Athens State University Economic Updates

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This publication is provided as a service by the Logistics, Technical, and Programmatics Institute (LTPI) at Athens State University and concentrates on providing access to the expertise and research capabilities of the University's College of Business to government and businesses. The University publishes an annual update to provide data and information on the economy of north Alabama and to assist the professional community to quickly respond to a growing global demand from a cross-section of businesses. Our faculty are leading efforts with both government and business agencies to provide economic impact assessments, marketing analysis, employee climate surveys, training, and personnel growth, and we stand ready to assist with your requirements.

The Greater Good by Dr. Thomas Pieplow

The first significant wave of investment into public facilities started in the 1920s and 1930s. America was recovering from the Great Depression, and the Works Progress Administration (WPA) was a major part of President Roosevelt's "Second New Deal." WPA employed millions of laborers to complete infrastructure projects across America, such as public buildings and highways. WPA constructed more than 600,000 miles of streets and over 10,000 bridges, with their largest single project being in our backyard, the Tennessee Valley Authority (TVA).

Using WPA labor, thousands of public pools were opened across the country, creating a culture of swimming for millions of Americans. Alabama's capital city of Montgomery was no different. Oak Park was the city's social and regional recreational center and in 1935, included a large swimming pool, wading pool, pool house, and zoo. Oak Park served as the social hub for the city, but the pool was only for "whites" and excluded minorities. While racist practices such as these were cultural since Reconstruction, a series of federal court rulings in the 1950s began chipping away at decades-old segregationist traditions. With public swimming pools booming and enjoyed by people of all incomes from across Montgomery, city leadership had a plan that would comply with recent court rulings and not require any federal intervention.

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Leaders announced that on January 1, 1959, all public spaces would be closed; the Oak Park pool would be drained and filled with dirt, and the city's Parks and Recreation Department would be eliminated.

Why would the public support a decision that when viewed 60 years later is viewed by all

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COVID-19 and Walmart by Dr. William Wilkes

The first case of the coronavirus in the United States was confirmed by the Centers for Disease Control and Prevention (CDC) on January 21, 2020. A Washington state resident returned from Wuhan, China on January 15. The CDC then formed a team to assist with an investigation that included the potential use of contract tracing.

Dr. William Wilkes
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The new coronavirus's official designation was COVID-19, representing the year when it was identified as a new virus. The virus eventually spread worldwide, and multiple measures were taken to attempt to halt its spread. According to an update by the American Journal of Managed Care (AJMC), on January 1, 2021, the United States surpassed 20 million infections from SARS-CoV-2 and more than 346,000 deaths. Globally, cases rose to 83,832,334 infections and 1,824,590 deaths during the pandemic's first year. Therefore, given the timeline of January 21, 2020 to January 1, 2021, it is reasonable to assume that the year 2020 would be an appro-

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"...Walmart's growth resulted from the fact that many goods Walmart sells are items people need, especially during a pandemic."

appropriate period of time against which to explore related economic events.

The first part of the year saw rapid growth of the virus. By the end of the year, anti-virus vaccines were beginning to become available. It is during this time period that the performance of Walmart will be discussed and analyzed. As noted in an August 18, 2020 Marketplace article, "If the U.S. economy is considered a 'pie,' then Walmart's slice is getting bigger." Charlie O'Shea, Senior Retail Analyst at Moody's, states, "Walmart is gaining shares in pretty much every category."

As discussed in the Marketplace article, much of Walmart's growth resulted from the fact that many goods Walmart sells are items people need, especially during a pandemic. Walmart's food operation is massive at $184 billion. In addition, Walmart's business normally consists of consumables that need to be replenished regularly.

An advantage that Walmart has over some retailers is the variety of choices it offers its consumers—online ordering, delivery, pick-up at the curb, and in-store shopping. Before the pandemic, Walmart became strong in e-commerce which only grew more widely used after the pandemic when travel was restricted for most of the year and spending money over the internet is relatively easy to do.

