

ECONOMIC DEVELOPMENT

- Economic development is taking root in Indian Country, albeit unevenly across tribes and industry sectors. While tribes are making notable progress in pursuing their goals of alleviating poverty and becoming economically self-sustaining, much still needs to be done to develop economies, improve living conditions, and overcome the legacies of decades of economic deprivation.
- Past approaches to development by assimilation, by project-based job creation, or by pursuing federal grants are on the wane, largely because of their repeated failure. Contemporary nation-building approaches are in the ascendancy, with tribes investing in their own capacities to govern and thereby improving local accountability and encouraging tribal and nontribal investments in human and other capital.
- Over 1990–2000, for both Indian nations with gaming enterprises and those without such operations, real per capita income in Indian Country grew at two to three times the rate experienced by the general U.S. population. However, with so much ground to make up out of a past of extreme economic deprivation, average individual incomes in Indian Country as of 2000 still stood at less than half the U.S. level.
- Numerous barriers to development continue to exist: individuals and tribes face difficulties in accessing capital and tapping entrepreneurial energies; checkerboarded lands and conflicts of jurisdiction increase uncertainty and raise costs; and Native nations are hurrying to develop the legal, regulatory, and physical infrastructures that undergird the economic development of any nation.

For most of at least the last century, terrible economic conditions on reservations have been the overriding problem that would not go away. Deplorable economic conditions have lain behind and filtered through a broader array of challenges and problems that have made life difficult for generations of citizens of Native nations. From improving education to investing in language revitalization, from improving health conditions to stabilizing families, from holding onto talented people to injecting Native values into environmental

protection, from having the wherewithal to stand up and fight for control over the nations' own resources to supporting those who cannot support themselves, economic deprivation has stood in the way.

The most commonly self-reported goals of Native nations in the arena of economic development are *not* wealth and capitalistic riches for their own sake. Rather, Native nations are pursuing economic development in order to have the freedom to control their own political, cultural, and social destinies and to have the ability to sustain communities where their citizens can and want to live. This perspective has been expressed by Chief Phillip Martin, the long-serving chief executive of the Mississippi Band of Choctaw Indians. Well-documented, sustained economic development at Mississippi Choctaw since the 1970s has been led by automobile subassembly, plastics manufacturing, printing, electronics manufacturing, and other sectors. The results—every Mississippi Choctaw citizen who wants to and can work has a job, a rising income, and a rising standard of living—can dazzle observers to the point of blinding them to the investments that economic development has enabled the nation to make in health, language education, public safety, housing, youth leadership, and virtually every aspect of what it takes to be a healthy nation. As if economic development and Indianness were in inherent conflict, Chief Martin was once asked by an audience of non-Indian university students what the phenomenal economic development at Mississippi Choctaw was doing to Choctaw culture. After contemplating the question, Chief Martin replied straightforwardly and with profound insight: “Well, it used to be that everyone moved away, but now they’re all coming back.”¹

The ties of history, culture, identity, family, and place are strong across Indian Country. Poverty tears at those ties. But there are grounds for optimism. The story today of economic development in Indian Country is one of rapidly growing economies among both gaming and nongaming tribes. For the first time in a century, the United States seems to have found a policy that works, and Indian nations are taking hold of self-determination and making the most of it. At the same time, Indian Country has had such large deficits to make up, such extremes of unemployment, low income, and lack of personal and community wealth accumulation to overcome, that 10–20 years of economic growth is not going to eliminate poverty and its accompanying social distress.

PAST EFFORTS AND POLICIES

Broadly speaking, one constant has characterized Indian reservations since their creation—poverty. Until hitting on strategies of self-determination, policy attempts to combat economic distress in Indian Country were systematically ineffectual and downright counterproductive. Policy after the Civil War aimed particularly at turning Indians into non-Indians via destruction of Native culture, language, religion, and economic practices. Whether in the nineteenth century or later, however, assimilationist policies accomplished little except the hegemonic disruption of cultures, the dispossession of land and natural resources, and perpetual impoverishment. Allotment of tribal land to Indian individuals beginning in 1887, for instance, was motivated by the notion that Indians would be better off as self-employed homesteading farmers. That policy was an acknowledged disaster for tribes and individual Indian people, and tribes throughout Indian Country are still struggling to regain control of one of their most critical assets—land.

