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COMMENTARY

Pathways from Poverty: Economic Development and Institution-Building on American Indian Reservations

STEPHEN CORNELL AND JOSEPH P. KALT

INTRODUCTION

Contemporary American Indian reservations are notable for, among other things, extreme poverty, a host of related social problems, and economies founded largely on transfer payments and governmental services. These signs of low standards of well-being—both economic and social—are enigmatic. Despite decades of professed federal and public concern and a seemingly endless flow of federal and private dollars, there is as yet relatively little sign of meaningful improvement on most reservations, or of the emergence of sustainable productive activity. American Indian tribes have significant sovereign powers, yet tribal governments are frequently ineffective. Most Indians apparently desire to maintain and build upon distinctive tribal identities and communities, yet social pathologies undermine many Indian societies with disheartening results.

These problems are indicative of more than a lack of econom-

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ic development. American Indian societies face problems of economic, social, and political underdevelopment. Some of the reasons for this state of affairs are readily apparent: the systematic expropriation of many Indian resources, for example, coupled with decades of paternalistic non-Indian controls over reservation affairs. But even aside from these daunting obstacles to economic progress, development remains a complex problem, and in the Indian case a particularly difficult one to get a handle on. The questions it raises go, in the deepest sense, to the sources of wealth and societal well-being of nations: What are the ingredients that are necessary for a society to improve its economic standard of living with social and political consequences that the members of that society find acceptable? How does a society accomplish a substantive economic transformation without losing control of its own desired character and direction?

For the past several years the Harvard Project on American Indian Economic Development has been examining the conditions under which self-determined economic development might be successful on American Indian reservations. The heart of the research is the comparative analysis of economic development on some fifteen reservations in the Southwest, Northwest, and Northern Plains, using data from field visits and other primary and secondary sources. We are supplementing this with quantitative analysis of a sample of approximately one hundred reservations using United States census, Indian Health Service, Bureau of Indian Affairs (BIA), and other data on thirty or so social and economic indicators. While the project is ongoing and its conclusions are incomplete, this paper reports some of its findings to date.¹

THE NATURE AND EXTENT OF RESERVATION POVERTY

As is well known, by most indicators of economic well-being, American Indian reservations are extremely poor. The 1980 census showed that 14 percent of Indian reservation households—three times the proportion in the United States as a whole—had annual incomes under \$2,500.² Nearly 45 percent of reservation Indians lived in households with incomes below the poverty level. A quarter of Indian reservation households were on food stamps.³

Significant household wealth is almost entirely absent from most Indian reservations. Housing is often of poor quality. The 1980 census reported, for example, that 21 percent of reservation Indian households had no indoor toilet facilities; 16 percent lacked electricity; 54 percent had no central heating. Many of the last of these are in northern climates. At Pine Ridge, for example, half the Indian households lacked central heating, more than twice the percentage for rural South Dakota as a whole.⁴

Viable, unsubsidized economic enterprises are rare in Indian country. Most reservation economies today remain heavily dependent on tribal or federal government employment and federal welfare and other transfer payments. According to the 1980 census, 65.7 percent of all Indian civilian workers on reservations were employed in tribal, federal, state, or local government, and the vast majority of these in the first two.⁵ As for welfare, in 1986 at least one-third of the reservation members of the Rosebud Sioux tribe in South Dakota were receiving welfare from either the BIA's General Assistance program or Aid to Families with Dependent Children.⁶ This figure is not atypical.

Hand in hand with economic distress go many of the social indicators commonly associated with poverty. Community health is generally poorer and Indian life expectancies are generally lower than in the United States population at large. In the period from 1980–82, for example, 37 percent of Indian deaths in areas served by the Indian Health Service occurred in people younger than age 45, while only 12 percent of deaths in the United States population as a whole occurred in that age group.⁷ Significant progress has been made in the last thirty years in some health areas, especially infant mortality and infectious disease. Over the same period, however, "social" or behavioral causes of death—homicide, suicide, alcoholism—have become more prominent.⁸ In the early 1980s a reservation Indian was more than six times as likely to die from homicide as was a member of the general population. Reservation Indian deaths from liver disease and cirrhosis of the liver—which correlate highly with alcoholism—occurred at more than four times the rate for the United States population as a whole. In one Indian Health Service administrative area—the Billings area, which includes reservations in Montana and Wyoming—the rate was ten times as high.⁹ As for suicide, in the same period reservation Indians in the 15- to 24-year age group were killing themselves at a rate more than

three times that of the same age group in the United States as a whole.¹⁰

Poverty on American Indian reservations is closely tied to employment conditions. Reservation unemployment rates are often extraordinarily high. As shown in Table 1, the unemployment rate for reservation Indians nationally in 1989 was 40 percent, compared to a United States rate of 5 percent. Moreover, unemployment among reservation Indians has increased significantly over the last decade, up from 27 percent in 1979 despite a generally strong national economy.

BIA figures on unemployment, which use a Bureau of Labor Statistics unemployment definition (i.e., those unemployed but actively seeking work), underestimate the extent of unemployment, since many reservations include large numbers of "discouraged" workers who have given up seeking work and left the labor force. Indeed, by the BIA's own estimates, 8 percent of the potential reservation work force nationwide are in this category (Table 1).¹¹ On the other hand, such surveys also tend to undercount the self-employed and miss entirely the informal or barter economy, which is significant on most reservations. But whatever the precision of the indicators, the employment picture is assuredly grim.

It is not, however, entirely uniform. Among the reservations we have been studying, there is considerable variation in unemployment rates. At Cochiti Pueblo, White Mountain Apache, and Flathead, for example, unemployment is higher than the United States average but considerably lower than the average for all reservation Indians (Table 1). Similarly, Mescalero Apache appears to have quite low levels of unemployment. In fact, the Mescalero case illustrates one of the difficulties encountered in research on reservation economic performance: Notwithstanding officially collected employment figures, both the tribe and independent sources indicate that unemployment is very low indeed on the Mescalero reservation,¹² a conclusion supported by our own field experience.

At the other extreme, as Table 1 shows, unemployment rates are staggeringly high at Rosebud Sioux (90 percent), Crow (67 percent), and Oglala Sioux (Pine Ridge) (61 percent). The first and last of these are in South Dakota, where eight of nine Indian reservations are located in counties that were among the twenty-five poorest in the country in 1986.¹³

TABLE 1
Employment of American Indians:
Sample Reservations, 1979 and 1989

	1989		1979		1989		1979	
	% Work Force Employed	Rank in Sample	% Work Force Employed	Rank in Sample	BLS-Defined Employment	Rank in Sample	BLS-Defined Employment	Rank in Sample
White Mountain Apache	79	1	70	2	89	2	78	3
Cochiti Pueblo	78	2	75	1	90	1	91	1
Salish & Kootenai (Flathead)	59	3	50	9	80	3	71	7
Northern Cheyenne	45	4	66	3	52	6	73	5
Muckleshoot	43	5	42	12	50	7	50	13
Lummi	42	6	46	11	54	5	68	9
Mescalero Apache	42	7	60	5	48	9	83	2
San Carlos Apache	38	8	59	6	49	8	69	8
Yakima	37	9	50	8	39	10	67	10
Oglala Sioux (Pine Ridge)	27	10	39	13	39	11	65	11
Hualapai	26	11	66	4	55	4	71	6
Crow	22	12	51	7	33	12	61	12
Rosebud Sioux	7	13	47	10	10	13	75	4
Reservation Indians	52		61		60		73	
United States (All Races)					95		94	

Sources:

Bureau of Labor Statistics, *Employment and Earnings*, April 1979 and January 1989; Bureau of Indian Affairs, *Local Estimates of Residents: Indian Population and Labor Force*, April 1979 and January 1989.

Perhaps more revealing of the economic problems of reservations is the structure of the employment that does exist.¹⁴ Most reservation economies are heavily dependent on the "transfer" economy, i.e., tribal or federal governmental transfer or other public assistance programs. This can be distinguished from employment in productive enterprises (private *and* public) which add output to tribal economies. According to the 1980 census, 59 percent of all reservation employment was in the transfer economy in 1979, compared to approximately 17 percent for the United States as a whole. (See Table 2; more recent data for most reservations are not yet available.)

