've met challenges and faced dangers, and we know that more lie ahead. Yet we can go forward with confidence -- because the State of our Union is strong, our cause in the world is right, and tonight that cause goes on. God bless. (Applause.)

See you next year. Thank you for your prayers.

END 10:02 P.M. EST

APPENDIX D

The National Security Strategy of the United States of America

The great struggles of the twentieth century between liberty and totalitarianism ended with a decisive victory for the forces of freedom—and a single sustainable model for national success: freedom, democracy, and free enterprise. In the twenty-first century, only nations that share a commitment to protecting basic human rights and guaranteeing political and economic freedom will be able to unleash the potential of their people and assure their future prosperity. People everywhere want to be able to speak freely; choose who will govern them; worship as they please; educate their children—male and female; own property; and enjoy the benefits of their labor. These values of freedom are right and true for every person, in every society—and the duty of protecting these values against their enemies is the common calling of freedom-loving people across the globe and across the ages.

Today, the United States enjoys a position of unparalleled military strength and great economic and political influence. In keeping with our heritage and principles, we do not use our strength to press for unilateral advantage.We seek instead to create a balance of power that favors human freedom: conditions in which all nations and all societies can choose for themselves the rewards and challenges of political and economic liberty. In a world that is safe, people will be able to make their own lives better.We will defend the peace by fighting terrorists and tyrants.We will preserve the peace by building good relations among the

great powers. We will extend the peace by encouraging free and open societies on every continent.

Defending our Nation against its enemies is the first and fundamental commitment of the Federal Government. Today, that task has changed dramatically. Enemies in the past needed great armies and great industrial capabilities to endanger America. Now, shadowy networks of individuals can bring great chaos and suffering to our shores for less than it costs to purchase a single tank. Terrorists are organized to penetrate open societies and to turn the power of modern technologies against us.

To defeat this threat we must make use of every tool in our arsenal—military power, better homeland defenses, law enforcement, intelligence, and vigorous efforts to cut off terrorist financing. The war against terrorists of global reach is a global enterprise of uncertain duration. America will help nations that need our assistance in combating terror. And America will hold to account nations that are compromised by terror, including those who harbor terrorists— because the allies of terror are the enemies of civilization. The United States and countries cooperating with us must not allow the terrorists to develop new home bases. Together, we will seek to deny them sanctuary at every turn.

The gravest danger our Nation faces lies at the crossroads of radicalism and technology. Our enemies have openly declared that they are seeking weapons of mass destruction, and evidence indicates that they are doing so with determination. The United States will not allow these efforts to succeed.We will

build defenses against ballistic missiles and other means of delivery. We will cooperate with other nations to deny, contain, and curtail our enemies' efforts to acquire dangerous technologies. And, as a matter of common sense and self-defense, America will act against such emerging threats before they are fully formed.We cannot defend America and our friends by hoping for the best. So we must be prepared to defeat our enemies' plans, using the best intelligence and proceeding with deliberation. History will judge harshly those who saw this coming danger but failed to act. In the new world we have entered, the only path to peace and security is the path of action.

As we defend the peace, we will also take advantage of an historic opportunity to preserve the peace. Today, the international community has the best chance since the rise of the nation-state in the seventeenth century to build a world where great powers compete in peace instead of continually prepare for war. Today, the world's great powers find ourselves on the same side— united by common dangers of terrorist violence and chaos. The United States will build on these common interests to promote global security.We are also increasingly united by common values. Russia is in the midst of a hopeful transition, reaching for its democratic future and a partner in the war on terror. Chinese leaders are discovering that economic freedom is the only source of national wealth. In time, they will find that social and political freedom is the only source of national greatness. America will encourage the advancement of democracy and economic openness in both nations, because these are the best foundations for domestic stability and international order.We will strongly resist aggression from

other great powers—even as we welcome their peaceful pursuit of prosperity, trade, and cultural advancement.

Finally, the United States will use this moment of opportunity to extend the benefits of freedom across the globe.We will actively work to bring the hope of democracy, development, free markets, and free trade to every corner of the world. The events of September 11, 2001, taught us that weak states, like Afghanistan, can pose as great a danger to our national interests as strong states. Poverty does not make poor people into terrorists and murderers. Yet poverty, weak institutions, and corruption can make weak states vulnerable to terrorist networks and drug cartels within their borders.

The United States will stand beside any nation determined to build a better future by seeking the rewards of liberty for its people. Free trade and free markets have proven their ability to lift whole societies out of poverty—so the United States will work with individual nations, entire regions, and the entire global trading community to build a world that trades in freedom and therefore grows in prosperity. The United States will deliver greater development assistance through the New Millennium Challenge Account to nations that govern justly, invest in their people, and encourage economic freedom.We will also continue to lead the world in efforts to reduce the terrible toll of HIV/AIDS and other infectious diseases.

In building a balance of power that favors freedom, the United States is guided by the conviction that all nations have important responsibilities. Nations that

enjoy freedom must actively fight terror. Nations that depend on international stability must help prevent the spread of weapons of mass destruction. Nations that seek international aid must govern themselves wisely, so that aid is well spent. For freedom to thrive, accountability must be expected and required.

We are also guided by the conviction that no nation can build a safer, better world alone. Alliances and multilateral institutions can multiply the strength of freedom-loving nations. The United States is committed to lasting institutions like the United Nations, the World Trade Organization, the Organization of American States, and NATO as well as other long-standing alliances. Coalitions of the willing can augment these permanent institutions. In all cases, international obligations are to be taken seriously. They are not to be undertaken symbolically to rally support for an ideal without furthering its attainment.

Freedom is the non-negotiable demand of human dignity; the birthright of every person—in every civilization. Throughout history, freedom has been threatened by war and terror; it has been challenged by the clashing wills of powerful states and the evil designs of tyrants; and it has been tested by widespread poverty and disease. Today, humanity holds in its hands the opportunity to further freedom's triumph over all these foes. The United States welcomes our responsibility to lead in this great mission.

George W. Bush

THE WHITE HOUSE,

September 17, 2002

NOTES

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