According to Andrew Lipsman, Principal Analyst at eMarketer, "Walmart has something else to thank for its success, and that is the gov-

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"If our country decided to pay off this debt today and assign an equal portion to each citizen, everyone's share would be over $84,000."

as bigoted, racist, and intolerant? What is the reasoning where a civic leader concludes it is better to drain a swimming pool and fill it with dirt than to allow people of mixed races to swim together? Civic decisions were founded on myths, misconceptions, delusion, and falsehoods regarding ethnicities and that had been perpetuated for decades. America was founded upon the principle of an equal access to public goods for all citizens, a complete contrast to what was seen in Montgomery where nobody had access to anything.

Our country faces enormous challenges the next decade. A national debt of $20 trillion can better be understood this way. If our country decided to pay off this debt today and assign an equal portion to each citizen, everyone's share would be over $84,000. Over 75% of this year's federal budget pays for mandatory spending (Social Security, Medicare, interest of debt), leaving less than one-quarter to divide among the other vital responsibilities of government, such as national defense, the environment, education, the sciences, and housing.

As with all new administrations, President Biden will offer new policies and programs, some perceived as bold and creative, others with more skepticism. I am neither advocating nor criticizing anything offered from the new administration, but all deserve a thorough and fair hearing. The economic issues facing our nation are significant, must not be minimized, and have reached a point where delay is not an option. Regardless of political persuasion, Americans want decisions made for the greater good of our country. Our elected leaders must resist any tendency to view issues through a binary lens of winners and losers and not use conjecture, anecdotal information, or political talking points as the basis for policy.

History's ghosts speak for themselves in Montgomery, and today's political factions are leading us to the same results. Politics is transactional, but our political leaders must not continue the fallacy that benefits provided to another comes at personal expense. Major decisions are going to be made on immigration, healthcare, diversity recognition, reparations, defense spending, and these cannot be viewed in isolation.

I first understood the Democratic Party's plans for higher education after reading their 2020 platform and their call to forgive up to $50,000 in student loan debt while making college "tuition-free" for 80% of Americans. I believed it economically reckless to promise benefits when we did not have the financial wherewithal to provide. I also questioned if this was rewarding bad behavior and encouraging moral hazard. But I also did not borrow to attend college, my children did not, and (like

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many other detractors) I knew little to nothing about the issue. After researching over several months across a wide body of literature, I can say with complete confidence that all of my initial reactions were wrong. Student debt is a significant problem, growing 6 times faster than our economy for the past two decades. There are over 46 million borrowers who owe over $1.7 trillion; and the hardest impacted are minorities, women, and those under age 40. I am now convinced that a comprehensive program addressing student debt would benefit all Americans.

A trip to Oak Park confirms what happens when the pool no longer exists. The area has high grass, a picnic area with several benches, and trees that provide shade to the area where the pool once stood. It is a fitting reminder, not only of what passed, but more importantly, what could have been. Bill Parcells once said, "People tell you who they are, so listen." I believe this offers a fitting conclusion. Montgomery missed an opportunity to show the world authentic political leadership; today I believe we are at a similar crossroad. Listen to our political leaders. Those looking for the greater good will be easily heard—

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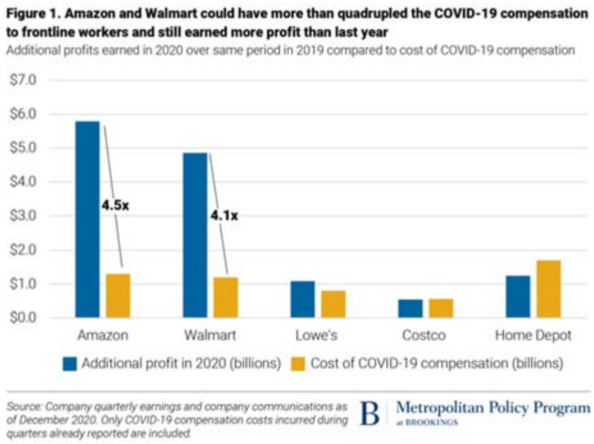

ernment. Government stimulus checks and unemployment assistance—those dollars are probably more likely to get spent at Walmart than at any place else." Lipsman added, "Walmart's success is emblematic of a bigger trend in the pandemic. It's the biggest stores that have been able to lean into the moment and adapt. Smaller and medium-size businesses are buckling."