Reservation dependence on the transfer economy varies markedly across the cases we have been examining. As Table 2 indicates, as of 1979 this dependence was greatest at Hualapai, Oglala Sioux, Rosebud Sioux, and Crow. Relatively low levels of transfer dependence are found at Flathead, Yakima, and White Mountain Apache. (We believe the official figures for Mescalero are again misleading; the Mescalero economy is marked by substantial tribally owned enterprises for which employment may have been recorded in the census as *non-enterprise* government employment. A similar data problem may exist with Cochiti, where at least by 1989 substantial employment was in tribally controlled enterprises.)

This discouraging situation prevails despite a lengthy history of policy interventions designed to get reservation economies "on their feet." At least since the Meriam Report of 1928,¹⁵ reservation poverty has been a matter of considerable concern to federal policymakers, while economic development programs have played an important role in Indian policy since at least the 1930s. Since the 1960s alone, the United States has poured hundreds of millions of dollars into reservation economic problems.¹⁶ These efforts have had some effects. Significant progress has been made, for example, in housing, education, certain aspects of health, and overall family income (although much of the improvement in Indian income appears to be concentrated in the urban Indian population).¹⁷ Nonetheless, substantive progress on the economic front has proved frustratingly elusive, and many tribes today remain stuck at or near the bottom of the economic ladder in the United States.

TABLE 2
Selected Social and Economic Indicators:
Sample Reservations, 1979

	% Employed in Enterprises	Rank in Sample	% Receive Public Assistance	Rank in Sample (Low to High)	% Adults High School Graduate	Rank in Sample
Hualapai	20	13	35	3	53	4
Mescalero Apache	23	12	43	5	52	5
Oglala Sioux (Pine Ridge)	25	11	48	11	45	10
Cochiti Pueblo	26	10	30	1	63	1
Crow	28	9	49	12	52	6
Muckleshoot	29	8	47	9	31	13
Rosebud Sioux	32	7	52	13	50	9
San Carlos Apache	35	6	43	4	37	11
Northern Cheyenne	37	5	46	8	52	7
White Mountain Apache	41	4	31	2	34	12
Yakima	42	3	45	6	51	8
Salish & Kootenai (Flathead)	46	2	48	10	57	2
Lummi	52	1	45	7	54	3
Reservation Indians	41	**	42	**	43	**
United States (All Races)	83	**	**	**	67	**

Sources: Bureau of the Census, 1980 Census of the Population, Volume 2, Subject Reports: American Indians, Eskimos and Aleuts on Identified Reservations and in the Historic Areas of Oklahoma (Excluding Urbanized Areas); Total U.S. figures from the Bureau of the Census, 1980 Census of the Population, Volume 1, Characteristics of the Population, Chapter C, General Social and Economic Characteristics, Part 1. United States Summary.

SIGNS OF CHANGE AND VARIATION

At the same time, there are some important signs of change in Indian country. The most encouraging ones are political. In the last decade-and-a-half, the political context of reservation economic development has been transformed. Partly as a consequence of the political activism of Indian nations and organizations, and partly as a response to the costly failures of federal Indian policies in the 1950s and 1960s, in the 1970s the federal government began moving to a policy of self-determination for Indian tribes. This was a major departure, replacing a policy in which property rights in the economists' sense—i.e., effective control of reservation resources and affairs—lay in the hands not of the tribes but of the federal government, with a policy that at least suggested that tribes ought to exercise greater control over their own lives.

While the self-determination policy has by no means always lived up to its promise, as a result of this change and of supportive court decisions, since 1975 reservation development has moved increasingly into Native American hands.¹⁸ Development programs on many reservations are beginning to follow Indian agendas, and success and failure are beginning to be measured in Indian terms. The result is an unprecedented development situation: For the first time, at least on a large scale, Indian nations are making their own strategic development decisions, in many cases are taking direct control of development programs, and are paying the costs as well as reaping the benefits of program performance.

One result is a flurry of development-related activity as tribes initiate their own development strategies. In years past these strategies were determined largely by non-Indians, usually the federal government, which controlled the purse strings and much of reservation decision-making. Now, in many cases, tribes themselves are deciding what to do. At the same time, their decisions are various: given the freedom to make their own choices, tribes are pursuing diverse sets of development strategies. This activity is producing highly variable results. Two examples follow.¹⁹

The Crow tribe of Montana occupies a 2.5-million-acre reservation in the south-central part of the state. In 1989 the enrolled tribal population was about 8,000. The tribe owns one of the largest reserves of strippable coal in the world—some 400 billion tons,

by recent estimates—along with extensive timber, range, agriculture, water, wildlife, and mineral resources. In 1988 the tribe's coal and other assets were valued by the BIA at approximately \$27 billion, representing over \$3 million per person.

Despite this wealth, poverty at Crow is extreme. Today the tribe reports three-quarters of its work force as unemployed. Half the population receive some form of public assistance. Nearly three-quarters of those who are employed work in federal, tribal, or state governmental services as opposed to productive enterprise. Social pathologies such as alcoholism, crime, and ill health are rampant.

The primary income-producing economic activity within the tribe's lands consists of a non-Indian owned and operated coal mine paying the tribe \$1 million to \$1.5 million in royalties a year, equal to approximately half the market value in the region. In addition the reservation generates land lease payments from local non-Indian ranchers, also typically at far less than market value, and a modest stream of stumpage receipts from timber sales. Annual earnings on the \$27 billion of tribal assets total approximately \$3 million, for a rate of return of 0.01 percent per annum.

By way of contrast, the White Mountain Apache tribe occupies a 1.6-million-acre reservation in east-central Arizona. The tribe has approximately 9,000 members. Some 750,000 acres of the reservation are prime timber country; another 400,000 are good quality rangeland. The White Mountain Apaches operate nine tribally owned enterprises, among them a major ski resort with seven lifts and \$9 million in revenues per year; one of the most productive sawmills, Indian or non-Indian, in the western United States, with \$30 million in annual revenues and a work force that is more than 90 percent Apache; a ponderosa pine forest that yields some \$7 million in net logging royalties per year; and pay-per-visit wilderness hunting and fishing that produces annual revenues of approximately \$1.5 million. The tribe has had repeated success in raising capital and attracting employers. Its economy makes the tribe a major, if not dominant, political and economic force in the region, with numerous off-reservation businesses depending heavily on the tourism and other attractions of the reservation.

Unemployment among the White Mountain Apaches hovers around 20 percent. Approximately half the employment on the reservation is in enterprises as opposed to government services.

Less than a third of the reservation's families receive public assistance. While significant problems certainly remain at White Mountain, the difference between it and Crow is striking.

In some ways, of course, both these tribes are non-representative. Both are large and resource-rich, while most Indian tribes are small and resource-poor. But they illustrate an important point: the aggregate picture of Indian poverty obscures considerable diversity. This diversity raises an interesting set of questions. First, how are we to account for variation in performance? Why does development work here and not there? What conditions—societal and otherwise—encourage successful development, and what conditions do not? Second, how might we account for the choices that tribes make? That is, how do we account for the variation in development strategies? Third, and much more broadly, what are the sources of poverty and well-being in societies generally—not only on reservations—and how do societies or communities advance, under their own auspices and control, from the first to the second?

ALTERNATIVE EXPLANATIONS

The literature on American Indian economic development is not all that helpful in providing concrete answers to these questions. There is little in the way of systematic research on the question of strategic choice.²⁰ On the other hand, effective tribal control of strategic decision-making is a recent phenomenon; the choice-relevant data is only just coming in.

There is a good deal more data on performance, although systematic comparative research is rare. Abstracted from a large and diverse literature, the explanations of reservation economic performance fall into four general categories.

(1) Those that attribute underdevelopment to powerlessness, dependency, and expropriation

These explanations attribute Indian poverty to the historical and contemporary appropriation of Indian resources by non-Indians, the enforced powerlessness that was a precondition of that appropriation, and the resultant dependency of Indian communities on outside sources of economic support and decision-making.²¹

The implication is that Indian nations will be able to establish viable economies only as the weight of the colonial past and present are lifted—as tribes are freed from paternalistic controls and exploitative economic relations with the larger society.

