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Keeping "Big Box" Companies Off the Navajo Reservation:  
A reaction to President Shirley's Economic Development Plan

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The Navajo Nation is one of the largest Native American tribes in the United States with a rapidly growing population of more than 250,000 people. Despite increasing population rates, the Navajo Nation struggles to rid themselves of economic poverty. In January of 2003, Joe Shirley Jr. was inaugurated into the office of the Navajo Nation presidency, promising the Nation "a true economy that will produce jobs" (Shirley 1). At the beginning of this year, President Shirley proposed a \$500 million dollar bond initiative that would be paid back over a standard 30-year period (Joe 3). The bond proposal would include six packages with a lending rate of 4.5 percent, which calculates to \$30 million in payments every year (Shebala 9). If the six-bond package is approved it will be supported by several financial institutions, including Dain Raucher, Wells Fargo, Bank One, J.D. Edwards and Associates, and Citigroups (Shebala 6).

The six packages included within President Shirley's bond proposal are a \$186 million capital improvement plan, a \$140 million public safety plan, a \$35 million elder care facilities and nursing home plan, a \$5 million trauma system development plan, a \$40 million education initiatives plan, and lastly a \$100 million economic development plan (Shebala 11). As part of the \$100 million economic development plan Shirley said, "his plan would open the door to large construction projects that will...attract companies such as Wal-Mart, the Home Depot, and Office Max" (Shebala 29). Shirley's proposal promotes the establishment of three Wal-Marts and two Home Depots, which will supposedly produce \$1.2 million in annual lease and rental income. President Joe Shirley's plan to bring "big box" businesses, especially Wal-Mart, onto the reservation will not be good for the economy, because revenue from the companies will not stay on

the reservation, most jobs will be low-wage and benefit free, and it will be harder for smaller businesses to “stay alive,” which in turn will discourage further local business development and destroy the close knit structure of many communities.

In Wal-Mart’s latest annual report, one Wal-Mart store makes average sales revenue of \$55 million in one year (Charley 5). Despite these significant figures the Navajo Nation will only receive less than 2 percent of that revenue annually, according to President Shirley’s proposal, assuming business is stable. The remaining 98% will go to the corporation headquarters in Bentonville, Arkansas obviously off the Navajo reservation (Does Flagstaff 2). Currently studies show that “70 percent of Navajo paychecks are spent in nearby border towns” such as Flagstaff, Winslow, and Page of Arizona, and Gallup and Farmington, New Mexico, all of which have Wal-Mart centers (Joe 1). President Shirley argues that by bringing a “big box” corporation to the Navajo reservation it will reduce the need for Navajo paychecks to be spent off the reservation, which is true physically, yet he fails to realize that those paychecks will be sent across the country. In the end, the paychecks are still spent off the reservation, not benefiting the Navajo people but the corporation leaders.

Along with the supposed economic benefits, Wal-Mart is expected to create new job opportunities. In 2000 and 2001 the Navajo Nation unemployment rate was an astonishing 43.65 percent, so obviously job opportunities is a benefit that President Joe Shirley hopes will come from bringing Wal-Mart to the Navajo Nation (Navajo Nation Profile 7). On the contrary for every job that is created by Wal-Mart “at least 1.5 jobs are lost,” because it employs roughly 65 to 70 people for each \$10 million in sales, while

small businesses employ about 106 people for each \$10 million (Quinn 5). In addition, jobs are not actually created they are just relocated, because many of the same employment opportunities that Wal-Mart offers are jobs that already exist within the community (Quinn 5). It also must be mentioned that most Wal-Mart jobs are part-time and low paying, again not of much benefit to the people (Quinn 6).

Presently, of the 43.65 percent that are unemployed it is most likely that almost 100 percent of them depend on some sort of government assistance, such as food stamps and General Assistance. Studies reveal that almost half of Wal-Mart employees are eligible for food stamps, and that only 40 percent of their employees have medical coverage (Does Flagstaff 10). These astonishing figures are a result of the average wage of five dollars an hour for part-time employees, who make up most of the employees at Wal-Mart. Therefore the notion that by bringing a Wal-Mart to the Navajo reservation the unemployment and government assistance rates will greatly decrease is highly unlikely.

By employing part time, low paid employees, among other reasons, the large corporation has the ability to provide goods and services at low prices unlike their small business competitors (Quinn 3). Initially, many people believe that by bringing a large corporation such as Wal-Mart to a small rural community, the community and surrounding communities will flourish. However, the small businesses that provide much of the same goods and services, as Wal-Mart will suffer greatly. Since Wal-Mart is so large they have the ability to provide their products at lower prices than the small local businesses. The devastating effects of Wal-Mart's advantages can be seen in a 1995 survey done in Iowa. These results show what effect Wal-Mart had on the state since

arriving in 1983; Within the first year nearly 50 percent of clothing stores had closed, 30 percent of hardware stores went out of business, and 42 percent of variety stores had also shut down (Quinn 4). This is only a small example of the negative impact that Wal-Mart had on the economic state of Iowa.

Presently, the devastating effects of large businesses can be seen in the small rural community of Pinon, Arizona, located in the midst of the Navajo reservation. In 1995, the Chandler, Arizona based grocer, Bashas', opened its fourth store on the reservation in Pinon. At the beginning of 2004, there were six Bashas' Markets throughout the reservation. The one stop convenience that Bashas' provided for Pinon residents eventually took its toll on the three locally owned businesses. Until recently two of the three businesses remained competitors of Bashas' Market. Unfortunately, after the opening of the new and improved Conoco gas station the two local stores eventually closed, leaving Pinon with less jobs and no locally owned businesses.

