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COMS 103  
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## **I. Introduction**

- Attention Getter:** Walking out of Wal-Mart, I felt a sense of accomplishment that I found my item for \$2 cheaper than everywhere else. Not a lot of people get past this feeling. They do not delve deeper to ask the question: “How did I get this so cheap?”
- Reason to Listen:** You will receive a greater awareness on the choices that you make daily and get confidence in their purchasing power.
- Speaker Credibility:** As a small business owner, I am compelled to make conscientious decisions on where to buy and who to buy from for my supplies.
- Thesis:** The consequences of relying on low-priced imports have continually reverberating effects on every person, both domestically and internationally. By becoming cognizant of the issue, you will be able to make an informed and conscious decision of what you are buying.
- Preview of Points:**
1. “The High Cost of Low Prices”: The Wal-Mart Phenomenon
  2. Expansion of Free Trade Zones
  3. Our Throw-away Society and Overconsumption

**Transition: Let’s begin by demystifying those unbelievable bargains at Wal-Mart.**

## **II. Body**

- A. The story behind Wal-Mart’s price tags has farther-reaching consequences than one can believe, both at home and abroad.
1. How is Wal-Mart able to provide such low prices?
    - a. Wal-Mart purchases imports from China for cheaper prices to undercut competitors.
      - i. Forced the closure of small locally-owned stores (Persky et al. 2012)

- University of Illinois at Chicago published an article in *Economic Development Quarterly* that was a study about the rate of small business foreclosures in relation to its distance to Wal-Mart
  - Small businesses usually close at a rate of 24 percent; this applied to shops approximately 4 miles or more from Wal-Mart
  - Study found that for every mile closer a business is closer to Wal-Mart 6 percent more stores closed
  - When you get right around the store location, closure rate is 35 to 60 percent
2. Company's low-price strategy has caused them to further undercut employee wages and benefits.
    - a. Wal-Mart company health plans are state-funded health plans.
      - i. State-funded insurance plans are the last resort. Companies should provide workers with adequate healthcare and Medicare is the last resort.
      - ii. This is not the case with Wal-Mart.
  3. Consumers' preoccupation with low prices has emboldened Wal-Mart to become a super-chain that has set the low-price mentality and ultimately cause community upheavals.
    - a. Disappearance of Mom and Pop stores
      - ii. Are unable to compete with Wal-Mart's cheap imports
    - b. Outsourcing jobs
      - i. Lack of manufacturing jobs in the U.S.
        - The manufacturing sector and its workers were hardest hit by the growth of Wal-Mart's imports. Due to Wal-Mart's increased trade with China, 133,000 manufacturing jobs were eliminated, with 68% of those jobs lost as a direct result of Wal-Mart's imports. (Scott 2007)
      - ii. Those who have those jobs abroad are even worse off as a result.

**Transition: So what does this market for cheaply produced goods do? It increases the demand for free trade zones. Let's look at these next.**

- B. Free trade zones, while popular with some economists, can have dire consequences.
  1. Let's start by defining what free trade zones are.

- a. Also known as an export processing zone; an area where goods handled and manufactured without intervention of customs authorities
    - i. Areas at borders or with access to ports are most convenient for FTZs
  - b. Corporations receive tax incentives to bring their factories to FTZs
    - i. A method of attracting foreign and domestic investment in developing areas
2. Where are these free trade zones located?
    - a. All over the world
      - i. Latin America, Asia, North America, etc.
    - b. Mexico has a free trade zone, factories called maquiladoras
  3. Lack of government oversight and regulations
    - a. Lack of employee safety codes
    - b. Lack of environmental regulations
    - c. Built in areas that take advantage of developing countries that lack strong governmental infrastructure to right abuses

**Transition: Beyond cheap labor, cheap materials are also required for low prices; next, I'll discuss the environmental ramifications of unreasonably low prices.**

- C. What is the cost of cheap imports on society as a whole?
  1. Cheap imports require cheap materials.
    - a. Quality is poor but the original cost was cheap so another can easily be purchased. This creates a throw-away mentality.
  2. Purchasing products cheaply can ultimately lead to overconsumption.
- D. Overconsumption and the environmental costs
  1. There is a huge garbage patch in the Pacific Ocean.
    - a. Broken earphones, trash bags, and various paraphernalia are evidence
    - b. 500 nautical miles (1.2 miles) off the Californian coast, across the northern Pacific, past Hawaii and almost as far as Japan. American Oceanographer, Charles Moore, believes that the patch consists of approximately 100 million tons of flotsam (Marks and Howden 2008)
  - a. Lack of environmental regulation causes pollution

**Transition: Now that you understand the truly high costs of low prices, let's review.**

### III. Conclusion

**Review Main Points:** Low prices have supported the Wal-Mart phenomenon, which has destroyed locally owned businesses and has enabled the further development of free trade zones. The human rights and environmental abuses that are inherent in these areas are further impacted by low prices, and our throw-away society and overconsumption mentality continues.

**Restate Thesis:** Low prices do not come cheap. The labor and materials required to create these prices come at a cost, often at the sake of humans or the environment on a local and global scale.

**Closing Device:** Always searching for the best bargain disguises the origins of these cheap bargains. Somewhere along the line, someone else had to pay for that price - either in sweat or in blood. By becoming more aware of this issue, you can empower yourself to make the right decisions when it comes to purchasing.

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