As a general explanation of Native American poverty, this is persuasive. Resource losses, systematic discrimination, and powerlessness have severely and, in many cases, irreparably harmed Indian development efforts. But the problem is to account not so much for poverty as for differential success in overcoming it. Most tribes today occupy or have come from similarly powerless, dependent positions, yet their economic performance varies. On its own, the dependency explanation cannot cope with such variation.²²

On the other hand, dependency theories of underdevelopment do accord with one pattern that our field research reveals: Relatively successful reservations such as White Mountain (as well as Flathead and Mescalero) are marked by a clear pattern of tribal control of strategic and day-to-day decision-making, with a corresponding subjugation of the role of the BIA. What is it that enables some reservations to assert and implement self-control, while many remain dominated by outside decision-makers? Dependency explanations do not provide answers to this question except insofar as current tribal aggressiveness or subjugation are themselves the result of past patterns of outside rule. Our own research suggests, for example, that the lack of development success on Arizona's San Carlos Apache reservation relative to that at White Mountain has to do in part with differing historical patterns of subjugation and their effects on indigenous social organization and leadership.²³

(2) Those that treat differential outcomes as factorial in economic terms

Factorial explanations of variation in performance emphasize the role of differential endowments of natural resources or human capital, or differential access to financial capital.²⁴ These are intuitively pleasing explanations: They are eminently plausible; they give us something we can readily measure; and they accord with economic models of production and growth.²⁵ But they run into problems with the data.

Certainly the natural resource argument is persuasive up to a

point. Comparing Indian unemployment figures for all Arizona reservation service populations with those for all South Dakota ones, for example, lends it support. The BIA reports approximately 50 percent unemployment on Arizona reservations, taken together, and about 75 percent on South Dakota ones.²⁶ One apparent difference between the two states is the relative resource wealth of certain Arizona tribes in comparison to those in South Dakota.

But too many cases in Indian country challenge this account.²⁷ Both the Crows and the White Mountain Apaches are resource-rich, but the wealthier tribe in resource terms is the poorer tribe by almost every measure of performance. Similarly, both White Mountain and San Carlos Apache reservations have significant—if different—natural resource endowments, but White Mountain has been considerably more successful than San Carlos at turning those endowments into productive enterprise.

As for financial capital, we can compare the Navajos and the Mescalero Apaches. Both have, in comparative terms, good access to capital (both also, incidentally, are natural resource-rich). But Mescalero appears to be the more successful tribe economically. Access to capital is no panacea for poverty. Indeed, our research suggests that access to financial capital is often a *consequence* of successful tribal *political* development. This suggests that such development is primary—a theme we discuss more fully below.

As for human capital, both the Flatheads in Montana and some of the Sioux tribes in South Dakota have high human capital: extensive and diverse kinds of expertise within the tribal community. But Flathead is among the most economically successful reservations in the country; Pine Ridge (home of the Oglala Sioux tribe) and Rosebud, two of the South Dakota Sioux reservations, are among the least. In the meantime, Cochiti Pueblo in New Mexico, which has a small indigenous human capital endowment, more closely resembles Flathead than Pine Ridge in performance. Human capital may be important in development, but it alone cannot account for variation in cross-reservation performance.

In short, differential success is more complicated than factorial explanations suggest.

(3) Those that cite aspects of Indian societies, usually indigenous culture or tribal social organization

This account has an impressive historical pedigree. It has been at the heart of federal Indian policy through much of the last two centuries and has been the theme of a good deal of analysis as well.²⁸ Unfortunately, however, this account does not hold up very well either. Cochiti Pueblo illustrates the point. The Pueblos, for the most part, are culturally conservative, devoting considerable energy to the preservation of indigenous patterns of organization, action, and belief. Cochiti is among the most conservative of the Pueblos: a theocracy in which the officers of the tribe are appointed each year by the cacique, the leading religious figure. Much of collective life and decision-making remain controlled today by cultural conceptions that are many centuries old, and that place the survival of the community—of the collective—above the concerns and rights of the individual. Yet Cochiti owns and operates one of the most successful community development corporations in Indian country, enjoys comparatively low unemployment, and exhibits relatively fewer troubling signs of social disorganization and pathology.

Consider also the White Mountain Apache and San Carlos Apache tribes. They share, to a substantial degree, a common culture and an emphasis on the preservation of tribalism, but their economic performances are very different.

In sum, the evidence suggests that indigenous culture, in and of itself, is not the obstacle to development that it is often portrayed to be. It may shape both political and economic development in important ways (more on that later), but it is probably not necessary to stop being tribal or “traditional” in order to develop economically.

(4) Those that blame persistent poverty on the absence of effective governing institutions

This finds the explanation of poor economic performance in the tribal institutional environment, and in particular in the lack of institutions capable of effectively regulating and channeling both individual and collective behavior.²⁹ It sees tribal decision-making, dispute resolution, and regulatory functions as politicized and unstable. This, in turn, squanders resources and discourages investment.

Our own evidence strongly suggests that this is indeed a critical problem on many reservations. But the solution often suggested—transfer the institutions of the larger society to the tribal environment—is simplistic.³⁰ This is what happened in the aftermath of the Indian Reorganization Act (IRA) of 1934, when the Department of the Interior, ignoring much of the diversity among Indian nations, urged tribes to adopt more or less generic, formal constitutions drawn from larger-society models. These became the basis of most of the ineffective governing institutions that plague reservation development efforts today.³¹ While institutional reform is essential in many cases, generic reform will not solve the problem.

On the other hand, one of the things that marks the relatively successful tribes we have looked at, such as Flathead, Mescalero Apache, and Cochiti Pueblo, is their ability to solve a common set of governmental problems. These solutions include creating an environment in which investment—large or small, by tribal members or non-members—is comparatively safe from political manipulation; and preventing those who have the power to settle disputes from using that power for their own enrichment. The institutional techniques for accomplishing these tasks, however, vary dramatically, from a benevolent theocracy rooted in indigenous culture (Cochiti) to a strong chief executive (Mescalero), to a parliamentary system (Flathead). The implied questions are, What institutional forms are effective and appropriate where, and why have tribes varied so much in their ability to find a good “fit”?

Each of these explanations of reservation underdevelopment is inadequate—by itself—to the task at hand, yet each provides a piece of the puzzle. We turn now to an attempt to integrate these pieces into a more complete account.

AN ANALYTICAL FRAMEWORK FOR RESEARCH

The research reported here attempts to answer two questions: How can we account for the development strategies tribes choose? How can we account for performance: what works where and why?

Economic development is a social problem. Among other things, it requires that people organize themselves to take advantage of

the fact that specialization by individuals in their production activities is critically important to the advancement of their well-being. "Specialization" means concentrating one's labor and capital on fulfilling only a subset of human wants and needs, and then satisfying the full range of wants and needs by exchanging with other people who have specialized differently.

The mechanisms by which people are able to specialize in production and to exchange with each other are the formal (e.g., governments, enterprises) and informal (e.g., sociocultural norms) institutions of social organization and control. It is these institutions that constitute a system of incentives, constraints, and "recipes" that direct individuals into productive or destructive activity, broadly conceived. These institutions are "public goods," i.e., institutions shared by all group members as their vehicles of collective action in the economic and other arenas. Viewed from this perspective, tribal economic development is a problem of collective action, of directing individuals toward the achievement of shared goals through the mechanisms of social organization and control. What need to be explained, then, are the decisions tribes make and their ability to act effectively on behalf of those decisions.

We treat tribes as groups that, more or less cohesively and more or less self-consciously, pursue shared goals through a set of collective decisions made and implemented under particular sets of opportunities and constraints, leading eventually to concrete development outcomes. (See Figure 1.)