Despite the lack of demonstrable success in the face of continuing poverty and development challenges, assimilationist views have been remarkably resilient. As recently as 1969, the Bureau of Indian Affairs (BIA) espoused the belief that Indians would develop

in proportion to their willingness to abandon their Indian cultures and assimilate.² More recently, employment efforts—creating jobs—became the cart that drove the economic development horse. From the mid-1960s through the mid-1980s, the acute poverty on Indian reservations was the impetus for a federal approach to Indian economic development that focused on “getting the next project going.” Congress mandated the Economic Development Administration (EDA) of the U.S. Department of Commerce in the 1960s “to generate jobs, help retain existing jobs, and stimulate industrial and commercial growth in economically distressed areas of the United States.”³ The EDA granted capital for physical investments associated with specific projects, such as a building for a manufacturing facility or the launching of a tribal motel. Other agencies adopted similar project-oriented approaches, with none addressing the fundamental causes of economic underdevelopment.

This “economic-development-by-project-initiation” was prone to fads of one-size-fits-all projects that were applied uniformly across Indian Country. Projects were often unsupported by competent business analyses and market feasibility studies. Investments were usually unaccompanied by the financial accountability for success that is demanded by private capital markets. Less internal capacity was created within tribes than would otherwise have been the case because non-Indian outsiders often managed the projects. And, most importantly, the investments were virtually always unaccompanied by a systematic approach to dealing with the underlying barriers to on-reservation economic development. The federal project approach to development failed in most places and has left Indian Country pockmarked with pride-destroying empty and/or dilapidated buildings that operated as factory or motel or office park only as long as fickle funding lasted.

The approach to reservation economic development not only failed; it also warped the internal tribal machinery of economic development. Tribal economic development “planners” were not in fact planners; they were (and, in many cases, still are) grant seekers whose success was and is measured solely on the basis of how much federal largess they can direct toward their tribes. More insidiously, the federal project approach encouraged tribal elected leaders to focus on federal prerogatives, rules, and priorities rather than on the task of building solid economic policies and sound governments. Internally, this often created a destabilizing electoral dynamic: if the tribal government received grants, political supporters could be hired on resulting projects and tribal politicians could enhance their chances of reelection. If grant seeking by the tribal government came up dry, the elected positions could be expected to completely change hands and a new cycle of the politics of spoils would decimate the institutional memory of the tribal bureaucracy. The result for many tribes has been cycles of institutional dependence on the federal government, with tribes encouraged to run their enterprises and their programs as job engines. Too often, this has led to bloating and bankruptcy, created the perception that reservation jobs have been merely make-work replacements for real productive effort, and maximized the politicization of investment and employment decisions.⁴

This pattern is finally being broken. It is being broken by tribes themselves as they leverage policies of self-determination into self-selected investments and focus on developing the legal, regulatory, and physical infrastructure that rewards productivity, holds decision makers accountable, and holds down the risks of political instability for individuals and businesses. The clear trend is for Indian governments to eschew their long-imposed role as extension agents of federal antipoverty programs and to engage in the task of genuine self-rule by building institutions and creating favorable conditions for investments.

Contemporary Indian nation development efforts are shifting to strategies focused on available assets, in which emphasis is placed on good governance, investments, savings,

and wealth creation. This accords with a body of research on economic development, which argues that such asset-based strategies contribute positively to the development of a community in ways that capture both economic and noneconomic benefits.⁵ On many reservations, comprehensive and multifaceted development approaches are supplanting single-strategy interventions that are project-driven or focused on a specific sector such as resource extraction, manufacturing, or tourism. In the process, many Indian nations that have taken control of their economic development have been rewarded with remarkable success. As a result, sometime in the late 1980s or early 1990s Indian Country embarked on a path of more rapid economic growth than the general U.S. economy.