As noted in "Facing the Outbreak," an article written in July 27, 2020, by Kane Webb of Walmart Corporate Affairs, as the impact of the pandemic was being felt in the early part of 2020, Walmart made a decision to hire more employees to handle the additional load. Initially, they had a goal to hire 150,000 new, primarily temporary, associates. However, by mid-July, Walmart increased their labor force by more than 400,000 new associates. The increase was split 50-50 between women and men and covered almost every demographic. This increase in hiring was driven by the rapid growth in business across the country due to the impact of COVID-19.

To deal with this number of new hires, Walmart needed to substantially speed up the intake process. As is often the case, initial processes were already in place, but the pandemic gave this effort a greater sense of urgency. As the decision to hire more people was made, Drew Holler, Senior Vice President of Associate Experience and Operations, stated that it took only two weeks to create a more streamlined hiring process.

It was apparent that the increased use of technology via Zoom sped up hiring almost instantly, cutting the average time it took from identifying a hiring need to making an offer down from 14.5 days to only 3.5 days. In economic terms, as the supply of workers being laid off increased and Walmart's demand for workers went up, it was apparent that resources needed to be diverted to more rapid hiring efforts to allow Walmart to attract better and more productive workers.

> "To put a quarter-million new hires into perspective, consider this from Harvard economics professor Rebecca Henderson, author of a new book *Reimagining Capitalism in a World on Fire*, 'That's only slightly less than the entire economy created in February 2020, right before the pandemic hit. Let's hope they are sharing all they are learning on how to do this with other firms that are looking to grow employment.'"

As can be seen in the chart, Walmart earned approximately $4.8 billion more profit in 2020 than during 2019 and paid out $1.2 billion in additional compensation due to the cost of COVID-19. This means that Walmart

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provided their frontline workers only a small fraction of the additional 4.1 times the profit the company earned. During this time period, stock prices for Walmart increased by 36% while the workers' wages grew only 6%; this was even after the December bonuses that Walmart announced that month. Walmart could have increased the amount they paid workers by as much as four times the amount actually paid to workers to cover the additional COVID-19 related danger faced by the frontline workers during the pandemic of 2020. Even doing so, Walmart still could have earned the same profit in 2020 as they did in 2019.

The issue this analysis raises is this: Would it have been better had Walmart increased the payment to protect their workers against COVID-19 rather than add wealth to stockholders, especially the wealth of the heirs to the Walmart fortune who probably did not face the same level of risk as the workers? The authors of a Brookings Institution study published on December 20, 2020, have attempted to calculate the amount of growth to the Walton heirs' wealth with the additional profit Walmart earned during the 2020 pandemic. They arrived at an amount of $40.7 billion, which was 26 times the total amount of pandemic hazard pay Walmart provided its more than 1.5 million associates by the end of 2020. This means the authors believe that each of the three heirs' wealth increased by $13.57 billion.

To make the disparities even larger, the calculated amount the frontline Walmart associates will have made for every hour worked since the start of the pandemic arrived at an extra $0.71 (pre-tax) per hour. In comparison, the three Walton siblings' wealth increased by $6.2 million per hour during the same period.

It is apparent from interviews that Walmart associates were aware of the increasing wealth gap between the Walton family and frontline workers. As one Walmart associate told the authors of the Brookings article, "Walmart is not doing enough compared to every other retailer out there. They can afford to do more than they are to show they appreciate the risks we are taking being out on the front line making them money." This is also demonstrated in Figure 1. Lowe's, Costco, and Home Depot paid out a more even balance between additional profits and payments to workers either as permanent wage increases or new COVID-19 bonuses through the end of 2020.

Although companies in the United States do not have a legal responsibility to pay a living wage or hazard pay to their employees, this is one of the issues facing Congress during the early Biden administration. It would be up to Congress to raise the federal minimum wage, mandate hazard pay, or implement other changes. The current prospect of increasing the federal minimum wage remains to be determined. Personally, I do not see Congress introducing hazard pay to employees in the private sector. Perhaps the COVID-19 pandemic has created a willingness to make sure the wage earners receive some understanding from employers to better understand how outside forces can impact the "real wages" and make necessary adjustments in payments. Certainly, the frontline essential workforce which helped us get through the current pandemic deserves it.