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Protests lodged against retailer

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Labor and consumer groups said Tuesday that Wal-Mart Stores Inc. 's frequent regulatory violations and failure to provide fair pay make it unfit to operate a bank.

Groups including Jobs for Justice and Americans for Democratic Action spoke at the second day of hearings at Federal Deposit Insurance Corp. headquarters in Arlington, Va. The FDIC will hold a final day of hearings in Overland Park, Kan., on April 25.

Opponents said past regulatory violations and such lawsuits as the largest-ever sex-discrimination case demonstrate Wal-Mart can't be trusted to restrict its bank to merely processing payments. The company also can't be counted on to cooperate with regulators, said Jack Blum, counsel for Americans for Democratic Action, a Washington lobbying group.

"Regulatory agencies absolutely depend upon the internal controls of the institution," Blum said. "We don't have that kind of culture at Wal-Mart. The idea is, what can we get away with and how fast can we get away with it."

Wal-Mart, the world's largest retailer, in July applied in Utah for an industrial-bank charter to handle payment processing. The FDIC is considering whether to grant the proposed bank deposit insurance.

Shares of Wal-Mart fell 20 cents to \$ 45. 50 in New York Stock Exchange composite trading.

"We heard a lot of unfounded speculation and dramatic rhetoric from our critics, but most of their testimony had little to do with our application," the company said in a statement Tuesday. "We're confident the FDIC will see through the political rhetoric that has surrounded this process and will look at the strong, pro-consumer merits of our application as they make their decision."

The company's "low character" indicates "unfitness to obtain a banking license," said Edmund Mierzwinski, consumer program director for the U. S. Public Interest Research Group.

Industrial banks, also known as industrial loan corporations, were created at the turn of the previous century to provide credit to low-income workers. They can offer loans and other banking services to their parent company's customers. Unlike commercial banks, they aren't regulated by the Federal Reserve, and Mierzwinski was one of more than a dozen urging that "this parallel banking system" be abolished.

Target Corp., Toyota Motor Corp. and General Electric Co. are among nonfinancial companies that operate industrial banks.

Wal-Mart faces lawsuits about off-the-clock work and sex discrimination as well as criticism from legislators, labor, religious and community groups who say it should boost the wages and benefits it gives workers.

Rashmi Rangan, executive director of the Delaware Community Reinvestment Action Council Inc. in Wilmington, numbered among those who said the retailer's proposals for community reinvestment tied to its bank application were too limited. The company first asked for exemption from federal requirements for investing in low-income neighborhoods. It dropped the request in a March 1 letter.

Members of the FDIC panel asked several of those testifying against Wal-Mart whether establishing restrictions on the company's license would cause them to reconsider their opposition.

Rangan said Wal-Mart's size and influence would allow it to circumvent restrictions.

FDIC Chief Operating Officer John Bovenzi, acting General Counsel Douglas Jones and Sandra Thompson, acting director of the division of supervision and consumer protection, heard the testimony.

The company has a history of shirking protections for workers, said David Bonior, a former Michigan congressman. Bonior, now a professor of labor studies at Wayne State University, spoke on behalf of American Rights at Work, a workers' advocacy group based in Washington, D. C.

"Wal-Mart's illegal behavior had profound consequences for its employees," he said.

Wal-Mart's supporters argued the application shouldn't be regarded differently from previous successful applicants.

“It’s imperative that you use the same criteria for this ILC that you did for others,” said Jim Tozzi, a former Reagan administration official who sits on the advisory board of the Center for Regulatory Effectiveness, a Washington group that monitors government agencies. Many of the concerns raised during the hearings were discussed and resolved with Target’s application, he said.

Opponents said Wal-Mart’s status as a company with \$ 315. 7 billion in revenue last year makes its attempted entry into banking a special case. Target Corp. had \$ 52. 6 billion in sales last year.

“Target and Wal-Mart simply aren’t on the same scale,” said Andrew Grossman, executive director of Wal-Mart Watch. “Wal-Mart regularly seeks to be treated differently.”

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