A TRIBAL ECONOMIC DEVELOPMENT SNAPSHOT

According to U.S. census data, real incomes on reservations after adjusting for inflation actually declined during the decade of the 1980s before taking off on their path of rapid growth since. Notwithstanding the growth in incomes over the 1990s, by the end of the decade the average on-reservation Indian citizen still had per capita income of less than \$8,000 compared to more than \$21,500 for the average U.S. resident (Fig. 7-1). Moreover, on-reservation Native residents remained, on average, the economically poorest identifiable group in America. As Figure 7-2 indicates, the latest census reported that 39 percent

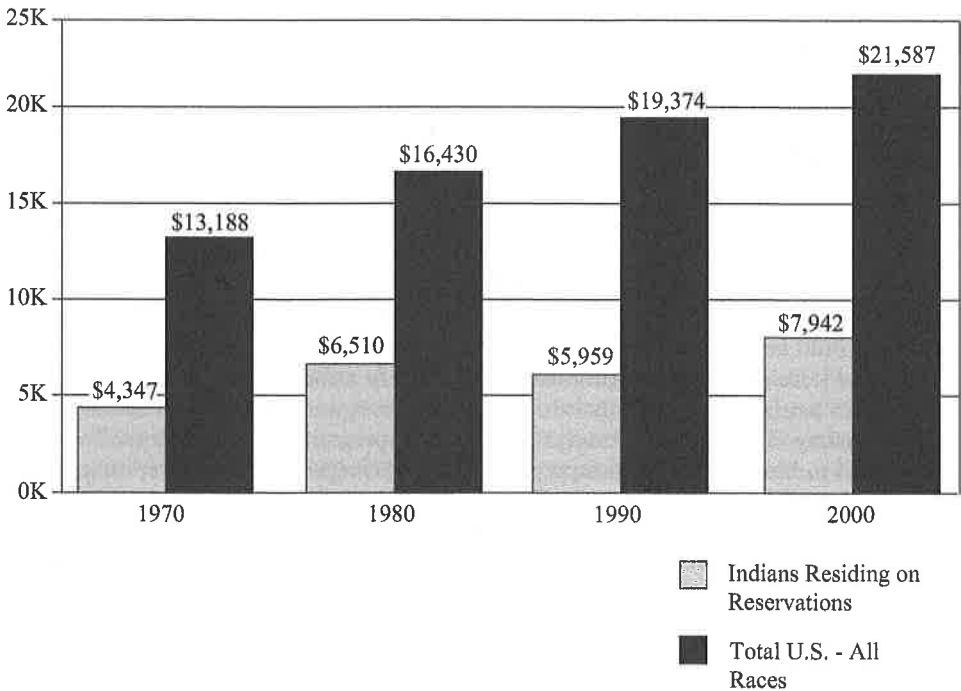


FIGURE 7-1 Real per capita income: 1970–2000. All reservations excluding Oklahoma Tribal Statistical Areas. Source: U.S. Census, 1990 and 2000, Jonathan B. Taylor and Joseph P. Kalt, *American Indians on Reservations: A Databook of Socioeconomic Change between the 1990 and 2000 Censuses* (Cambridge, MA: Harvard Project on American Indian Economic Development, January 2005).

of on-reservation American Indians were living below the poverty line, higher than any other group and four times the rate for the average American.