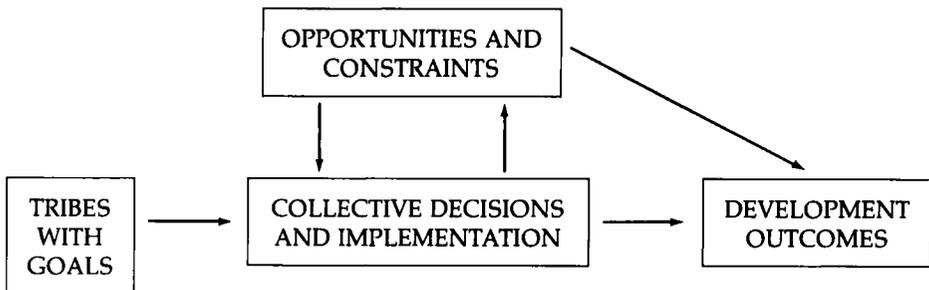


Figure 1. A Descriptive Diagram of Reservation Development

For the time being we take tribes to be the relevant actors in the development process. This makes sense given that our interest is in the ways that the situations and actions of tribes make successful development activity—whether carried out by the tribes themselves or by individuals—more or less likely on Indian reservations. More importantly, our conclusion that economic development is the outcome, in part, of more or less explicit collective decisions over institutions of social organization and control suggests a model in which the collective, the tribe, is the actor.³²

Tribal development goals are complex. However, our evidence suggests that, at a general level, most tribes share three primary goals in the development arena:

- **Economic well-being:** An improved standard of living as measured by quality of life, and maximum opportunity for productive activity on the part of all tribal members;
- **Political sovereignty:** Maintenance of the tribe as a distinct political unit with maximum powers of self-governance;
- **Social sovereignty:** Maximum control over the impact of economic development on sociocultural aspects of tribal organization and daily life.³³

Certainly many tribes have development goals much more specific than these,³⁴ but most appear to fit within this broad agenda. The agenda itself has important implications for how we evaluate strategic choice and measure success. The analysis of success in economic development typically relies on common *economic* measures: per capita incomes, jobs, wealth. The above list of goals, however, suggests that, from the perspective of tribes, economic indicators alone are poor or incomplete measures of success. Non-economic goals are at least as important. Development strategies that offer significant economic payoffs but undermine political or social sovereignty may reasonably be rejected, while strategies that reinforce sovereignty may be chosen despite limited economic payoffs.

The Warm Springs Indians in Oregon offer a good example. In recent years non-Indian developers have inquired about building a ski resort on the slopes of Mount Jefferson, a volcanic peak on the western boundary of the reservation. The developers have

estimated substantial tribal revenues from a world-class resort. But Warm Springs has turned them down. Tribal discussion revealed that, regardless of the economic payoffs, few tribal members wanted either outsiders or a ski resort on the slopes of Mount Jefferson, which dominates a huge area of the reservation that is primarily wilderness. Thus far, the tribe appears to have rejected an economic good in favor of a sociocultural good.

The goals outlined above are pursued subject to opportunities and constraints. We can divide these into external and internal factors. (See Figure 2.) External opportunities and constraints refer to the external or relational context of development: prevailing relationships between the tribe and the larger societal environment. The important factors here are economic and political. Economic factors include market opportunity, in particular the competitive position of the tribe in the market and its proximity to the market, and access to financial capital. The political factors have to do with the prevailing public policy environment, particularly at the federal level, and with the effect of that environment on tribal decision-making: What is the range of actions—including economic actions—tribes are entitled to take, and how much authority, relative to non-Indian actors, do tribes exercise over choice within that range?

The latter issue is essentially a question of property rights in the economists' sense of the term. If external actors—governments, corporations, publics—effectively control events and decisions on reservations, then the chances of self-determined economic development are severely reduced. To the extent that tribes themselves control such events and decisions, the chances of self-determined economic development are increased. This much, of course, is obvious by definition: that is what self-determination means. Our evidence suggests, however, that when actors other than the tribes involved control major decisions, the chances of *any economic development at all* are substantially reduced. The successful tribes we have studied are uniformly marked by aggressive assumptions of authority over tribal development decisions.

Internal factors refer not to aspects of relationships with the surrounding environment but to characteristics of tribes themselves. Three categories are important: economic, political, and sociocultural.

External

1. Economic
 - Market Opportunity (Competitive Niches)
 - Proximity to Markets
 - Access to Financial Capital
2. Political
 - Federal Indian Policy
 - Local Non-Indian Political and Attitudinal Environments
 - Legal Environment
 - Non-Indian Leverage on Tribal Decision-Making

Internal

1. Economic
 - Natural Resources
 - Human Capital
 - Pre-Existing Capital Investment
2. Political
 - Governing Institutions
 - Bureaucratic Capacity
3. Sociocultural
 - Tribal vs. Subtribal Allegiance and Identity
 - Cultural Characteristics/Preferences

Figure 2. Opportunities and Constraints

The relevant economic factors include natural resource endowments, human capital endowments, and the stock of capital investment (e.g., plant, equipment, and infrastructure) already in place. The appropriate question is, What economic assets does the tribe control that can be invested in development?

The primary political factor is institutions of governance. Here the appropriate question is, Are there institutions in place that are capable of (1) mobilizing the tribal community in support of a particular strategy; (2) effectively implementing strategic choices; and (3) providing a political environment in which investors—large or small, tribal members or non-members—feel

secure? Such institutions have to operate at the level of collective choice and policy (e.g., design of the reservation economic system, rule and law-making), and of day-to-day bureaucratic functioning (e.g., program administration, law enforcement).

This last point deserves emphasis. The ability to get things done, typically through a professional and capable bureaucracy, is a critical element in translating tribal policy choices into results. This bureaucratic capability appears to be a significant factor in the relative success of Flathead and Yakima and of selected operations at White Mountain and Cochiti. It may also be important in recent improvements in the development situation at Muckle-shoot. (See Table 1.)

The sociocultural factors of interest include certain aspects of social organization and culture. The primary social organizational factor has to do with the goodness of fit between patterns of tribal social organization and centralized tribal governments. The reservation system, in many cases, either rigidified previously fluid group boundaries or constructed new groups out of previously unrelated peoples. In addition, the formal, centralized governing institutions that prevail on most reservations often were products of non-Indian actions and decisions. Consequently, some reservations lack the cohesion their boundaries and institutions imply, and the institutions themselves lack legitimacy.³⁵ Without a "super-government," a powerful outsider, to coerce individuals' acceptance of their shared institutions of governance, it devolves upon culture to provide the legitimacy that empowers governing institutions and shuts down the Hobbesian struggle.³⁶ In any given case, does such a comprehensive cultural template exist? More specifically, is the tribe the primary object of collective identity and allegiance among its members, or are these focused at the subtribal (e.g., local community or kinship group) level? Our hypothesis is that tribes with stark mismatches between culturally legitimated social organization and formal governmental structures do relatively poorly in reaching and implementing the collective decisions required for development.

A comparison of Cochiti Pueblo and the Oglala Sioux at Pine Ridge provides an example. Both have centralized governments, but the patterns of allegiance and identity are very different. At Cochiti, primary allegiance and identity appear to rest with the Pueblo as a whole, while at Pine Ridge, local communities, many

of them still kinship-based, compete with the tribe for control over reservation affairs and the allegiance of individual tribespeople.³⁷

We attribute two relevant roles to culture. First, culture specifies preferences, and these in turn shape, to a considerable degree, the goals that tribes pursue in the development process. Second, culture serves as a strategic guide to action. It does so insofar as it consists of a set of paradigms of self, of the world at large, and of appropriate modes of action and interaction that guide individual and collective responses to circumstance.³⁸ For example, such cultural paradigms of appropriate action and interaction guide supportable definitions of the range of acceptable powers for formal governmental and economic institutions. They thus can provide tribes "answers" to such questions as whether or not public ownership of enterprises is acceptable, or whether or not a separation of political and judicial authority is appropriate. They also can offer strategic guidance at the level of economic activity, selecting those activities that best fit with indigenous conceptions of self and of appropriate intragroup relations.³⁹

It is important to note that tribes can alter some of these opportunity/constraint factors, but not all of them. Among the external ones, the economic opportunity set is largely outside tribal control, at least in the short run. The public policy environment—and, through it, tribal autonomy—is more subject to tribal influence, particularly through the courts and lobbying, although both require major investments of time and money, and the ultimate payoffs are hard to predict. Certain of the internal factors—for example, human capital endowments and institutions of governance—are also within tribal control to varying degrees, and provide possible targets for investment of tribal time and resources.

