

New Orleans Economic Development: Always Low Prices, Always Low Income

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There are eight Wal-Marts within ten miles of New Orleans. Six of these are super-centers, which average 187,000 square feet. Thus far, roughly 156,000 people have returned to the city. To put things in perspective, that's a little over 7 square feet of Wal-Mart per resident (Wal-Mart). While many argue that Wal-Mart's low prices are necessary for communities to buy affordable items, communities need more than low prices. Wal-Marts destroy communities by bringing in low wages, receiving subsidies, and not following through with building agreements. Wal-Marts also drive out small businesses, which is exactly what New Orleans should be fostering. These businesses will help build a middle-class population base, a vital necessity to the new social structure of the city. In restructuring the city, not all of the existing Wal-Marts in New Orleans should be re-opened. For its post-Katrina economic development, the city needs to look toward developing small businesses instead of encouraging mega-corporations to enter the area economy.

The city is at a critical period in its restructuring. The decisions that officials make regarding economic development will affect repopulation and other critical issues that most people fail to realize are so closely connected. Right now, New Orleans needs to focus on rebuilding communities, which are the basis of a stable population. Most of us think of playgrounds and schools when we think of communities. We think of a safe place to raise our children and a place where neighbors are friends. We think of a group of people united by the area in which they live and work. A disengaged population

doesn't care about the future of a city; they have nothing invested in it. But when people buy homes in a community, raise families in a community, operate their businesses in a community; then, they care about the city. Then they will work to make things better. Small businesses foster community growth because owners and workers have larger personal interest. Part of the Bring New Orleans Back Commission details increasing spending from \$100,000 to \$200,000 for small business technology. Many other forms of assistance are proposed as well, including tax credits and incentives, bonus depreciation, and lease improvements (BNBERP). If New Orleans concentrates on encouraging its small businesses through such practices, it will create stronger communities and a stronger city.

The government should consider how business practices affect returning workers, as well. Wal-Mart employees have a 70% turnover rate within the first year of employment, which leads to a more transient workforce and prevents union organizing (PBS). In addition, Wal-Mart has had over forty lawsuits filed against it by employees nationwide who allege they were required to work off the clock. Wal-Mart also faces continuing problems, from employing illegal immigrants to clean stores to discriminating against women (Fishman, 27). New Orleans needs businesses that will support its workers with fair practices and adequate wages. One Wal-Mart employee's child per four workers in Georgia and one per twenty-two workers in Tennessee are on each state's low-income insurance program. In response, CEO Lee Scott was quoted as saying, "There are government assistance programs out there that are lucrative, it's hard to be competitive, and it's expensive to be competitive" (Fishman, 241). Not only can New Orleans and Louisiana not afford to cover this redistribution of cost; they can not afford

to have such a socially unconscious company countering all of the new growth being fostered by the economic redevelopment plans.

Despite high-profile contributing, Wal-Mart actually only donates 0.04% of its earnings. This is far behind that of its competitors, even though Wal-Mart controls 8.9% of the retail market share, which is five times that of its closest competitor, Target Inc. (Wikipedia). Although President Bush thanked Wal-Mart and the Walton family specifically for their “generosity to Katrina relief efforts”, the majority of the contributions came from Wal-Mart shoppers. The Walton family donated \$8 million, a measly 0.009% of their family fortune. “The average family’s net worth is \$86,100. If an average family contributed at the same rate as the Waltons, they’d donate \$7.74” (Think Progress). By comparison, Target donates over \$2 million a week, or over \$104 million a year (Target).

Wal-Mart is not much more helpful in economic development, despite its, as well as, politicians’ claims otherwise. In fact, in a study conducted by The Pennsylvania State University, researchers concluded through mathematical analysis that Wal-Mart leads to significant increases or smaller decreases in county-wide poverty. They propose that Wal-Mart shifts income from its underpaid employees and tax payers, through welfare programs, to consumers and beneficiaries of Wal-Mart stock and the family fortune (Goetz and Swaminathan). One of the ways Wal-Mart does this is through its health-care programs. While most large companies only expect employees to pay an average of 16% of healthcare costs, Wal-Mart expects its employees to cover 42%. To illustrate, the largest competitor with Wal-Mart’s Sam’s Club is Costco, which only expects employees to cover 10% of healthcare costs. Only about 45% of Wal-Mart employees utilize its

health insurance, in large part because they can't afford the high premium, while 82% of Costco employees are covered under Costco's health insurance (Wright). Although Wal-Mart denies encouraging employees to seek assistance from social services, California Assemblywoman Sally Leiber held a news conference in 2003 exposing Wal-Mart documents that gave instructions for seeking public assistance (Featherstone). Thus, Wal-Mart can not justify its low prices as in the best interest of society. It claims that by driving down prices, it benefits the entire economy. However, if the financial burden is simply shifted, there is no benefit to the economy.

New Orleans does not need the added strain of a historically tax evasive company that leaves empty stores after subsidies run out (PBS). Right now there are more than 25 million square feet of empty Wal-Mart stores across the United States. Wal-marts often receive unnecessary government subsidies, which could be used to bolster small businesses. For example, in 2004, Wal-Mart received \$7 million in property tax breaks to build the already controversial store in the Lower Garden District (Mattera and Purinton). Previously a low-income housing complex, the site had historical value as part of a culturally significant community. Although the buildings had become dangerous, housing experts argue they were adaptable. Wal-Mart didn't help matters by straying from the agreed blueprints that set certain standards to help the big-box store fit into the historical surroundings (Davis).

Pres Kabacoff, the developer behind the project, allegedly had "community activists" on the payroll who spoke in favor of the project at public hearings. Among the overpaid consultants hired to measure the effects of the new Wal-Mart was Urban Systems, who did the traffic study of the area, "painting a rosy picture of post Wal-Mart

traffic on Tchoupitoulas” (Sprawl-Busters). In fact, Wal-Marts greatly increase traffic and air pollution in their surrounding areas (Mattera and Purinton). The surrounding area for that store is Magazine Street, complete with its unique and charming small stores. The area is very popular with students, parents, and the community. Competition from Wal-Mart not only hurts these stores, but also hurts the community as well.

The Bring New Orleans Back Commission recognizes the importance of small businesses to the future of New Orleans with a listing of short and long term goals for small business assistance. Long term goals ensure that, once the small businesses are up and running, they do not collapse with the end of government aid. Tax incentives include employee credits for businesses with fewer than 200 employees. The report specifically states that, not only will small businesses be given a tremendous amount of aid to get back on their feet, but the city also plans to help expand the small business community. One of the long-term goals, a \$2.5 billion federal venture capital style fund modeled after the Lower Manhattan Development Corporation, provides a way to invest in businesses. The proceeds of the fund return to the federal government when the fund is closed, so the government has an incentive to be more involved in the business’s success (BNBERP). Aid should be given carefully to large corporations such as Wal-Mart, so as to not undermine the effects of aid to small businesses. It is much harder for small businesses to get back on their feet than it is for a business like Wal-Mart, whose entire company revenue is not dependent on its stores based in New Orleans.

During this period of economic recovery, New Orleans should target developing a middle class, which usually comes hand-in-hand with small businesses. By strengthening its commitments to small businesses, the city will encourage further repopulation. Wal-

Marts weaken the area's economy by pushing smaller businesses out and lowering the wage rate. Since the burden of this lower price is transferred to tax payers in welfare and other assistance programs, consumers are not actually getting the deal they believe they are. The limited population can not support the excessive amount of Wal-Marts around the city right now. Not all of the stores should be re-opened because even once the population rises, the city would net greater profits, both financial and civic, from a more diversified retail market and tax base.

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