High poverty rates and low average incomes across Indian Country reflect generally poor employment conditions. As Figure 7-3 indicates, there has been clear improvement in employment on reservations since the 1980s. Nevertheless, the 2000 U.S. census data show unemployment standing at 21 percent among gaming tribes and at 23 percent for nongaming tribes. The unemployment rate for the U.S. population as a whole was registered at 6 percent. When the large influence on the data of the very large Navajo Nation (which did not have gaming at the time of the 2000 census) is removed, the unemployment rate across nongaming reservation tribes stood at 16 percent.⁶ Not surprising in the face of relatively poor employment opportunities, labor force participation is significantly lower for American Indians than the United States as a whole.⁷

Data such as those in Figures 7-1 through 7-3 tell a story of generally low incomes and poor job prospects, but they also show a clear trend toward improvement. As noted in the Introduction, over 1990-2000 real median household income across gaming and nongaming tribes rose 24 percent and 33 percent, respectively. This far outpaced the meager 4 percent growth in real median household income for the U.S. population as a whole. Similarly, as indicated in Figure 7-4 below, real income per Native person on nongaming and gaming reservations grew 30 percent and 36 percent, respectively, over 1990-2000. When the very large influence of the Navajo Nation is removed from these data, the growth in per capita income on nongaming reservations over 1990-2000 was 21 percent. When Tribal

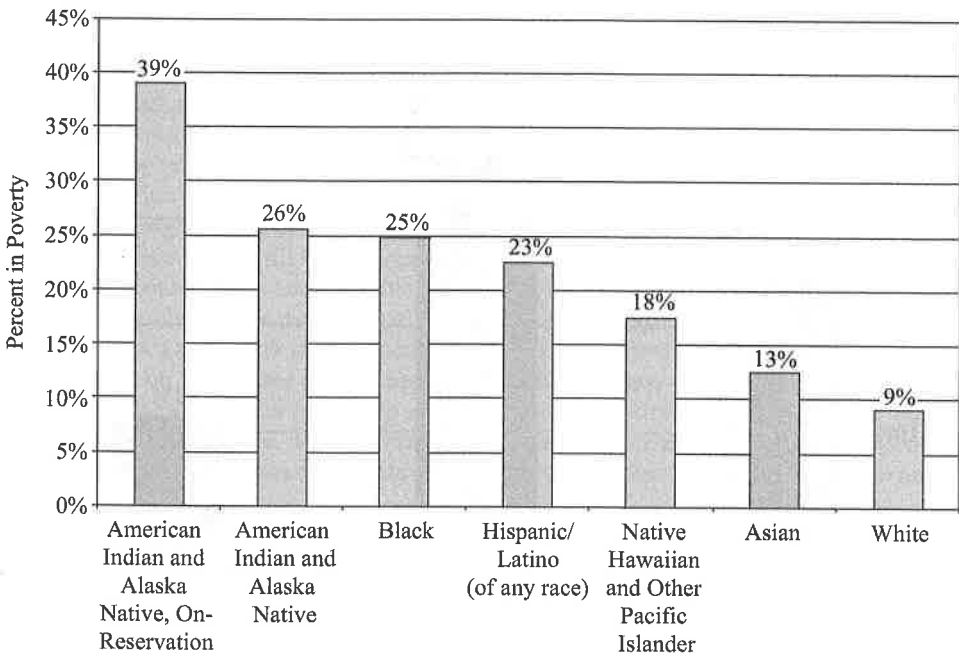


FIGURE 7-2 Poverty rates by race/ethnicity. *Source:* U.S. Census Bureau, "Poverty: 1999," Census 2000 Brief, issued May 2003, single race identifications. Data for on-reservation American Indians and Alaska Natives are from U.S. Census Bureau, Census 2000, Summary File 3.