The implication is that, at least as far as the opportunity and constraint set is concerned, the largest payoffs to investments of tribal time and resources are likely to come in the area of federal policy and in internal human capital and institutional assets. As will be clear in the following section, we believe that, in the current policy environment, the last of these factors is particularly important.

COLLECTIVE ACTION

Tribes pursue their development goals within this context of economic, political, and sociocultural opportunities and constraints. The action, so to speak, is around the collective strategies that tribes pursue in this context, and their implementation. It is here that we focus our research. These strategies have to do most importantly with three things:

- **The political system** (the structure and powers of political institutions; the system of self-governance);
- **The economic system** (the organization of economic activity; the primary actors);
- **Development activity** (the projects to be undertaken, their scale, and the timing involved).

To date, most tribal decision-making in the development area has focused heavily on the last of these—specific development projects. Tribal governments typically devote much of their development-related time and energy to considering whether or not to pursue various project alternatives: a factory, a mineral development, an agricultural enterprise, a motel, and so on. We conclude that the expenditure of time and resources in the (often frenetic) pursuit of development activity at the expense of attention to tribes' political and economic systems is an important cause of many reservations' underdevelopment. Development success is marked, in part, by the sustainability of projects. Only when appropriate political and economic institutions and overall development strategies are in place do projects—public or private—become sustainable on reservations. Much of the development success we have seen has occurred where tribes have paid prior and ongoing attention to the structure and powers of their political and economic systems.

The Political System

The primary need here is to create an environment that can channel behavior into productive as opposed to destructive activity. Whether or not this is accomplished depends on the incentives and constraints that emanate from a society's formal and informal mechanisms of social control. By *formal and informal* we mean

constitutions, charters, and legal codes on the one hand, and culturally supported norms and approbations on the other.

In the area of economic development, these social control mechanisms or institutional arrangements have to solve at least two related problems:

(1) *The Separation of Powers: Who Controls What?*

All societies face the problem of preventing those who exercise the legitimate powers of government from utilizing such power to transfer social wealth—or additional power—to themselves. Such usurpations typically take the form of either direct takings and confiscations or indirect self-enrichment through the biasing of laws, rules, and regulations. Such “rent seeking” (i.e., the use of the power and resources of government to enrich those in power rather than to add to social wealth) is socially destructive. Not only does it consume resources unproductively, but it discourages investment, particularly in fixed capital that cannot flee once it is installed. The task is to limit the role of those in power to that of “third party” enforcer, rather than self-interested primary party, in disputes and social decisions over the use of a society’s resources. Success at this task stands out as a distinguishing characteristic of those sovereign nations that have been able to develop economically from those that have not.⁴⁰

This is as true in Indian country as it is elsewhere around the world. Too often, for example, those with claims against either the tribe as a whole or other tribal members, whether themselves tribal members or not, can appeal only to the tribal council, that is, to an interested party in the dispute. Such conditions discourage investment, because potential claimants see little chance of fair adjudication of their claims.

The range of attempted tribal solutions to the problem of limiting and allocating governmental power is fairly broad. Some tribes (e.g., Salish-Kootenai) have formed strong, effectively independent judiciaries. Judges typically are appointed by the tribal council but are not subject to direct council control; have terms of office longer than those of council members; can be removed only for gross improprieties; and have the power to resolve disputes. At Flathead, appeals of court decisions are made not to the council but to an intertribal judicial board. Both Yakima and Rosebud have experimented with tribal ethics boards empowered to review grievances against politician and bureaucrat behavior.

At Rosebud, board members—usually elders—are chosen by the tribal council on the basis of their “wisdom, integrity, and knowledge of Lakota culture.”⁴¹ Those with grievances can appeal to the board, which hears cases in confidence and then makes recommendations to the council. The board has little formal power beyond its carefully guarded reputation for disinterested action, but that has been sufficient to give it substantial impact in a number of cases. A third solution is the submission of claims to outside adjudication through limited waivers of sovereign immunity or, since many tribes eschew such waivers, third-party arbitration. Finally, tribes may depend on strict constitutional delineations of powers or on cultural proscriptions on certain kinds of behavior to control what those in power do. But whatever the mechanism a tribe employs, its effectiveness requires the support of sufficient, and sufficiently influential, tribal members.

At Mescalero Apache and White Mountain Apache, for example, there are strong chief executive forms of tribal government supported by a mixture of the rule of law and the rule of custom. Single, often charismatic individuals effectively hold and exercise much of the power in the governing system, but within varying limits that restrict self-serving behavior. These limits emanate both from the formal (constitutional) organization of government and from culturally rooted norms and expectations regarding the appropriate behavior of leaders and the nature and scope of centralized self-government.

A polar opposite is found at Crow, which operates under a constitutionally based, general council form of government. The general council—the legislature—consists of all voting-age tribal members (and thereby has a membership in the thousands), is virtually unlimited in its authority over both the structure and powers of tribal government, and bears little resemblance to pre-reservation forms of Crow governance, which were based largely on clans and warrior societies. At Crow today there are no formal separations of power, no checks and balances.⁴² The result is “winner take all” politics in which the power to control a quarterly council meeting is the power to command virtually all disposable resources (e.g., tribal government jobs and budgets in an environment that effectively lacks any private sector alternatives—see Table 2), albeit for an insecure and typically brief tenure. Individual leaders have little incentive to invest in other than

the patronage of their own political factions, at the expense of longer-term tribal interests in economic well-being and social and political sovereignty. The consequence for economic development is an environment in which the tribe has extreme difficulty in attracting and keeping investment and employment opportunities, a governmental bureaucracy that is paralyzed in its ability to carry out day-to-day administration, and social and political breakdown to the point of violence.

The Flathead case illustrates an alternative and more successful approach to the problem of effectively allocating and limiting governmental power. The reservation is home to an amalgam of tribes with weak prereservation histories of political association. It operates under a constitutional parliamentary system and an effectively separate (i.e., professional and legislatively protected) judiciary. This provides a system of formal separation of powers and of checks and balances of the type often associated with Western democracies.

The reliance on formal controls on governmental power at Flathead is in sharp contrast to the theocracy of Cochiti Pueblo. Cochiti has no written constitution or legal codes, but relies instead on culture-based, religious limits on self-interested behavior on the part of political leaders. Its relative success economically and the apparent sustainability of its major development efforts indicate that this approach works, at least for Cochiti. Indeed, the contrast with Flathead's governing system illustrates the crucial point that all tribes face the same problem of limiting self-serving behavior on the part of tribal leaders, but their solutions may be very different. This accords with (for example) Pommerheim's conclusion that tribal groups may reasonably reject "both the desirability and the necessity of reform [of tribal governance] along non-Indian lines but rather are desirous of developing policy and institutions that are socially and culturally resonant to tribal members."⁴³

But the check is not blank. The solutions tribes turn to not only have to be appropriate to tribal situations, preferences, and paradigms; they also have to be adequate to the task at hand. "Resonant" solutions that fail to constrain the powers and behaviors of those that govern will only further undermine the possibilities of politically, socially, and economically successful development.

(2) *The Separation of Electoral Politics from Day-to-Day Management of Business*

A second, related problem has to do with the direct role of tribal government in development projects. Tribal governments, as vehicles for collective decisions, play a critical role in tribes' overall strategic decision-making. It is through tribal governments that decisions over long-term goals and over such matters as the extent of public and private ownership on the reservation, the type and form of business law and regulation, and the investment of community-owned assets appropriately are made. At the same time, a staple of storytelling in Indian country has to do with political interference in business activity. Over and over one hears of voided leases, hired or fired cousins, politicized management, and enterprises drained of funds by council interference. Such problems are hardly unique to Indian country—witness Chicago or Boston, the Philippines or Mexico, where the politics of patronage and personal aggrandizement have notable histories. While the details vary across reservations and other sovereignties, their consequences are depressingly similar: costs are increased and competitiveness reduced; earnings are dissipated and capital is not replenished; investors fear becoming hostages to politics and turn away.