Chee's Southwest Store, the only business that gave their low-income customers credit accounts, was among the three businesses that closed. Since most residents of the small community are uneducated elderly who live month to month on food stamps and social security checks, the closing of Southwest Store greatly affected their lifestyle. Many of the elders would purchase goods from this store, only because of the credit accounts that the owner provided. The start of these two large businesses had broken the close-knit structure of the community by replacing good customer service and care with convenience. Now the economy of the community relies on these two businesses, even though most of the money does not stay in the community. If a small rural town can be

impacted so badly by two businesses that are fairly smaller than Wal-Mart, imagine the impact Wal-Mart will have on the entire Navajo Nation.

Instead of bringing "big box" businesses to the reservation the Nation should offer entrepreneurs business workshops on how to start a business, create a small business loan company for entrepreneurs, and make the process of starting a business less stressful and lengthy. In order to create a strong economy, the Nation will have to assist in the development of local businesses so that the money earned on the reservation will stay on the reservation. In this way the people's money will circulate throughout the reservation, instead of off the reservation.

Since many people do not know the basics of starting and maintaining a business they will need to be educated in order to begin the process of developing local establishments. On the borders of the reservation the Nation has three different resources for business workshops, which are Northern Pioneer College Small Business Development Center (Show Low, Arizona), Gallup Small Business Development Center, and Eastern Regional Business Development Office (Eastern agency of the reservation). In Phoenix, Arizona and surrounding areas, there are eight different development centers that would be of use to the Navajo Nation. Each center provides a variety of services including help with writing business plans, designing marketing plans, assembling loan packages on financial plans, setting up bookkeeping and record keeping systems, using computers for business applications, and analyzing financial statements (Gallup Small 5). If the Nation uses these resources to provide the people with business workshops then more people would be willing to start their own business.

In addition, to the local resources is the Oregon Native American Business and Entrepreneurial Network (ONABEN), which is a non-profit corporation created by Northwest Indian tribes to improve the success of private businesses owned by Native Americans (Native American 2). This corporation offers training and support that is focused on business development in Indian communities (Native American 3). ONABEN facilitates Native Americans with accessible business programs, services, financing and, business-to-business relationships. Despite its location ONABEN would be a good resource for the Navajo Nation because they will understand the cultural and governmental structure of Native American communities. With the assistance of these resources the Navajo Nation will encourage small business development on the reservation.

In order to further encourage small business development the Navajo Nation should provide financial assistance by establishing a loan company that is solely for entrepreneurial development. Since most federally recognized Native American tribes are sovereign nations they have the ability to gain economic independence. Native American Bank, a federally chartered bank "that is owned by Native American Bancorporation, a bank holding company that has been organized by a group of Tribal Nations and Alaska Native Corporations" is an example of promoting economic independence (Overview 1). The vision of the Native American bank is to be "a powerful engine for economic development," "establish a significant Indian presence in the financial marketplace", and to cast the developing economic clout of Indian businesses and tribes in to the national setting (Overview 3). Native American Bank was

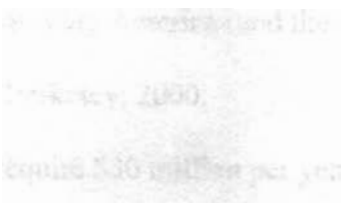
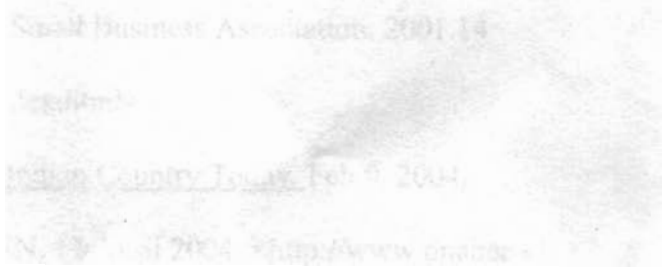


established after twenty tribal investors united their resources to purchase the Blackfeet National Bank of Browning, Montana in October of 2001 (Overview 5). Currently they are working on bringing more tribal investors into the Native American Bank circuit to promote economic development. This opportunity would help the Navajo Nation in developing their economy on a more local level rather than bringing the "big box" companies to the reservation.

Once entrepreneurs have the resources and knowledge of starting and maintaining a business the course to a better economy is more visible, however the process of developing a small business on the reservation is very stressful and lengthy. As a result of this tedious process many entrepreneurs are discouraged from starting their own businesses. Therefore the Navajo nation should find a way to make the procedure for starting a business less lengthy and stressful. Mark Engle, director of the Northland Pioneer College Small Business Development Center, stated that, "the same project that would take three to four months to complete in Show Low, Ariz., for instance, could take three-four years on Navajo land" (Brathwaite 10). That is one reason Romero Brown, a Navajo entrepreneur, started his business right outside the borders of the reservation (Brathwaite 11). Since the Navajo Nation is a sovereign nation with a fairly strong governmental structure, the Nation has the ability to change business regulations in order to promote business development on the reservation.

In conclusion, President Shirley's plan to bring "big box" businesses, especially Wal-Mart, onto the reservation will not be good for the economy, because revenue from the companies will not stay on the reservation, most jobs will be low-wage and benefit

free, and it will be harder for smaller businesses to thrive which will discourage further local business development. President Shirley and the Navajo Nation council should think of alternative ways of utilizing the \$100 million dollar economic development bond proposal by promoting small business development on the reservation. This can be accomplished by offering entrepreneurs business workshops on how to start a business, create a small business loan company for entrepreneurs, and make the process of starting a business less stressful and lengthy. With the resources and knowledge, entrepreneurs will create small businesses that will be the foundation of a strong economy for the Navajo Nation.



and Vice President,



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