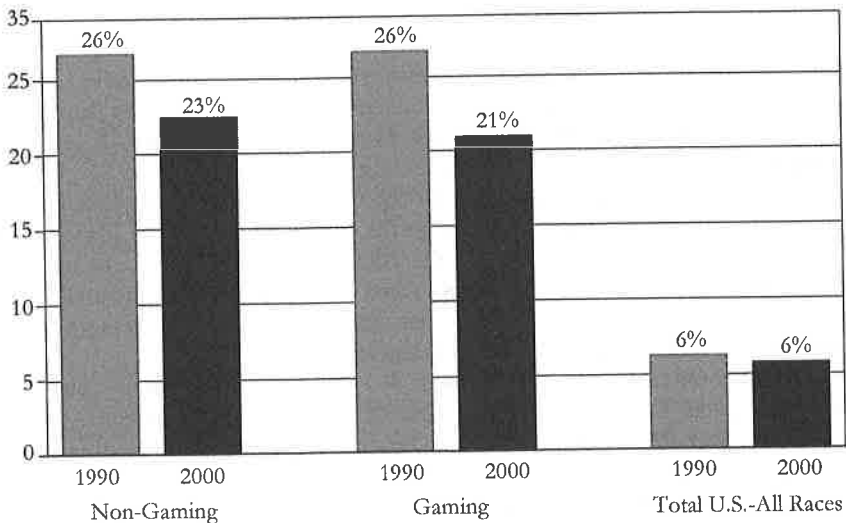


FIGURE 7-3 Unemployment rate. All Indian areas, excluding Oklahoma Tribal Statistical Areas. Source: U.S. Census, 1999 and 2000, Jonathan B. Taylor and Joseph P. Kalt, *Data Files for American Indians on Reservations: A Databook of Socioeconomic Change between the 1990 and 2000 Censuses*, http://www.ksg.harvard.edu/hpaied/pubs/pub_152.htm (accessed December 17, 2006).

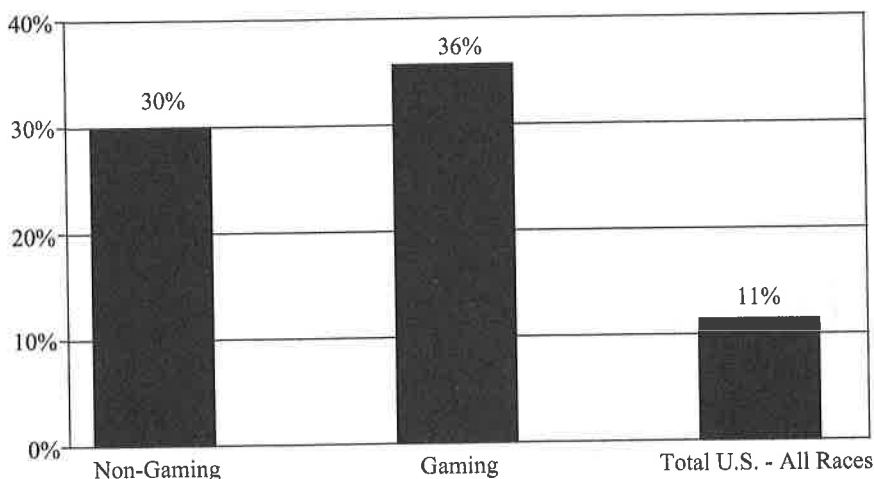


FIGURE 7-4 Percent change in on-reservation per capita Indian Income: 1990-2000. All Indian areas, excluding Oklahoma Tribal Statistical Areas. Source: U.S. Census, 1999 and 2000, Jonathan B. Taylor and Joseph P. Kalt, *American Indians on Reservations: A Databook of Socioeconomic Change between the 1990 and 2000 Censuses* (Cambridge, MA: Harvard Project on American Indian Economic Development, January 2005).

Statistical Areas are included with the reservations, the figures for gaming and nongaming tribes are 29 percent and 27 percent, respectively. No matter how they are measured, the growth rates in per capita Indian incomes are far higher than the national U.S. rate of growth of 11 percent (Fig. 7-4).

While heartening after more than a century of stark economic underdevelopment, the emergence of economic growth in Indian Country starts at low levels of income and employment. Even if the recent high rates of growth can be sustained, it will take decades for Native incomes to catch up to U.S. levels.⁸ Moreover, the beginnings of the economic miniboom that is taking hold in Indian Country are not evenly spread across the Indian nations. This can be seen in Tables 7-1 and 7-2. The former focuses on tribes with on-reservation populations of at least 1,000 and shows the 10 reservations with the highest and lowest levels of per capita income in the 2000 U.S. census. The range is striking, with per capita incomes varying by a factor of 4 between the highest-income reservation (Isabella) and the lowest-income reservation (Crow Creek).