Again, the solutions are various, and some are essentially the same as those already outlined above. The effective ones now apparent in Indian country range from culture-based limits on self-interested behavior, as at Cochiti Pueblo, to constitutional or legal limits, as at Mescalero Apache. In recent years a number of tribes—for example, Salish-Kootenai, Lummi—have put together their own development corporations to manage tribal enterprises. The successful ones—Flathead, for instance—place such management in the hands of appointed boards of directors that are accountable to the tribal council in the long run but independent of it in the day-to-day management of business operations. Certainly the success of such operations still depends on a host of other factors as well, such as skilled personnel and adequate markets, but through such corporations tribes can insulate their enterprises from politics and allow them to go about the business of creating social wealth.

The Economic System

Once effective political institutions are in place, the next issue facing strategic planning has to do with the organization of the economy. The question is, Who will be the primary actors in economic development?

Four major models are emerging in Indian country. Again, the critical issue is the appropriateness and effectiveness of each model in particular sets of internal and external conditions.

(1) *Federal control*

Federal control is the default mode of tribal economic organization, and historically the most common. This is what happens if tribes are unable to assert control over development; in other words, this is what happens in the absence of effective institutions or sovereignty. It typically involves the BIA as supervisor and often as manager of tribal development. It also means the BIA usually has to pick up the pieces when enterprises fail, which is what makes it occasionally attractive.

Federal control can also be attractive to tribes because of the immediacy of the tribes' needs for income and employment. In the case of a relatively small tribe, such as Hualapai (population just over 1,000), federal projects and monies may be sufficient to employ a large fraction of the tribe. As the data on 1989 BLS-defined employment and on the percent receiving public assistance indicate, Hualapai is doing relatively well (Tables 1 and 2). But the tribe is the most dependent on government employment of those in our sample (Table 2), and tribal members and officials repeatedly express their dissatisfaction with this dependence.

Given tribal goals of political and social sovereignty, the federal control model is almost always radically inappropriate. It also is extraordinarily unproductive in economic terms: the historical lack of progress in reservation economies is substantially a consequence of non-Indian control.

(2) *Tribal enterprise*

In this model the tribe itself is the developer. It owns and operates a set of tribal enterprises and manages the development of its own resources. One of the strengths of this model is that it takes full advantage of the economic payoffs to tribes' legal

statuses. Tribes are exempt from state and federal income taxation, are empowered to levy their own taxes and devise their own business codes, and often are exempt from federal and/or state economic regulation.

Tribal enterprise seems to be best suited to tribes where leadership can make management and investment decisions, but is constrained by cultural norms or formal restrictions from benefiting personally or politically from rent-seeking behavior. It also makes more sense where social organization and culture emphasize tribal allegiance over subtribal or local community ties, and where there is normative support for combined political and economic decision-making.

Thus tribal ownership tends to be successful at Cochiti, Flathead, White Mountain Apache, and Mescalero Apache. It is less successful at San Carlos Apache, where there is less social cohesion at the tribal level, and has been repeatedly unsuccessful at Crow and at Pine Ridge, where there is a deeply rooted history of local autonomy and little allegiance to centralized tribal government. These last two provide an interesting contrast. The primary problem with tribal enterprise at Crow seems to lie in political institutions that are incapable of sustaining collective decisions or compelling disinterested behavior. The remedy at Crow probably lies in self-determined institutional reform. Such reform is less likely to work at Pine Ridge, however, where the obstacle to tribal ownership lies in indigenous social organization. At Pine Ridge a different organizational model of the economy is more likely to produce results than is the reform of political institutions alone.

(3) Privatization with tribal member ownership and control

The key to this strategy—sometimes called microenterprise—is individual or family entrepreneurship. This model envisions a reservation economy based on a diverse array of small businesses started, owned, and operated by tribal members. It appears to be particularly appropriate where subtribal allegiances are dominant over tribal ones, where cultural norms support individual or familial accumulations of at least modest wealth, where access to financial and human capital are low and there is cultural resistance to the importation of non-Indian management, and where there are market opportunities in the retail sector.

Recent work by organizations such as the First Nations Financial Project and the Seventh Generation Fund suggests the viability of the microenterprise strategy on some reservations (for example, Pine Ridge). Of course, even under hospitable sociocultural conditions, this strategy also depends on political institutions capable of protecting investors and resolving disputes.

(4) *Privatization with non-tribal member control*

This model usually involves the location of non-Indian enterprises on Indian lands, and/or the management of Indian resources by non-Indian companies, usually via a joint venture or royalty arrangement. The tribe's primary task is to construct an environment which, with tax breaks, labor costs, regulatory relief, or other incentives, will attract non-Indian enterprise to the reservation. The Navajo tribe in recent years is perhaps the leading example of this strategy, although it has used other approaches as well.

This model offers a solution to the often pressing problems of access to financial and human capital; on the other hand, it introduces significant outside actors whose interests may diverge radically from those of the tribe. This may or may not be seen as a threat to tribal political and/or social sovereignty, depending in part on the strength of the tribe's formal and informal institutions of social control. Like tribal member privatization, its success requires an institutional structure that assures investors that their investments will be safe from opportunistic politics.

As already noted, this last requirement is no easier to accomplish in Indian country than it is in other settings. One of the things that makes the Indian situation dramatically different from that of Chicago or Boston is the greater relative importance of a single development project. Far more is at stake with a supermarket, a small assembly plant, or even a locksmith or beauty salon on a reservation than in a major metropolitan area. Consequently, both the competition for control of the resource and the societal costs of the politicization of that resource are much greater as well. Boston can afford a few politicized contracts and burned investors. Indian tribes cannot.

These four models are by no means mutually exclusive. Most reservations are likely to employ some combination of these, or at least of the last three, although one or another is typically dominant. Again, the appropriateness of the choices tribes make

is driven by both external conditions and internal factors such as social organization and culture.

Development Activity

Finally, there are choices to be made over economic activities or projects themselves. Again, the appropriateness issue is critical. For example, large-scale manufacturing is unlikely to be successful where there is culturally based resistance to hierarchical divisions of labor. Under such conditions it makes more sense for a tribe to pursue enterprises—tribal, familial, or individual—with flatter command structures.

Attitudes toward the commercialization of natural resources or toward patterns of work organization may also need to be considered in selecting possible projects. The White Mountain Apaches, for example, receive substantial tribal income from commercial hunting of their wildlife. These hunts not only produce impressive revenue, but they appear to fit comfortably within the Apache paradigm of “Apacheness” and with the tribe’s sense of the appropriate use of their resources. Yakima, on the other hand, has rejected the commercial hunting of wildlife, in part because it does not fit with the tribe’s relationship to those resources.

Similarly, Crow and Northern Cheyenne have made very different choices regarding the exploitation of extensive coal reserves on both reservations. Crow has pursued coal development vigorously, while Northern Cheyenne has been reluctant to do so. As Champagne has argued, the choices these tribes have made reflect, among other things, culturally rooted preferences.⁴⁴ As with the White Mountain/Yakima comparison, both tribes’ choices are culturally informed, but the cultures involved vary, and consequently the cultural information driving their decisions varies as well.

Figure 3 summarizes some of the “appropriateness” considerations that are relevant in selected economic sectors where tribes commonly look for development opportunities.