As Table 7-2 indicates, incomes on certain gaming reservations have exploded, yet cases such as the Table Mountain Rancheria in California, Shakopee in Minnesota, and Sycuan in California represent tiny populations and are not representative even of gaming tribes. For many Indian nations, particularly those far from large population centers from which to draw customers, gaming has made little impact on the problems of persistent poverty.

The fact that economic growth is taking hold with approximately equal vigor across both gaming and nongaming tribes means that fixation on gaming as the source of growth misses deeper realities. The gaming revolution in Indian Country is but one manifestation of Indian nations' assertions of self-determination and the development payoff to those assertions. In fact, perhaps the most encouraging aspect of the economic growth that is taking hold in Indian Country is the thickening of the economic fabric of many Native nations. These nations are beginning to develop sustained economies, often generating export-oriented enterprises that seek to build upon tribal comparative advantages based on natural resources, labor costs, regulatory flexibility, human capital, and/or geographic position. They have also sought to diversify their local economic bases by fostering small business creation that supplants off-reservation retail sectors.

Nongaming enterprises are proliferating rapidly in Indian Country. Some of these are large and visible—the Quil Ceda shopping center of the Tulalip tribes, the high-volume FireLake Discount Foods and First National Bank and Trust of the Citizen Potawatomi, the high-tech electronics manufacturing of S&K Technologies at Flathead, and the ski and numerous golf resorts that a number of tribes have developed. But development is also founded on businesses owned by private tribal citizens—from Burger King franchises and Hampton Inns to paving companies, construction firms, automobile repair shops, and cattle ranches. The directory of businesses for the rapidly growing Citizen Potawatomi Nation, for example, lists scores of private citizen businesses—and the number is growing.⁹

Historically, the governmental sector (tribal and federal) has been the largest employer in Indian Country. The business sector, however, is growing rapidly. In 1987, roughly 53,000 Native-owned businesses were reported by the U.S. Census Bureau. Although it doesn't distinguish between reservation and non-reservation Indian businesses, the U.S. Census Bureau's report, the *Survey of Minority-Owned Business Enterprises* for the U.S. Department of Commerce identified 102,000 Native-owned businesses in 1992. By 2002, this figure had more than doubled, to 206,000. This represents expansion that has been far greater than in the U.S. economy as a whole.¹⁰ Similarly, focusing on a single

Table 7-1 Extremes of Income: Larger Reservations,* 2000.

	Population	Per capita income
Ten lowest		
Crow Creek Reservation (SD)	1,856	\$4,043
San Carlos Reservation (AZ)	8,769	\$4,970
Rosebud Reservation (SD)	8,687	\$5,613
Pine Ridge Reservation (SD)	14,255	\$5,619
Santo Domingo Pueblo (NM)	3,106	\$5,620
Pascua Yaqui Reservation (AZ)	2,928	\$5,627
Fort Apache Reservation (AZ)	11,597	\$5,724
Gila River Reservation (AZ)	10,317	\$5,746
Zuni Reservation (NM)	7,377	\$6,029
Lower Brule Reservation (SD)	1,197	\$6,129
Ten highest		
Isabella Reservation (MI)	1,371	\$17,436
Oneida Reservation (WI)	2,977	\$14,771
Southern Ute Reservation (CO)	1,405	\$13,043
Fond du Lac Reservation (MN)	1,262	\$12,649
Puyallup Reservation (WA)	1,386	\$12,439
Cattaraugus Reservation (NY)	1,936	\$12,318
Allegany Reservation (NY)	1,203	\$12,298
Osage Reservation (OK)	6,338	\$12,203
Umatilla Reservation (OR)	1,373	\$12,032
St. Regis Mohawk Reservation (NY)	2,581	\$12,016
All United States, all races	281,421,920	\$21,587

* Reservations with American Indian populations greater than 1,000.

Source: Jonathan B. Taylor and Joseph P. Kalt, *Data Files for American Indians on Reservations: A Databook of Socioeconomic Change between the 1990 and 2000 Censuses*, http://www.ksg.harvard.edu/hpaied/pubs/pub_152.htm. (accessed December 17, 2006).

state, the North Dakota Native American Business Development Program reports that 80 percent of Indian businesses have been created post-1980.¹¹

The aggregate contribution of reservation economic activity to the broader regional and national economies in which they are imbedded is difficult to assess. One 1998 study reported that tribal governments accounted for \$1.2 billion in off-reservation spending for goods and services and that reservation businesses accounted for \$4.4 billion in off-reservation spending. The spending by tribal governments, reservation-based businesses, and residents created \$246 million in tax revenue for state and local governments and \$4.1 billion in annual tax revenue for the federal government.¹²

Table 7-2 Extremes of Income: Gaming Reservations, 2000.

	Indian Population	Per capita income
Ten lowest		
Texas Kickapoo Reservation (TX)	423	\$3,398
Big Valley Rancheria (CA)	184	\$4,029
Crow Creek Reservation (SD)	1,856	\$4,043
Middletown Rancheria (CA)	51	\$4,631
San Carlos Reservation (AZ)	8,769	\$4,970
Cocopah Reservation (AZ)	535	\$5,479
Upper Skagit Reservation (WA)	139	\$5,523
Rosebud Reservation (SD)	8,687	\$5,613
Pine Ridge Reservation (SD)	14,255	\$5,619
Pascua Yaqui Reservation (AZ)	2,928	\$5,627
Ten highest		
Table Mountain Rancheria (CA)	7	\$146,000
Shakopee Mdewakanton Sioux Community (MN)	245	\$113,509
Sycuan Reservation (CA)	26	\$107,692
Barona Reservation (CA)	354	\$38,647
Mashantucket Pequot Reservation (CT)	217	\$32,674
Santa Ynez Reservation (CA)	64	\$32,395
Rumsey Rancheria (CA)	25	\$29,644
Prairie Island Indian Community (MN)	189	\$28,659
Lower Sioux Reservation (MN)	263	\$28,584
Viejas Reservation (CA)	232	\$28,128
All United States, all races	281,421,920	\$21,587

Source: Jonathan B. Taylor and Joseph P. Kalt, *Data Files for American Indians on Reservations: A Databook of Socioeconomic Change between the 1990 and 2000 Censuses*. http://www.ksg.harvard.edu/hipaid/pubs/pub_152.htm. (accessed December 17, 2006).

At the regional level, nations such as Mississippi Choctaw, Citizen Potawatomi, and Winnebago of Nebraska have become dominant economic forces in otherwise relatively poor and rural settings, often employing large numbers of non-Indians along with tribal citizens. A comprehensive analysis of Indian economic contributions to the state of Washington reported that the 27 tribes (with a combined population of 91,000) contributed \$1 billion in 1997. Tribal enterprises in that year purchased \$865.8 million in goods and services. Washington-based tribes paid \$51.3 million in federal employment and payroll taxes and \$5.3 million in state employment and payroll taxes on a total employment of

14,375 (including non-Indians). While Indian casino gross revenues of \$440 million made it the largest industry among tribes in the state, less than half of the total gross revenues of the tribes' enterprises came from gaming at that time.¹³

A subsequent analysis of the Washington Indian economy found that total tribal enterprise and government revenue had more than doubled between 1997 and 2004 and that the total revenue of the Indian economy including individual-owned businesses and non-Indian businesses (e.g., at the Tulalip Nation's Quil Ceda Village) exceeded \$3.2 billion.¹⁴ While this is but one state's experience with American Indian economic development, states such as Arizona, New Mexico, California, Minnesota, the Dakotas, and Oklahoma also must count Indian nations' economies among their own economic development engines.