LARGE-SCALE MANUFACTURING typically requires (among other things):

- A tolerance for hierarchical divisions of labor
- High human capital (tribal or imported)
- Access to large-scale financial capital
- Transportation access to markets and supply
- Relatively centralized tribal organization and allegiance

RETAIL makes sense where there is (among other things):

- Poor access to alternative markets (owing to distance, off-reservation racism, etc.)
- Low tolerance for hierarchical divisions of labor
- Good protection from political interference
- Low human and financial capital

TOURISM typically requires (among other things):

- A populace amenable to interaction with outsiders
- A high recreational, cultural, or visual resource endowment
- Low off-reservation racism, allowing market opportunity
- Supportive state and local promotional policies/programs

EXTRACTIVE RESOURCE ENTERPRISE requires (among other things):

- An appropriate natural resource endowment
- Good transportation links to markets
- Tribal ownership and/or effective environmental law
- High human capital (tribal or imported)
- High financial capital
- A tolerance for hierarchical divisions of labor
- Cultural norms endorsing the commercialization of natural resources

Figure 3. Development Projects: Examples of Strategic Considerations

CONCLUSIONS

Clearly much remains to be learned. Among other things, why some tribes are better than others at constructing effective institutions, of whatever kind, and at mobilizing and sustaining community support for development strategies is an important question. The societal sources of effective institution-building are by no means clear.

Nonetheless, at a general level, several conclusions emerge from this analysis. From a development point of view, the critical recent change in Indian-white relations is the political one. Tribes that are governed largely by decisions made elsewhere—in Congress, in federal offices, in state governments, in corporate board rooms—are unlikely to be successful developers. The move toward self-determination, coupled with aggressive Indian assertions of control, has begun to put decision-making power in Indian hands. In so doing, it has made widespread economic development on reservations possible for the first time.

Put differently, economy follows sovereignty. To say so is to contradict the common view. For some time federal officials and other analysts have argued that if tribes wish to be truly sovereign, they first need to build viable economies.⁴⁵ This is backwards. The most striking characteristic of the relatively successful tribes we have studied is that they have aggressively made the tribe itself the effective decision-maker in reservation affairs.

Yet much more is necessary. The changed political situation only makes development a possibility; it by no means guarantees it. Numerous obstacles still stand in the way, from the vagaries of markets to the resource endowments of tribes. But we are convinced that, of those obstacles that Indian nations themselves can directly affect, the institutional one is paramount. Generous resource endowments, human capital, and access to financial capital will be virtually useless if tribes are incapable of making collective decisions and sustaining collective action, and if they lack the institutional structures necessary to maintain a hospitable environment for human and financial investment. Even external political relations become virtually irrelevant under such conditions. On the other hand, institutionally capable tribes are more likely to be able to take maximum advantage of small resource endowments and other unpromising conditions. Effective sovereignty exists not simply in the recognized right to

decision-making, but in the ability to make decisions and to carry them out. As Indian tribes develop effective formal and informal mechanisms of governance and social control, they empower themselves.

As for what those mechanisms should be, there is no one ideal solution for all tribes. While all tribes must solve similar problems as they wrestle with development dilemmas, the answers will be tribally specific, responding to particular sets of opportunities and constraints. The problem is to lay out the alternative answers and match them up with specific internal and external conditions so that tribes can make informed choices that pass the test of appropriateness.

In this process, culture is a strategic guide. Traditional studies of development—those that dominated the 1950s and 1960s, for example, under the rubric of modernization studies—tended to view cultures other than Western culture as obstacles to development. Development would progress, they suggested, as distinctive cultures disappeared. More recent approaches that emphasize the centrality of the state in development have often ignored culture altogether, as have theories that link development primarily to resource endowments.

The Indian cases show that culture is indeed a critical factor. It informs and legitimizes conceptions of self, of social and political organization, of how the world works, and of how the individual and group work appropriately in the world. We do not mean to imply here that there is cultural uniformity within or across tribes; on the contrary, diversity is pervasive. Nonetheless, to the extent that there is shared culture of whatever kind, Indian societies have collective templates that describe how they can and should organize themselves and respond to the political, economic, and social conditions they encounter. In the development arena, culture thus provides standards by which to measure the "goodness-of-fit" of goals, governing institutions, and economic strategies.

But cultural standards are not the only ones by which tribes are and will be testing their development choices. Those choices have to pass the test of adequacy as well. There are no blank checks in Indian country, or anywhere else. Under any given set of internal and external conditions, some institutional strategies work better than others. The task for tribes is to find those strategies that fit their needs and preferences and, at the same time, are

adequate to the requirements of sustained development. Once those institutions are established, tribes can profitably choose particular development projects that best fit their own situations, their preferences, and the market environments they face.

The implication for tribes is clear. The institutional political and economic choices tribes make, and the adequacy and appropriateness of those choices, will determine to a significant degree the tribes' success or failure in achieving their development goals. The implication for federal policymakers is clearer still. To the extent that federal policy reinforces the legal, political, and institutional foundations of tribal sovereignty, it increases the chances that tribes can find their own pathways out of poverty.

NOTES

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2. U.S. Department of the Interior, "Report of the Task Force on Indian Economic Development" (Washington, D.C., 1986), 3. For a comprehensive and thorough treatment of Indian socioeconomic conditions, see C. Matthew Snipp, *American Indians: The First of This Land* (New York: Russell Sage, 1989).

3. U.S. Bureau of the Census, *Census of the Population, 1980. Subject Report: American Indians, Eskimos, and Aleuts on Identified Reservations and in the Historic Areas of Oklahoma (Excluding Urbanized Areas)* (Washington, D.C.: U.S. Government Printing Office, 1986), Table 10, 77.

4. U.S. Bureau of the Census, *Subject Report*, Table 11, 86; U.S. Bureau of the Census, *Census of Housing, Vol. 1: Characteristics of Housing Units, Part 1, United States Summary* (Washington, D.C., GPO, 1983), Table 79, 53.

5. U.S. Bureau of the Census, *Subject Report*, Table 26, 404. See also David L. Vinje, "Economic Development on Reservations in the Twentieth Century," in *Overcoming Economic Dependency*, Occasional Papers in Curriculum Series 9 (Chicago: The Newberry Library, 1988) 39.

6. Margaret Barnwell Hargreaves and Hedy Nai-Lin Chang, "Evaluating the Impact of Federal Welfare Reform Legislation in Indian Country: A Case Study of the Rosebud Sioux Reservation," Harvard Project on American Indian Economic Development, Project Report Series, John F. Kennedy School of Government, Harvard University, 1989, 8.

7. U.S. Congress, Office of Technology Assessment, *Indian Health Care* (Washington, D.C., GPO, 1986), 19.

8. For an overview, see Alan L. Sorkin, "Health and Economic Development on American Indian Reservations," in *Public Policy Impacts on American Indian Economic Development*, Development Series No. 4, ed. C. Matthew Snipp (Albuquerque, NM: Native American Studies, University of New Mexico, 1988), 145-65.

9. Office of Technology Assessment, *Indian Health Care*, 22, 127.

10. *Ibid.*, 22.

11. This figure is the difference between the 1989 percent of work force employed and the 1989 BLS-defined employment figures in Table 1. The potential work force includes reservation residents aged 16 years and over, minus those unable to work because of school or college attendance, child care responsibilities, disability, retirement, or old age.

12. See the statement by Wendell Chino in William MacDougall, "Apaches Make Their Peace with Modern World," *U.S. News and World Report*, 5 April 1982, 64-65; also "Sierra Blanca," *The Boston Globe*, 5 January 1986, and "The New Capitalists: Economics in Indian Country," television program, Odyssey Productions Inc., aired on Public Broadcasting Service, 10 October 1984.

13. Douglas Johnson, "A Study of the 25 Poorest Counties in the Continental U.S.A. in 1986" (Unpublished paper, United Methodist Church, 1987).

14. For discussion, see A. David Lester, "Transitions in Tribal-Federal Relations, 1989-1993" (Unpublished paper, Council of Energy Resource Tribes, 1988).

15. Lewis Meriam and Associates, *The Problem of Indian Administration* (Baltimore: Johns Hopkins Press, 1928).

16. On changes in federal Indian budgets, see Joane Nagel, Carol Ward, and Timothy Knapp, "The Politics of American Indian Economic Development: The Reservation/Urban Nexus," in Snipp, *Public Policy Impacts*, 39-76.

17. See Snipp, *American Indians: First of This Land*; also the discussion of improvements in Indian household income in Marta Tienda and Leif Jensen, "Poverty and Minorities: A Quarter-Century Profile of Color and Socioeconomic Disadvantage," in *Divided Opportunities: Minorities, Poverty, and Social Policy*, ed. Gary D. Sandefur and Marta Tienda (New York: Plenum Press, 1988), 28.