It should also be recognized that the informal or "underground" economy is a vital element of a number of reservation and Native economies.¹⁵ Given the underdeveloped nature of the formal economies of many Native nations, it is through this sector that substantial numbers of individuals and families subsist and survive, exercise creativity and productivity, and maintain many traditional economic activities. One study in the late 1980s of the informal sector on the Pine Ridge Indian Reservation indicates that its citizens were engaged in over 100 different types of productive activity not accounted for by any formal mechanism.¹⁶ And when this activity was quantified, it accounted for more in monetary terms than the total amount of welfare and assistance dollars coming onto the reservation.¹⁷ The Navajo Nation is home to a large informal sector, with flea markets that attract not just



Construction Project, Grand Traverse Band Planning and Development, Grand Traverse Band of Ottawa & Chippewa Indians. Faced with managing a growing land base and an increasing number of visitors to the reservation, the Grand Traverse Band Tribal Council established the Planning and Development Department to build capacity within the community to accommodate new needs. The department addresses its challenges by embarking on a comprehensive planning process that relies on community involvement at both the reservation and off-reservation levels to help identify key community needs. (*Honoring Nations*, 2000 Honors.)

sellers of used household goods but also vendors of hay, livestock, tires, fruits, vegetables, homemade foodstuffs, and arts and crafts. Many other reservations have similarly productive informal sectors.

The appearance of economic growth in Indian Country is welcome, but it starts from a low base and is hardly the be-all and end-all in Native nations. The citizens of Native nations commonly count political perpetuation, matters of cultural identity, and quality of life and quality of community (which cannot be reliably measured in dollars) as more important shared goals. But as long as poverty, unemployment, and underemployment are a Native nation's prevailing economic reality, its citizenry will struggle to hold everything else together. Families will be forced to undertake extraordinary steps to access even the bare necessities, individuals will tend to face the unwanted choice of looking off-reservation for even modest economic opportunity, and, because of these necessary focuses, other progress may be difficult to achieve. As a result, persistent economic underdevelopment and attendant poverty remain pressing concerns across Indian Country.

THE UNDERPINNINGS OF CONTEMPORARY TRIBAL ECONOMIC DEVELOPMENT

Recent economic growth in Indian Country is fragile, particularly so because it is founded on powers of self-determination that are under constant attack from certain state and federal quarters and because maintenance of such powers is not under the unilateral control of Native nations. It is not coincidence that economic development has taken root where and when long-standing federal "project" and "grant" approaches to development have been replaced by tribes' assertions of *self-rule* in the economic arena.¹⁸ The result in such cases is not only bringing decisions with local impact under local control but also bringing decision makers—elected, appointed, and informal tribal leaders—into positions of enhanced responsibility and accountability. It should be expected that performance, in terms of actually getting economic development going, would improve.

The quality of Indian governments has emerged as the key feature that distinguishes tribes that are able to launch sustained economic development and those that continue to struggle to do so. This does not mean that tribal governments must be owners and operators of enterprises themselves. There are examples where such strategies have worked (e.g., Winnebago and Mississippi Choctaw) and many more where they have failed (e.g., across the northern plains).¹⁹ But the pressure is on Indian governments to put in place the institutional infrastructure that is needed to channel human and financial resources into productive activities so that the community is working to add to the economic "pie," rather than squabbling over how to divide the pie.

Recent developments in Indian Country have shown the best predictors of reservation economic success are not large natural resource endowments, high levels of educational achievement, favorable market access, or other classically "economic" factors. Comparative research across a spectrum of tribal contexts has found that successful economic development is most likely to occur when tribes effectively assert their sovereignty and back up such assertions with capable and culturally appropriate institutions of self-government.²⁰

It is only when tribes take control of decision making, establish effective and legitimate governing institutions, and embrace strategic use of natural resources, education, location, capital, and other assets that successful and sustainable economic development efforts emerge. Where these tribal government-oriented attributes are absent, tribal assets such as an educated citizenry, natural resources, and the like are more often quan-