18. For a discussion, see Stephen Cornell and Joseph P. Kalt, "The Redefinition of Property Rights in American Indian Reservations: A Comparative Analysis of Native American Economic Development," Harvard Project on American Indian Economic Development, Project Report Series, John F. Kennedy School of Government, Harvard University, 1988.

19. The following profiles of the Crow and White Mountain Apache situations are based on extensive interviews with tribal administrators and program managers, as well as U.S. census, BIA, and Indian Health Service data.

20. But see, for example, Duane Champagne, "Sociocultural Responses to

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21. For example, Joseph G. Jorgensen, *The Sun Dance Religion: Power for the Powerless* (Chicago: University of Chicago Press, 1972); Jorgensen, "A Century of Political Economic Effects on American Indian Society, 1880-1980," *Journal of Ethnic Studies* 6 (1978): 1-82; Lorraine Turner Ruffing, "The Navajo Nation: A History of Dependence and Underdevelopment," *Review of Radical Political Economics* 11: 2 (1979): 25-41; Snipp, "The Changing Political and Economic Status of American Indians: From Captive Nations to Internal Colonies," *American Journal of Economics and Sociology* 45 (1986): 145-57; Snipp, "American Indians and Natural Resource Development," *American Journal of Economics and Sociology* 45 (1986): 457-74.

22. The dependency approach implies, of course, that performance might vary with the degree of resource loss experienced by individual tribes. However, it then becomes essentially a natural resource endowment explanation. See the discussion of economic factors below.

23. Stephen Cornell and Marta C. Gil-Swedberg, "Sociohistorical Factors in American Indian Economic Development: A Comparison of Three Apache Cases," Harvard Project on American Indian Economic Development, Project Report Series, John F. Kennedy School of Government, Harvard University, 1990.

24. For example, William J. Ewasiuk et al., *Finance and Management: The Key to Indian Self-Determination* (Bozeman, MT: Department of Agricultural Economics and Economics, Montana State University, 1973); and various chapters in American Indian Policy Review Commission, *Report on Reservation and Resource Development and Protection* (Washington, D.C., GPO, 1976).

25. For example, Malcolm Gillis, Dwight H. Perkins, Michael Roemer, and Donald Snodgrass, *Economics of Development* (New York: W. W. Norton, 1987).

26. U.S. Bureau of Indian Affairs, *Local Estimates of Residents: Indian Population and Labor Force*, April 1979 and January 1989, Table 1.

27. Matt Snipp has shown that reservations with substantial energy resources "are somewhat better off than other reservations but not by a large margin." See C. Matthew Snipp, "Public Policy Impacts and American Indian Economic Development," in Snipp, *Public Policy Impacts*, 16 and Table 2, 17.

28. In 1969 the Bureau of Indian Affairs was quite explicit on the point, stating, "Indian economic development can proceed only as the process of acculturation allows." See U.S. Bureau of Indian Affairs, "Economic Development of Indian Communities," in Joint Economic Committee, U.S. Congress, *Toward Economic Development for Native American Communities* (Washington, D.C., GPO, 1969), 333. See also Peter Paul Dorner, "Economic Position of the American Indians: Their Resources and Potential for Development" (Unpublished Ph.D. dissertation, Harvard University, 1959); and Boise Cascade Center for Community Development, *Indian Economic Development: An Evaluation of EDA's Selected Indian Reservation Program*, vol. 1 (Boise, ID: Boise Cascade Center for Community Development, 1973).

29. See, for example, U.S. Department of the Interior, "Report on Indian Economic Development."

30. For discussion, see Frank Pommersheim, "Native Americans, Traditional Development, and the Theory of Dependency: Some Reflections and Comparative Analysis" (Unpublished MSS, University of South Dakota School of Law, undated).

31. Few of the governments developed in the 1930s reflect indigenous roots or preferences. Equally important, it is obvious to even a casual observer that the governmental structures of the IRA period—whether based on IRA constitutions or not—were not designed with anything like the effective governance of truly sovereign societies in mind. Many are structurally inadequate to the typical tribal government tasks of dealing with state and federal governments and major corporations, managing significant economic resources, making effective, community-based decisions regarding their own futures, and exercising judicial authority.

32. This means, of course, that there is a set of prior questions regarding how and how well the behavior and choices of individual tribal members are translated into collective outcomes. This topic is largely beyond the focus of this paper. Our concern here is with identifying the primary collective choices tribes face and the plausible range of successful choices. On the former point, however, see the discussion of collective action in Stephen Cornell and Joseph P. Kalt, "Culture and Institutions as Public Goods: American Indian Economic Development as a Problem of Collective Action" in *Property Rights, Constitutions, and Indian Economies*, ed. Terry Anderson (forthcoming), which is an expanded and altered version of the present paper.

33. This last issue is often discussed in terms of the preservation of "traditional" culture, and tribes occasionally are presented as desiring some kind of return to the *status quo ante*. Certainly many tribes are working hard to preserve indigenous ways of life, although these efforts often have more to do with the symbolic order and social relationships than with material culture or provisioning practices. Few tribes or constituencies, however, appear to be categorically opposed to change. The issue has more to do with maintaining control over the direction and speed of change, and with planning effectively for the very long term.

34. See, for example, Ronald L. Trosper, "Multicriterion Decision-Making in a Tribal Context," *Policy Studies Journal* 16 (1988): 826-42.

35. For a related discussion, see Champagne, "American Bureaucratization and Tribal Governments: Problems of Institutionalization at the Community Level," in *The Impact of Indian History on the Teaching of United States History*, Occasional Papers in Curriculum Series 5 (Chicago: The Newberry Library, 1987).

36. On this theme, see Robert H. Bates, "Macro-Political Economy in the Field of Development" (Unpublished MSS, Duke University, undated); Mary Douglas, *How Institutions Think* (Syracuse, NY: Syracuse University Press, 1986); Douglass C. North, "Ideology and Political/Economic Institutions," *The Cato Journal* 8: 1 (1988): 15-28.

37. One student of Pine Ridge writes that many Oglalas "do not identify with the tribe as a political group and would prefer to run their own affairs at the local level, under the direction of local leaders whose support comes from community faith in their abilities." See Raymond J. DeMallie, Jr., "Pine Ridge Economy: Cultural and Historical Perspectives," in Stanley, *American Indian*

Economic Development, 274. We are grateful also to Rebecca Adamson of the First Nations Financial Project for her insights on this issue.

38. See, for example, Ann Swidler, "Culture in Action: Symbols and Strategies," *American Sociological Review* 51 (1986): 273-86; and Vernon W. Ruttan, "Cultural Endowments and Economic Development: What Can We Learn from Anthropology?" *Economic Development and Cultural Change* 36 (1988): S247-71.

39. We do not mean to suggest that culture is unchanging or that it provides a self-contained explanation of action, but only that Indian tribes, like other societies, are carriers of cultural paradigms that mediate between circumstance and their response to it. Such paradigms change over time, partly in response to the very circumstances whose impact they mediate, and any complete explanation of action must account for the paradigms as well. This task, however, lies well beyond the scope of this paper.

40. See, for example, Douglass C. North, *Structure and Change in Economic History* (New York: W. W. Norton, 1981).

41. From the tribal ordinance establishing the Rosebud ethics board, quoted by Rose Bordeaux, board member, interview, Rosebud Reservation, South Dakota, summer 1988.

42. The Crow constitution, like many tribal constitutions, provides the Secretary of the Interior (or the Secretary's agent—the BIA) with the right of disapproval over council actions.

43. Pommersheim, "Native Americans and Theory of Dependency," 18-19.

44. Champagne, "Sociocultural Responses to Coal Development." See also Rubie Sooktis and Anne Terry Straus, "A Rock and a Hard Place: Mineral Resources on the Northern Cheyenne Reservation," *Chicago Anthropology Exchange* 14 (1981): 27-35.

45. For some early statements of this view, see U.S. Bureau of Indian Affairs, "Economic Development of Indian Communities," and Ewasiuk, *Finance and Management*.